



“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 30, 2025

Pages 2081 to 2331

1 APPEARANCES

2

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11 Michael Gandhi ) Advisor

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16 Steve Scarfone (Counsel) ) Manitoba Public

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18 Eric Wishnowski (np) ) Counsel

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APPEARANCES (cont'd)

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1	LIST OF EXHIBITS		
2	Exhibit No.	Description	Page No.
3	MPI-66	MPI rate group change history filed	
4		October 28th	2153
5	MPI-67	Closing submission of MPI for the	
6		2026 General Rate Application	2153
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1 --- Upon commencing at 9:01 a.m.

2

3 PANEL CHAIRPERSON: Good morning,  
4 everyone. Today, we will start with the closing  
5 remarks starting with Board Counsel. Mr. Andres...?

6

7 CLOSING COMMENTS BY PUB:

8 MR. TODD ANDRES: Thank you, Madam  
9 Chair. We have now completed the evidentiary part of  
10 this public hearing with respect to the 2026 General  
11 Rate Application, or GRA, filed by Manitoba Public  
12 Insurance.

13 The Board will soon deliberate on the  
14 Application for base rates and premiums charged for  
15 compulsory vehicle and driver insurance to take effect  
16 on April 1st, 2026. As counsel for the Board, I do  
17 not take any positions on the merits of any part of  
18 the Application or on the positions taken by any of  
19 the parties. My role is to summarize the matters that  
20 are before the Board and outline issues that it may  
21 wish to consider in making its decisions.

22 Rate indications are interest sensitive  
23 and market interest rates are always changing. This  
24 gives rise to a significant risk of estimation error  
25 in deriving Basic rate indications. MPI has adopted a

1 naive interest rate and uses rate indications derived  
2 in accordance with accepted actuarial practice in  
3 Canada to reduce the risk of estimation error.

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

9           For the 2026 GA, the Corporation  
10 submitted an Application and public notice to reflect  
11 a rate indication derived in the usual manner. While  
12 MPI did not apply for a provisional rate in this  
13 Application, it provided an update to the applied for  
14 rate on September 25th before the commencement of the  
15 public hearing.

16           On June 25th, 2025, the Corporation  
17 filed its General Rate Application and public notice,  
18 which indicated the need for a 2.07 percent overall  
19 rate change based on the actuarial indicated rate  
20 based on market interest rates of March 23rd -- pardon  
21 me, March 31, 2025.

22           MPI filed an update to its Application  
23 On September 25th, 2025, reflecting changes to  
24 interest rates as of August 31, 2025. In that update,  
25 the actuarially indicated rate change required

1 decreased from 2.07 percent to 1.57 percent. However,  
2 unlike in recent Applications, MPI did not revise as  
3 2.7 percent requested overall rate increase.

4           The requested average rate adjustment  
5 for each major class is as follows: for private  
6 passenger, an overall increase of 1.93 percent; for  
7 the commercial class an overall increase of 5.93  
8 percent; for the public class, an overall increase of  
9 0.6 percent; for motorcycles, an overall increase of  
10 5.81 percent; for trailers, an overall increase of 0.6  
11 percent; and for off-road vehicles, an overall  
12 increase of 1.67 percent. This amounts to an overall  
13 rate change of 2.07 percent.

14           MPI has applied for changes to the  
15 Driver Safety Rating, or DSR system, by increasing the  
16 maximum merit level under the DSR scale from 19 to 20  
17 in the 2025/'26 policy year, setting the discount for  
18 DSR 20 equal to DSR 19 and moving all DSR discounts  
19 one third of the way toward their actuarially indicated  
20 percentages for each positive DSR level, and then  
21 rounded down to the nearest whole number with base  
22 rates adjusted to off-balance these changes.

23           MPI also proposed increasing its  
24 private passenger and light truck rate groups from the  
25 existing forty-two (42) rate groups ranging from zero

1 to forty-one (41) to forty-six (46) rate groups  
2 ranging from zero to forty-five (45), subject to a  
3 capping of a maximum increase for any existing vehicle  
4 of plus five (5) rate groups.

5           The base rates were not rebalanced to  
6 make this change revenue neutral and, therefore, this  
7 addition of rate groups 42 to 45 is expected to  
8 generate an additional \$38.1 million of revenue and  
9 reduces the actuarially indicated rate change by about  
10 3.1 percent.

11           Due to the high number of vehicles in  
12 the current highest rate group, which is rate group  
13 41, MPI indicates that its expansion of the rate  
14 groups is designed to enhance fairness and equitable  
15 rates. MPI may consider further expansion in future  
16 GRAs.

17           MPI is currently reviewing its rate  
18 group structure. Even after the expansion to forty-  
19 six (46) rate groups, a noticeably large proportion of  
20 vehicles remains concentrated in the highest rate  
21 groups.

22           While no formal decision has been made  
23 as to the upper limit of the rate group scale, MPI  
24 intends to continue the expansion. MPI's Application  
25 includes the proposal that on April 1, 2026, the Basic

1 deductible will increase for all Basic eligible  
2 vehicles to which physical damage coverage applies.

3           Deductibles are increasing from seven  
4 hundred and fifty dollars (\$750) to one thousand  
5 dollars (\$1,000) for private passenger vehicles in  
6 MPI's proposed Application.

7           Also, Vehicles-for-Hire, vans, light  
8 trucks, motorhomes, motorcycles, trailers with a  
9 declared value between twenty-five -- two thousand  
10 five hundred and one dollars (\$2,501) and fifty  
11 thousand dollars (\$50,000), temporary permits and  
12 interim registration permits will have their  
13 deductibles increased from seven hundred and fifty  
14 (750) to a thousand dollars in MPI's Application.

15           Truck tractors, tankers, logging  
16 trucks, sand and gravel trucks, common carrier trucks,  
17 and bus deductibles would increase from twelve hundred  
18 (1,200) to fifteen hundred dollars (\$1,500). Trailers  
19 with declared value of twenty-five hundred dollars  
20 (\$2,500) or less and moped deductibles would increase  
21 from two hundred and twenty-five dollars (\$225) to  
22 three hundred dollars (\$300).

23           MPI does not propose changes to service  
24 or transaction fees, permit and certificate fees,  
25 fleet rebates, or surcharges, or the discount for

1 aftermarket and manufacturer or dealer installed anti-  
2 theft devices.

3           After consideration of insurance use  
4 and territory and capping and balancing for the  
5 experience rate adjustments, the results were modeled  
6 by the Corporation to assess the impact of various  
7 rate and classification changes.

8           In total, the current vehicle  
9 population is one million two hundred and ninety-six  
10 thousand four hundred and five (1,296,405) vehicles,  
11 to which their proposed rate would be applied as  
12 follows.

13           Excluding the impact of movement of  
14 vehicles on the DSR scales, four hundred and seventy-  
15 seven thousand eight hundred and fifty-five vehicles  
16 (477,855) vehicles, or 36.86 percent of the overall  
17 fleet, would receive a rate decrease, the majority of  
18 which would be a hundred dollars or less.

19           Six hundred and nineteen thousand eight  
20 hundred and twelve (619,812) vehicles, or 47.81  
21 percent of the overall fleet, would receive a rate  
22 increase of which three hundred and twelve thousand  
23 eight hundred and fourteen (312,814), or 24.13 percent  
24 of the overall fleet, would receive an increase of one  
25 hundred dollars (\$100) or more.

1                   One hundred and ninety-six thousand  
2 seven hundred and thirty-eight (196,738) vehicles, or  
3 15.33 percent, would receive no change in rates with  
4 a hundred and nine thousand four hundred and seventy-  
5 two (109,472) of these vehicles being trailers and  
6 eighty-three thousand nine hundred and thirteen  
7 (83,913) being off-road vehicles.

8                   The above movement is based on -- based  
9 on the proposed 2.07 percent increase which the  
10 Corporation did not change in the September 25th  
11 update. The Corporation further requests that the  
12 Board discontinues its practice of requiring MPI to  
13 provide an October update.

14                   The Corporation has not applied for a  
15 Capital Management Plan. MPI has stated that while  
16 there is no CMP, or Capital Management Plan, currently  
17 proposed to the Board, MPI uses the framework of the  
18 proposed CMP from the 2024 GRA as an internal  
19 management tool.

20                   In the Application as filed, MPI  
21 reported a Basic insurance MCT ratio for 2024/'25 at  
22 106.9 percent. The Basic MCT ratio is forecast to be  
23 93 percent in 2025/'26, 95.9 percent in 2026/'27, and  
24 a hundred and four -- pardon me, 100.4 percent in  
25 2027/'28.

1                   The forecast does -- does consider  
2 additional rate changes based on accepted actuarial  
3 practice for the 2027/'28 rating year and thereafter.  
4 In the Application, MPI requests direction to defer  
5 approximately \$31 million in accumulated initiative  
6 expenses forecasted to be incurred in the 2026/'27  
7 rating year into the regulatory deferral account.

8                   MPI also asks that the PUB issue a  
9 declaration that the assets in the regulatory deferral  
10 account as of March 31, 2026, including all deferred  
11 initiative expenses to be incurred in the 2026/'27  
12 fiscal year are of no value and, therefore, not  
13 recoverable from Basic ratepayers.

14                   Going forward, MPI requests the Board  
15 abandon the practice of deferring initiative costs.  
16 MPI proposes instead to include the rate setting  
17 process -- pardon me. MPI proposes instead to include  
18 in the rate setting process the actual initiative  
19 expenses from prior fiscal year adjusted for Manitoba  
20 inflation.

21                   Should the Board decide that the  
22 submitted costs are not just and reasonable, it could  
23 disallow them and not track the balance, simplifying  
24 the current process.

25                   As always, the Corporation's estimate

1 of its overall requirement is sensitive to the methods  
2 and assumptions used in its derivation. For the 2026  
3 GRA, attention was given to seven (7) areas: the New  
4 Money Yield; the Corporation's request for the PUB to  
5 discontinue its practice of requiring MPI to provide  
6 an October update to the rate; forecast claims cost;  
7 impact of the change in Basic deductible from seven  
8 fifty (750) to one thousand dollars (\$1,000); forecast  
9 claim expenses; forecast expenses; and the  
10 Corporation's proposal that the PUB should abandon the  
11 practice of deferring initiative costs; and then MPI  
12 would instead include in the rate setting process the  
13 actual initiative expenses from the prior fiscal year  
14 adjusted for Manitoba inflation.

15                   For future GRAs, attention is paid to  
16 the use of generalized linear modeling, or GLM, to  
17 determine rating differentials. Based on the New  
18 Money Yield as of March 31, 2025, and prior to the  
19 increase in the Basic deductible and the addition of  
20 rate groups 42 to 45, the rate indication was 8.26  
21 percent.

22                   The increase in the Basic deductible  
23 removed \$40.4 million, or twenty-nine dollars and  
24 seventy-three cents (\$23.73) per unit, of required  
25 premium from the Basic line of business, which reduced

1 the rate indication by 3.03 percent to 5.23 percent.

2           The proposed edition of rate groups 42  
3 to 45 is expected to generate \$38.1 million in  
4 premiums. The rate indication takes into  
5 consideration changes in the rate group and, hence, is  
6 reduced by 3.16 percent to 2.07 percent.

7           One hundred and eighty-eight thousand  
8 three hundred and fifty-four (88,154) existing  
9 vehicles would become rate group 42 to 45 and receive  
10 an average rate increase due to the rate line of 14.48  
11 percent. That, when combined with the overall rate  
12 change of 2.07 percent, results in an average rate  
13 increase of 16.85 percent.

14           The Corporation updated the 2026 GRA  
15 rate indication with interest rates as of August 31,  
16 2025, reflecting more recent yields. MPI used the  
17 yields on real estate and mortgages and asset  
18 durations based on July 31st data as data to August 31  
19 was not available until late September.

20           The New Money Yield is a weighted yield  
21 of all asset classes held in the portfolio backing the  
22 Basic claims liability held by MPI to be consistent  
23 with order 2 of '25.

24           The New Money Yield is based on actual  
25 duration and expected yield of the assets in the Basic

1 claims portfolio. The yield for each of the bond  
2 asset classes is calculated based on a blended average  
3 of two (2) fixed income indices so that the blended  
4 duration equals the asset duration.

5 The actual duration and yield of the  
6 municipal, utility, school, and health, or MUSH bond  
7 portfolio, and the TD Asset Management Commercial  
8 Mortgage Fund is used.

9 Real estate was based on a benchmark  
10 return of the Manitoba Consumer Price Index, 4  
11 percent. The New Money Yield is reduced for  
12 investment expenses. The Application as filed was  
13 based on yields as of March 31, 2025, generating a New  
14 Money Yield of 4.27 percent before investment  
15 management expenses and 4.09 percent after, and a  
16 breakeven rate indication of 2.07 percent.

17 The September 25th update, or October  
18 update, based on yields as of August 31, 2025,  
19 generated a New Money Yield of 4.56 percent before  
20 investment management expenses and 4.38 percent after,  
21 which is an increase of 29 basis points. This  
22 decreased the rate indication by 0.5 percent to 1.57  
23 percent.

24 MPI proposed in the September 25th  
25 update to replace the use of CPI 4 percent with an

1 expected return of 5.73 percent for real estate by the  
2 ten (10) year average of the return of the MSCI  
3 quarterly property fund as of June 30 with a value of  
4 4.2 percent. This would reduce the New Money Yield to  
5 4.23 percent, representing a decrease of .15 percent  
6 and change the rate indication to 1.83 percent, which  
7 is an increase of .26 percent.

8 MPI requests in the 2026 General Rate  
9 Application that the Public Utilities Board  
10 discontinue the practice of requiring that MPI update  
11 -- update the applied for rate indication. While MPI  
12 has been updating interest rates, and then adjusting  
13 its rate indication since 2013, MPI submits that this  
14 practice does not serve a valuable purpose in what is  
15 already a robust regulatory process.

16 MPI provided evidence in the 2026 GRA  
17 that the use of October 31 New Money Yields is no  
18 better at predicting the actual rate indication  
19 required by MPI using the March 31 New Money Yields.

20 MPI also provided evidence that two  
21 hundred and fifty (250) hours of labour were -- were  
22 required to create the October update in support of  
23 MPI's request to discontinue the practice of  
24 developing it.

25 Rejected undiscounted claims costs by

1 coverage which would exclude any interest rate impact  
2 or forecast in the 2026 GRA for the 2026/'27 rating  
3 year to be increased by \$53.6 million from the level  
4 forecast in the 2025 GRA for the 2026/'27 rating year.

5           The 2026 GRA claims cost reflects the  
6 increase in the Basic deductible from seven hundred  
7 and fifty (750) to one hundred thousand -- pardon me,  
8 to one thousand dollars (\$1,000), which is estimated  
9 to result in a reduction of claim costs of \$24.4  
10 million.

11           The claims cost per unit has increased  
12 from seven hundred and forty-one dollars and eighty-  
13 five cents (\$41.85) in the 2025 GRA compliance filing  
14 to eight hundred and two dollars and sixty-four cents  
15 (\$802.64) in the 2026 GRA, representing an increase of  
16 sixty point seven nine dollars (\$60.79), or 8.19  
17 percent per unit.

18           If the Basic deductible was not  
19 increased from seven hundred and fifty (750) to a  
20 thousand dollars, the claims cost per unit would have  
21 increased by an additional twenty-five point o-three -  
22 - twenty-five dollars and three cents (\$25.03) per  
23 unit.

24           In the October update, the Corporation  
25 did not make any changes to its projected undiscounted

1 claims costs for the 2026/'27 and the 2027/'28  
2 accident years.

3                   In the 2026 GRA, the Corporation based  
4 its comprehensive claims forecast on a by-peril  
5 analysis of those lost trends instead of on a combined  
6 basis as forecast in the 2025 GRA.

7                   In addition, MPI revised its approach  
8 to work from home and how it captured -- pardon me,  
9 and how it is captured in the claims forecast. In  
10 this GRA, significant attention was paid to the change  
11 in approach to work from home. The 2024 accident year  
12 experienced higher than expected claim frequency and  
13 key coverages such as collision.

14                   When MPI updated its loss trends,  
15 inclusive of the 2024 accident year, MPI noted that  
16 statistics of fitted regression models indicated that  
17 continued reliance on survey results would no longer  
18 produce a statistically significant variable for  
19 mobility, which could not explain recent increases in  
20 claim frequency.

21                   In this GRA, MPI used a simple linear  
22 model assuming commuting returned to pre-pandemic  
23 levels by using a variable of 4, 3, 2, and 1 for  
24 mobility to model the work-from-home impacts during  
25 the 2020 to 2023 years respectively. MPI assumed no

1 work-from-home impact in 2024 and onward.

2 MPI cited an article by Statistics  
3 Canada on Canadians commuting in 2024 as a part of its  
4 justification of the change in assumptions. Further,  
5 Statistics Canada data on commuting time, TomTom data  
6 on traffic congestion, as well as Statistics Canada  
7 data on fuel sales were provided and discussed through  
8 Information Requests and cross-examination.

9 Alternative estimates were provided  
10 using the 2025 GRA approach to work from home, which  
11 assumed an ongoing assumption of reduced frequency  
12 levels due to work-from-home, which reduced the  
13 overall rate indication from 2.07 percent to 0.27  
14 percent.

15 The Consumers Coalition called Mr.  
16 Rajesh Sahasrabuddhe as an expert witness who provided  
17 an alternative estimate using the 2025 GRA approach to  
18 work-from-home for 2020 to 2023, and then assuming no  
19 work-from-home impact in 2024 and onwards.

20 Alternative frequency, severity, and  
21 loss cost trends along with the difference in accident  
22 year weighting were used in this approach. This  
23 resulted in an increase in the overall rate indication  
24 from 2.07 percent to 2.88 percent.

25 Mr. Sahasrabuddhe indicated that a

1 reasonable alternative assumption would be that claim  
2 frequency is at a level lower than pre-pandemic  
3 frequency. Mr. Sahasrabuddhe also testified about the  
4 alternative frequency, severity, and loss cost trends  
5 from multiple coverages.

6           The Corporation estimated that the --  
7 the increase in the Basic deductible will result in an  
8 increase in the average premium of twenty-nine point -  
9 - twenty-nine dollars and seventy three cents (\$29.73)  
10 based on projected units of one million three hundred  
11 and fifty-nine thousand nine hundred and seventy-four  
12 (1,359,974) that corresponded to a decrease in  
13 required premium for Basic of \$40.4 million.

14           The Corporation stated that the  
15 incremental decrease in average premiums under Basic  
16 due to product change will be added to Extension to  
17 achieve close to rate neutrality. This will ensure  
18 that new product offerings will provide comparable  
19 coverage at a comparable cost.

20           The claim costs forecast to be added to  
21 Extension are based on an assumption by MPI that 100  
22 percent of Extension eligible customers will purchase  
23 the deductible buydown coverage. If there had been no  
24 change in the Basic deductible in the 2026 GRA, the  
25 Extension premium forecast for the 2020 -- for the

1 2026/'27 year would have been lower than the level  
2 forecast in the 2025 GRA compliance filing.

3           As a result, the Corporation did not  
4 increase the written premiums in Extension to reflect  
5 this additional coverage. MPI expects a reduction in  
6 Basic claims amounts in the 2026/'27 rating year from  
7 the increase in Basic deductible of \$16.4 million for  
8 collision, \$13.4 million for comprehensive, and an  
9 increase in the claims costs of property damage third-  
10 party deductible transfer coverage of \$5.4 million.

11           For Extension, to the extent that  
12 eligible customers purchase the new buydown coverage  
13 for a deductible, the claims cost for collision and  
14 comprehensive would increase accordingly. The  
15 increase of cost for property damage for Basic is not  
16 offset by a corresponding decrease for Extension,  
17 resulting in a net increase in claims costs for the  
18 Corporation of about \$5.4 million assuming all  
19 Extension eligible customers purchase the new  
20 coverage.

21           In addition, there are six hundred and  
22 thirty thousand dollars (\$630,000) of incremental  
23 project costs to develop and communicate this change.

24           Claims expenses are the costs  
25 associated with the assessment and settlement of the

1 claims that are not directly attributable to  
2 individual claims. There are two (2) claims expense  
3 amounts that are included in determining the required  
4 average premium, namely proportional and  
5 nonproportional.

6 Nonproportional claims expense consists  
7 of fixed claims expense of which the two (2) largest  
8 components are costs incurred for the Manitoba health  
9 levee and noncontract towing.

10 The nonproportional claims expense is  
11 forecast to be an average per unit cost of twenty-nine  
12 dollars and eighty-three cents (\$29.83), which is an  
13 increase from twenty-six dollars and twenty-nine cents  
14 (\$26.29) in the 2025 GRA based on order 2 of '25.

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

19 To calculate the proportional claims  
20 expense MPI calculated the forecasted paid claims  
21 expense to paid claims ratios for 2026 through 2029.  
22 MPI then applied the calculated paid-to-paid ratio in  
23 each of the four (4) years to the proportion of claims  
24 for the 2026 rating year that would be paid in 2026  
25 through 2029.

1                   This was done to determine the implied  
2 claims expense ratio of 13 percent. This corresponded  
3 to an average per unit cost of one hundred and four  
4 dollars and thirty-four cents (\$104.34), representing  
5 an increase from one hundred dollars and forty-four  
6 cents (\$100.44) in the 2025 GRA based on order 2 of  
7 '25.

8                   The paid claims expense is based on the  
9 incurred claims allocator. MPI establishes the --  
10 establishes the incurred claims allocator using a four  
11 (4) year rolling average based on the proportion of  
12 incurred claims for each line of business relative to  
13 the incurred claims expected Corporation wide. The  
14 four (4) year rolling average excludes current year.

15                   By using historical claims, the  
16 allocator does not reflect proposed changes in  
17 coverage. Consistent with Board -- Board Order 4 of  
18 '23, where the Board considered it appropriate and  
19 consistent with accepted actuarial practice to defer  
20 costs that are for systems that do -- that not benefit  
21 current ratepayers, MPI excluded initiative expenses  
22 from the rate indication.

23                   However, in this Application, the  
24 Corporation submitted that the Board should abandon  
25 the practice of deferring initiative costs. The

1 Corporation proposed instead to include in the rate  
2 setting process the actual initiative expenses from  
3 the prior fiscal year adjusted for Manitoba inflation.

4           Should the Board decide that a given  
5 cost is not just and reasonable, the Corporation  
6 proposed that recovery would be disallowed, including  
7 initiative expenses and future filings would increase  
8 the rate indication accordingly.

9           Excluding initiative expenses, fixed  
10 operating expenses per unit have increased from ninety  
11 dollars and thirty cents (\$90.30) in the 2025 GRA  
12 compliance filing to one hundred and two dollars and  
13 fifty cents (\$102.50) in the 2026 GRA, representing an  
14 increase of twelve dollars and twenty cents (\$12.20),  
15 or 13.5 percent. This includes operating expenses,  
16 commission, flat fees, reinsurance premiums, and the  
17 anti-theft discount. Operating expenses have  
18 increased from \$89.4 million in 2025 GRA to the  
19 2025/'26 rating year to 100.7 million in the 2026 GRA  
20 for the 2026/'27 rating year, representing an increase  
21 of 11.3 million or 12.61 percent.

22           MPI indicated that this increase was  
23 due to natural economic consequences and costs over  
24 time, changes in cost assumptions, and changes in data  
25 inputs used for allocators.

1 Commission flat fees have increased  
2 from \$7.4 million in the 2025 GRA for the 2025/'26  
3 rating year to \$9.1 million in the 2026 GRA for the  
4 2026/'27 rating year due to an increase in the  
5 2024/'025 actuals when compared to the earlier  
6 estimates in the rate filing

7 Reinsurance premiums are forecast to be  
8 \$27.5 million in the 2026/'27 rating year for the 2026  
9 GRA versus \$20.4 million in the 2025 GRA due to an  
10 increase in the allocation of reinsurance costs to  
11 Basic based on a review of actual claims recoveries.

12 There is currently \$26.5 million in  
13 initiative expenses forecast for the 2025/'26 fiscal  
14 rating year -- pardon me, fiscal year and \$31.2  
15 million projected per 2026/'27.

16 MPI implemented a revised budgeting  
17 framework to strengthen the linkage between internal  
18 budgets and its GRA forecasts. MPI states that the  
19 purpose of this change is to improve transparency.  
20 Accountability. and fiscal discipline across all  
21 business lines.

22 This refinement is consistent with the  
23 recommendations from the 2024 Ernst and Young  
24 organizational review or EY report, which called for  
25 stronger alignment between strategic planning, cost

1 allocation, and performance measurement.

2           The EY report noted that MPI's previous  
3 budgeting structure lacked clear connections between  
4 strategic objectives and operational resources  
5 planning -- or resource planning, which is an issue  
6 now addressed through the new governance framework.

7           MPI has adopted a structured dual  
8 planning methodology that combines top-down direction  
9 from executive leadership with bottom-up input from  
10 departments.

11           MPI notes that the purposes of this  
12 model -- the purpose of this model is to ensure that  
13 corporate priorities and operational realities are  
14 reconciled early in the budget cycle.

15           Under this approach, MPI prepares an  
16 annual operating budget supported by a rolling five  
17 (5) year financial forecast. The forecast  
18 incorporates historical results, actuarial  
19 assumptions, and projected claims -- pardon me,  
20 projected changes in claims, investment income, and  
21 operating costs.

22           The revised framework includes fiscal  
23 governance checkpoints and requires that divisional  
24 submissions be validated through a centralized review  
25 led by finance and the executive committee. Each

1 division must demonstrate how proposed budgets align  
2 with MPI's five (5) strategic pillars and the  
3 priorities outlined in the 2024 multi-year strategic  
4 plan.

5 MPI has introduced a set of  
6 foundational key performance indicators or KPIs  
7 covering -- covering budget variance thresholds,  
8 expense-to-premium ratios, and cost-per-claim metrics.  
9 These KPIs are reviewed quarterly by the executive  
10 committee and reported to the board, providing a  
11 structured approach to monitoring performance.

12 The KPIs are organized around four (4)  
13 strategic themes. The first is people, culture, and  
14 leadership, which tracks full-time equivalents or FTEs  
15 across operations along with specialty roles and MPI's  
16 strategic initiatives.

17 In 2024/'25, the FTE count was two  
18 thousand eighty-nine (2,089) with two thousand forty-  
19 seven (2,047) budgeted for 2025/'26. The Corporation  
20 has not targeted FTEs past 2025/'26. The goal of the  
21 target is to ensure that staffing levels support  
22 operational requirements and strategic objectives.

23 The second theme is efficiency and  
24 effectiveness, which monitors performance of both the  
25 corporate and Basic lines of business through gross

1 combined ratios, total expense ratios, loss ratios,  
2 average cost per claim, and claims productivity per  
3 FTE.

4           The third theme is focused on the  
5 customer. The key measures will be affordability,  
6 service quality, and premium affordability. Customer  
7 experience scores are benchmarked nationally. MPI's  
8 goal is to ensure that it provides high-quality  
9 service while maintaining stable and affordable rates  
10 for Manitoba.

11           The fourth theme is the financial  
12 sustainability and capital adequacy theme, which will  
13 track the Minimum Capital Test or MCT. Based on the  
14 financial forecast provided in the 2026 GRA.

15           Based on March 31 interest rates and a  
16 2.07 percent rate change, the Basic line of business's  
17 MCT is projected to be 93 percent in 2025/'26, which  
18 is below the 100 percent MCT requirement. The  
19 Corporation projects to be below the threshold in the  
20 2026/'27 GRA as the target is 95.9 percent.

21           The Corporation sees the ratio  
22 returning to its target of 100 percent in 2027/'28  
23 with levels of 100.4 percent followed by 109.2 percent  
24 in the 2028/'29 -- in 2028/'29 and 121.2 percent in  
25 2029/'30.

1                   Extension MCT remains stable at 200  
2 percent throughout the forecast period. The goal of  
3 these targets is to ensure statutory compliance and  
4 long-term financial resilience.

5                   The Corporation has updated its  
6 approach to operational benchmarking for the 2026 GRA.  
7 Historically, MPI compared its operational targets to  
8 other Crown insurers, including ICBC and SGI, to  
9 assess administrative efficiency, service delivery,  
10 and claims management.

11                   Since 2018 and '19, these comparisons  
12 provided financial and operational benchmarks.  
13 However, SGI and ICBC have now restricted the use of  
14 their data to internal discussions only, preventing  
15 Crown Comparatives to be provided to the PUB as a part  
16 of the 2026 GRA filing.

17                   The Corporation notes that direct  
18 comparisons have become less meaningful due to  
19 differences in organizational structure, scale of  
20 operations when compared to IBC, and line -- business  
21 lines including ICBC's optional insurance along with  
22 their expanded commercial products.

23                   These operational differences, along  
24 with varying cost allocation and accounting practices,  
25 make direct comparison to MPI's Basic coverage model

1 less useful.

2 MPI provided the Board with an overview  
3 of its operational and KPI frameworks, which now serve  
4 in the place of external benchmarking process. The  
5 Corporation relies on internal targets and KPIs to  
6 guide improvements and build a credible foundation for  
7 future external comparisons.

8 Key measures include operating expenses  
9 as a percentage of net -- net premiums earned, expense  
10 policy -- pardon me, expense per policy and per claim,  
11 FTE ratios relative to claim volumes, and compensation  
12 and vacancy tracking.

13 While these internal benchmarks  
14 integrate financial planning, staffing, and  
15 operational performance, the absence of external  
16 comparators is a limitation in terms of fully  
17 assessing performance against pure insurers.

18 The Integrated Cost Allocation  
19 Methodology or ICAM is based on the PUB-approved  
20 Deloitte methodology and was independently reviewed by  
21 KPMG in 2024 and 2025.

22 ICAM allocates corporate normal  
23 operating expenses across MPI's four (4) lines of  
24 business, being Basic, Extension, SRE, and DVA, and  
25 into IFRS-17 expense categories being acquisition,

1 maintenance, and operating.

2 Key allocation drivers incurred --  
3 include the incurred claims allocator. Weighted  
4 Customer Contact Call Centre Ratio or WCCCCR, FTE  
5 proportions, and project management office initiative  
6 allocations.

7 Costs are purified for corporate  
8 benefits and direct costs before allocation. There  
9 were no changes to the cost purification process in  
10 2026. For this application with a closeout of Project  
11 NOVA, MPI has transitioned from the Story Point-based  
12 allocators to ICAM-aligned logic for new initiatives,  
13 reflecting changes in project structure and scale.

14 MPI has moved to the Weighted Customer  
15 Call Centre -- pardon me, the Weighted Customer  
16 Contact Centre Call Ratio.

17 In making this change in estimate, MPI  
18 has reallocated previously incurred Project NOVA-  
19 deferred implementation expenditures, restating the  
20 reported deferred balance -- balances to reflect the  
21 new allocation basis.

22 MPI has also shifted from the prior  
23 year's NOVA incurred deferred development costs from  
24 Extension, SRE, and DVA to Basic.

25 MPI provided an update on its journey

1 towards the use of Generalized Linear Models or GLM in  
2 its 2026 GRA. In the 2025 GRA, MPI included an  
3 analysis performed for all major classes. The  
4 analysis used the same rating factors as is currently  
5 in use under the existing pricing framework.

6 MPI believes that this is essential to  
7 maintain regardless of whether the Generalized Linear  
8 Models or existing Minimum Bias Procedure, also known  
9 as MBP, is used. MPI plans to implement the GLM based  
10 rating factors in the 2027 GRA.

11 MPI's proposed transition plan was  
12 provided in the 2025 GRA, included an analysis for  
13 major Class 1 whereby GLMs are run alongside the  
14 traditional MBP to compare results for major Class 1  
15 along with stakeholder communication to gather  
16 feedback.

17 In 2025, MPI proposed for the 2026 GRA  
18 to integrate the GLM-derived rate relativities and  
19 experience adjustments while keeping, capping, and  
20 flooring rules for smooth transition and concurrent  
21 analyses of other major classes whereby GLMs are run  
22 alongside the traditional MBP to compare results for  
23 the remaining major classes and continuously refine  
24 the ratemaking process with MBP improvements enabled  
25 by GLMs.

1 In the 2027 GRA and thereafter, MPI  
2 plans to continue implementing for all other major  
3 classes in the same manner as major Class 1 with  
4 capping and flooring rules.

5 In the 2026 GRA, MPI is now proposing  
6 not to implement the GLM-derived factors from major  
7 Class 1 until the 2027 GRA, at which point it will  
8 also implement the other major classes.

9 Basic motor vehicle written premiums  
10 are forecast in the 2026 GRA to grow from \$1.29  
11 billion in 2025/'26 to \$1.42 billion in 2026/'27 and  
12 \$1.49 billion in 2027/'28. The increase of \$128  
13 million in -- pardon me -- 2026/'27 is an increase of  
14 9.9 percent.

15 This is a combination of the proposed  
16 rate increase of 2.07 percent, a volume increase of  
17 1.72 percent owing to an increase in the number of  
18 vehicles being insured, 5.71 percent for vehicle  
19 upgrades including 2.54 percent attributable to the  
20 replacement of older vehicles with newer -- newer  
21 vehicles along with 3.1 percent for an increase in the  
22 maximum rate group from 41 to 45 with a maximum  
23 increase for any of the existing vehicle -- any  
24 existing vehicle of the five (5) rate groups and 0.05  
25 percent due to the driver safety movement.

1                   With respect to the proposed 2.54  
2 percent for vehicle upgrade, MPI selected a long-term  
3 average of ten (10) years, excluding COVID-affected  
4 years, and hence does not reflect any impact changes  
5 in the maximum rate group. The 3.1 percent for the  
6 rate group change is based on existing vehicles.

7                   Vehicles moving into rate groups 42 to  
8 45 are expected to have higher average premium changes  
9 than vehicles remaining in rate groups 41 and below.  
10 For the one hundred and eighty-eight thousand three  
11 hundred and fifty-four (188,354) vehicles in rate  
12 groups 42 to 45, they are expected to have an average  
13 rate change due to changes in rate group, that is,  
14 11.2 percent higher than it would be if the maximum  
15 rate group remained at 41.

16                   Alternate scenarios were provided with  
17 maximum rate group changes of one (1) or two (2)  
18 instead of the proposed five (5).

19                   Forecast driver written premiums  
20 reflect approved changes to the driver premiums in the  
21 2025 GRA.

22                   Reinsurance ceded premiums reflect  
23 changes in the allocation of reinsurance program  
24 between lines of business. Although required premiums  
25 for Basic were \$40 million lower due to the increase

1 in the Basic deductible, and MPI's stated intention  
2 for rate parity with regards to the charge for the  
3 seven hundred and fifty dollar (\$750) deductible  
4 buydown option for Extension, MPI forecast no material  
5 increase in written premium for Extension relative to  
6 the 2025 GRA compliance filing.

7 MPI did forecast an increase in claims  
8 due to the new deductible buydown coverage in  
9 Extension, resulting in a decrease in forecast net  
10 income and a reduction in projected transfers from  
11 Basic -- pardon me, from Extension to Basic.

12 In this Application, MPI forecasts a  
13 net operating loss of \$72.8 million in 2025/'26, a net  
14 loss of \$19.3 million in 2026/'27, and a net income of  
15 \$25.6 million in 2027/'28.

16 After adjusting for initiative  
17 expenses, MPI reported for rate-setting purposes a net  
18 loss in 2025/'26 of \$46.3 million and net income of  
19 \$11.9 million for 2026/'27 and \$58.8 million for  
20 2027/'28. The forecast was based on the 2.07 percent  
21 indicated rate increase and interest rates at March  
22 31st, 2025.

23 In the September 25th update referred  
24 to at times as the October update, MPI revised its  
25 Basic forecast for the 2025/'26 to a net loss for rate

1 setting of \$51.3 million, reflecting a \$5.0 million  
2 deterioration in operating results from this \$46.3  
3 million net loss forecast in the Application.

4           Changes in interest rates caused the  
5 revisions for the 2025/'26 year. This served to  
6 reduce incurred claims by \$7.1 million due to changes  
7 in discounting, reduced net investment by \$61.1  
8 million as higher interest rates reduce the market  
9 value of bonds, and reduced the financial expenses  
10 from insurance to -- and reinsurance contracts by \$49  
11 million.

12           With respect to initiative expenses, in  
13 Order 4 of '23, the Board stated that it was  
14 appropriate and consistent with AAP to defer costs  
15 that are for systems that do not benefit current  
16 ratepayers. The Board directed MPI to defer these  
17 integration costs through a regulatory deferral  
18 account for rate-setting purposes. The financial  
19 forecast reflects this direction.

20           Section 18 of the Manitoba Public  
21 Insurance Corporation Act mandates capital target  
22 levels for each MPI line of business. The targets are  
23 based upon the capital management framework for the  
24 Office of the Superintendent of Financial  
25 Institutions, and the Minimum Capital Test.

1                   The Minimum Capital Test, or MCT, is a  
2 ratio of capital available to capital required --  
3 sorry, is a ratio of capital available to capital  
4 required and uses a risk-based formula to assess the  
5 capital adequacy of an insurance company.

6                   The act established an MCT target of  
7 100 percent for Basic, 200 percent MCT for Extension,  
8 and 300 percent for special risk Extension. As of  
9 March 31st, 2025, the Corporation has \$721.6 million  
10 in retained earnings, including \$496.6 million in  
11 Basics -- Basic, \$87.7 million in Extension, and  
12 \$100.7 million in SRE, along with \$36.6 million in  
13 DVA.

14                   On March 31st, 2025, MPI transferred  
15 \$52.9 million in Extension retained earnings to Basic.

16                   Overall corporate total equity as of  
17 March 31st, 2025, including Accumulated Other  
18 Comprehensive Income, or AOCI, was \$726 million, of  
19 which \$499.6 million was related to Basic operations,  
20 \$88 million related to Extension, \$101 million was  
21 related to SRE, and 37.3 million for DVA.

22                   MPI forecasts for 2025/'26 that Basic  
23 retained earnings will be \$484.3 million and that the  
24 Accumulated Other Comprehensive Income will be \$3.1  
25 million for a total equity of \$487.4 million.

1                   Based on the September 25th update,  
2 Basic's forecast for the 2025/'26 year shows retained  
3 earnings of \$478.8 million and Accumulated Other  
4 Comprehensive Income of \$20.5 million.

5                   Although not required by statute, the  
6 Corporation has undertaken an annual Basic FCT  
7 investigation, which is a revision by the Canadian  
8 Institute of Actuaries to the former Dynamic Capital  
9 Adequacy Testing or DCAT investigation, as a matter of  
10 good governance.

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

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

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

1 reflects Basic experience and risk characteristics.

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

10                   The FCT base scenario was based on the  
11 2026 GRA financial forecast. Adverse scenarios were  
12 applied to the base scenario.

13                   Three (3) solvency scenarios struck at  
14 the 99th percentile deemed to be posing the greatest  
15 risk to satisfactory financial condition, and those  
16 were high loss ratio, a decline in equity markets, and  
17 a combined scenario.

18                   However, the FCT assumed management  
19 action in the form of rate increases could occur every  
20 year -- pardon me, in the year following the event to  
21 account for regulatory approval, timelines, and  
22 implementation delays rather than in the same year,  
23 which was assumed in the prior investigation.

24                   In the 2020 GRA, the Board first  
25 approved a Capital Management Plan established by MPI.

1 However, the Board does not currently have an approved  
2 Capital Management Plan.

3 In the 2024 GRA, the PUB through  
4 directive 10.7 of Order 145 of '23 dismissed MPI's  
5 proposed Capital Management Plan after declining to  
6 approve it in the 2023 GRA for reasons identified in  
7 Order 4 of '23.

8 MPI does not request PUB approval of a  
9 Capital Management Plan in the 2026 GRA as the  
10 concerns that relate -- resulted in the PUB refusing  
11 to approve the most recent iteration of a Capital  
12 Management Plan remain unresolved.

13 Over the fiscal years 2020 and 2021 and  
14 2021/'22, MPI transferred \$117 million from Extension  
15 to DVA. The transfers were done to defray the impact  
16 of historical losses in the DVA line of business as  
17 well as the cost associated with the technology  
18 changes related to Project NOVA. As a result, DVA's  
19 retained earnings were \$36.6 million on March 31st,  
20 2025.

21 MPI secured an increase in funding from  
22 the province for 2022/'23, 2023/'24, and 2024/'25 from  
23 30.25 million to \$40.2 million. Even with the  
24 increased level of funding, MPI is forecasting a loss  
25 of \$14.5 million in the 2025/'26 year and a further

1 loss of \$13.8 million in 2026/'27.

2 MPI indicates that it is currently  
3 working with the Government of Manitoba to establish  
4 sustainable funding for its DVA operations. MPI is  
5 currently forecasting DVA to be in a deficit position  
6 in 2027/'28.

7 In the 2022 GRA, given the gap between  
8 the current discount premium charge and the indicated  
9 discount premium charge, MPI recommended a gradual  
10 implementation to remedy the cross-subsidization of  
11 drivers with low DSR ratings by those with high  
12 ratings.

13 MPI indicated a plan to increase the  
14 upper limit of the DSR scale from 15 to 20 over the  
15 next five (5) years. MPI proposed to remove -- to --  
16 pardon me. MPI proposed to move one fifth of the  
17 difference between current and indicated vehicle  
18 premium discounts each year.

19 Directive 11.15 from Order 134 of '21,  
20 following the 2022 GRA, required the Corporation --  
21 that the Corporation bring forward a DSR transition  
22 plan to manage the required increase in the base rate  
23 and year-to-year rate dislocation while moving the DSR  
24 vehicle discounts and driver premiums to actuarially -  
25 - pardon me, actuarial targets in a timely manner.

1                   In directive 12.15 of Order 4 of '23,  
2 the Board ordered that in the 2025 GRA, all discounts  
3 were to be moved by one third of the way to  
4 actuarially indicated amount rounded down to the  
5 nearest whole number.

6                   MPI did not comply with this Order in  
7 that it updated the actuarially indicated discounts,  
8 added DSR level 19, but did not propose changing the  
9 existing discounts.

10                   In direction 14 point 13 of Order 2 of  
11 '25, the Board found that the use of a single straight  
12 line to fit the indicated DSR relatively --  
13 relativities over-predicted the higher DSR discount,  
14 and the two (2) continuous straight line better --  
15 straight lines better predicted the discounts.

16                   The Board found that this approach  
17 adequately fits the observed discounts and it was  
18 therefore unnecessary to move to ordered categorical  
19 variations.

20                   In Order -- pardon me, in directive  
21 14.14 of Order 2 of '25 from the 2025 GRA, the Board  
22 ordered that DSR discount levels be moved one sixth of  
23 the way towards the actuarially indicated discount and  
24 then rounded down to the nearest whole number with  
25 base rates adjusted to off-balance these changes.

1                   In Directive 14.15 of Order 2 of '25,  
2 the Board ordered that in the 2026 GRA, MPI was to  
3 move one-third (1/3) of the way to actuarially  
4 indicated discounts for each DSR level and then round  
5 down to the nearest whole number, with base rates  
6 adjusted to off-balance these changes.

7                   For the 2026 GRA, MPI followed  
8 Directives 14.13 and 14.15 of Order 2 of '25. With  
9 the discounts, based on the fitted curve, the  
10 increased discounts reduced the premiums by 4.62  
11 percent required offsetting increases to the base  
12 rates of 4.95 percent, which vary by major class due  
13 to the differing proportions of DSR eligible vehicles  
14 by class.

15                   Prior to the commencement of the Public  
16 Hearing on October 6th, 2025, the Manitoba Government  
17 announced that it had introduced legislation to  
18 enshrine the current registered owner model into law.

19                   As a result, there was limited  
20 discussion in the hearing about the change from  
21 registered driver to the primary driver model --  
22 pardon me, registered owner to a primary driver model.

23                   In Directive 14.10 in Order 2 of '25,  
24 the Board directed MPI to provide the status -- a  
25 status update on the development of the Vehicle-for-

1 Hire insurance model.

2                   The Transportation Network company  
3 blanket policy remains deferred due to lack of  
4 engagement from the Transportation Network companies.  
5 MPI continues to meet monthly with the Taxi Coalition  
6 on areas such as claims and collision information, the  
7 telematics initiative and options for future insurance  
8 models for taxis.

9                   MPI presented an initial Taxi blanket  
10 model to stakeholders on May 15th, 2025, which is  
11 currently under review with the Taxi Coalition.

12                   Mercer prepared an ALM study in 2022.  
13 As a result of that study, new asset mixes were  
14 adopted for each investment portfolio. The ALM  
15 strategy is designed to minimize interest rate risk  
16 and ensure sufficient funds are available to pay  
17 claims.

18                   MPI uses an interest rate hedge ratio  
19 to manage the interest rate risk associated with the  
20 Basic claims assets and liabilities hedge ratio target  
21 of 100 (one hundred) plus or minus -- 100 percent plus  
22 or minus 5 percent.

23                   Aiming for an interest rate hedge --  
24 interest rate hedge ratio of 100 percent between fixed  
25 income assets and liabilities helps minimize the

1 dollar sensitivity of the surplus to interest rate  
2 fluctuations.

3                   The tracking error for the Basic claims  
4 portfolio was \$19.5 million in 2024/'25, which is  
5 below the allowable limit of twenty-two (22) -- \$22  
6 million. On this basis, MPI has stated that the ALM  
7 strategy has been highly effective in minimizing the  
8 impact of interest rates.

9                   In response to Board Directives 14.24  
10 and 14.25 from PUB Order 2 of '25, MPI engaged Mercer  
11 to assess the adequacy of level of -- of its level of  
12 income protection and proposed changes to the current  
13 investment portfolio to move the investments to the  
14 Efficient Frontier.

15                   Mercer concluded that the current 2024  
16 asset allocation is reasonably efficient and lies just  
17 below the Efficient Frontier with real return bonds.  
18 The gap between the 2024 allocation and the Efficient  
19 Frontier is not significant and no immediate action is  
20 required.

21                   Mercer recommends maintaining the  
22 current 2024 asset allocation and suggests a full  
23 exploration of other inflation hedging asset classes  
24 as a part of the next full asset liability study.

25                   MPI reported that the investment target

1 weighting in real return bonds is 4 percent,  
2 equivalent to the current investment made in real  
3 return bonds.

4                   Currently, MPI has 31.5 percent of its  
5 Basic line of business portfolio allocated to  
6 inflation sensitive assets, including real return  
7 bonds, real estate, equities and infrastructure.

8                   Inflation was identified as a top risk  
9 by MPI's executive in April of 2025 and will be  
10 reviewed in the 2026 ALM study. MPI did not expect  
11 that the study would be available for next year's GRA  
12 and has suggested a technical conference next to --  
13 August to share results and gather stakeholder  
14 feedback.

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

21                   MPI's Investment Portfolio has  
22 increased to \$3.8 billion as of March 31, 2025. The  
23 Basic investment assets stood at three (3) point -- at  
24 \$3 billion on that date. The size of the Basic line  
25 of business investment portfolio, including the Basic

1 claims portfolio, the RSR portfolio and the Benefits  
2 portfolio is forecast to be \$3.1 billion in 2025/'26  
3 and is projected to grow to \$3.2 billion in 2026/'27.

4           The Basic claims portfolio focuses  
5 primarily on hedging interest rate risks and has a  
6 target allocation of 90 percent to fixed income and 10  
7 percent to real estate.

8           The RSR portfolio is growth oriented,  
9 with 55 percent allocated to growth assets such as  
10 equities and alternatives.

11           The Employee Future Benefits or EFB  
12 portfolio, which has a long-term horizon, targets an  
13 allocation of 67 percent to growth assets and 33  
14 percent to fixed income assets.

15           The yields on corporate bonds dropped  
16 by as much as one hundred and two (102) basis points  
17 from March 31, 2024 to March 31, 2025, while  
18 provincial bonds decreased by sixty-two (62) basis  
19 points and Government of Canada ten (10) year bonds  
20 decreased by fifty (50) basis points.

21           The Corporation reported net investment  
22 income from -- for the Basic line of business in  
23 2024/'25, of \$283.3 million, including \$135.9 million  
24 in gains.

25           The total return for Basic claims

1 portfolio was 8 percent. The RSR Portfolio return was  
2 9.4 percent and the EFB portfolio return was 12.8  
3 percent for 2024/'25.

4 Based on the September 25th update, the  
5 New Money Yield rate increased from 4.09 percent in  
6 the original application to 4.38 percent on August  
7 31st.

8 The twenty-nine (29) basis point rise  
9 in market yields reduced Basic's project net  
10 investment income in 2025/'26 by \$61.1 million from  
11 121.6 million to \$60.5 million, mainly due to the  
12 higher realized and unrealized losses on marketable  
13 bonds. Due to the increased size and complexity of  
14 the portfolio, the Corporation has decided it needs to  
15 change how the investment portfolio is managed.

16 MPI is currently moving toward a non-  
17 discretionary Outsource Chief Investment Officer  
18 model, referred to as an OCIO model. In its evidence,  
19 MPI stated that the OCIO model will provide access to  
20 specialized expertise, robust reporting and stronger  
21 risk management. While MPI will retain decision-  
22 making and governance over its investments, the  
23 external vendor will offer insights and industry  
24 knowledge.

25 The first initiative under the OCIO

1 model will be the assistance with the 2026 ALM Study.  
2 The OCIO consultant will lead the preparation of an --  
3 the -- of the investment section evidence for future  
4 GRA proceedings.

5 MPI has indicated that the  
6 accessibility of the public information currently  
7 available in the GRA proceeding will be a showstopper  
8 in the negotiated contract arrangement if not agreed  
9 to by the consultant to ensure full transparency  
10 during the PUB hearing process.

11 Valter Viola appeared as a witness on  
12 behalf of the Consumers Coalition and provided  
13 evidence on investment performance attribution. The  
14 analysis reviewed the relative overall performance of  
15 each of the Basic, RSR and EFB portfolios over twenty-  
16 two (22), 2022 to 2025.

17 Mr. Viola measured the value added or  
18 alpha, which calculates the difference between actual  
19 returns and benchmark returns. His report explored  
20 several aspects of alpha, including asset allocation,  
21 security selection and factor interactions.

22 By analyzing performance attribution,  
23 Mr. Viola performed an assessment of how active  
24 management decisions contribute to the portfolio's  
25 overall performance, relative to its benchmark, and to

1 what extent performance is related to skill versus  
2 luck.

3 Mr. Viola recommended that MPI adopt  
4 and implement regular total portfolio level  
5 performance attribution reporting for the Basic  
6 Claims, RSR and EFB portfolios.

7 The information should be presented at  
8 the hearing, annually, based on data collected  
9 monthly. This would provide stakeholders, including  
10 the Public Utilities Board, with a clearer  
11 understanding of the sources of value added or lost,  
12 enabling them to assess MPI's active management  
13 strategies and asset mix rebalancing policies more  
14 effectively.

15 The Corporation noted within the 2026  
16 GRA filings, that total Corporate operating expenses,  
17 including the cost of administering claims and road  
18 safety, were \$457.2 million in 2024 -- or 2024/'25 as  
19 compared to \$359 million in 2023/'24. The increase is  
20 mainly due to the Project NOVA impairment recorded  
21 during the year.

22 For the forecast period, Corporate  
23 expenditures are projected at three hundred and  
24 ninety-two point nine million dollars (\$392.9 million)  
25 in 2025/'26, four hundred and twenty-four point seven

1 million dollars (\$424.07 million) in 2026/'27 and four  
2 hundred and twenty-four point nine million dollars  
3 (\$424.9 million) in 2027/'28.

4 Corporate costs are allocated between  
5 insurance and non-insurance categories through the  
6 Integration Cost Allocation Methodology approved by  
7 ICAM in Order 157 of '12. The methodology assigns  
8 cost to Basic and non-Basic operations using  
9 allocation bases that reflect cost/causation.

10 In the review of ICAM completed by KPMG  
11 in May of 2020, KPMG concluded the methodology remains  
12 appropriate and con -- consistent with IFRS-17. The  
13 review identified areas for improvement in governance,  
14 documentation and automation.

15 Basic allocated corporate expenditures  
16 were two hundred and sixty-seven point eight million  
17 dollars (\$267.8) in 2024/'25, representing 58.6  
18 percent of total corporate expenses.

19 In 2023/'24, Basic expenditures were  
20 two hundred and forty point two million dollars  
21 (\$240.2), or 66.9 percent. Basic's share is forecast  
22 at two hundred and fifty-four point one million  
23 dollars (\$254.1) in 2025/'26, two hundred and seventy-  
24 six point eight million dollars (\$276.8 million) in  
25 2026/'27, and two hundred and eighty-four point six

1 million dollars (\$284.6) in 2027/'28.

2                   When commissions and premium taxes are  
3 included, total Basic exp -- expenses were three  
4 hundred and fifty-seven point three million (357.3) in  
5 2024/'25 and are projected at three hundred and fifty-  
6 three point nine million dollars (\$353.9) in 2025/'26,  
7 three hundred and eighty-five point five million  
8 dollars (\$385.5) in 2026/'27 and three hundred and  
9 ninety-eight point nine million dollars (\$398.9) in  
10 2027/'28.

11                   Employee compensation accounted for  
12 approximately 56 percent of total operating expenses.  
13 Total compensation was two hundred twenty point four  
14 million dollars (\$220.4) in 2024/'25, two hundred and  
15 sixteen point eight million dollars (\$216.8) in  
16 2025/'26, and two hundred and thirty point four  
17 (\$230.4) in 2026/'27, two hundred and thirty-eight  
18 point four million dollars (\$238.4) in 2027/'28.

19                   The Corporation's staffing levels were  
20 two point -- two thousand forty-seven (2,047) FTEs in  
21 2024/'25, and are forecast at two thousand eighty-nine  
22 (2,089) FTEs for both 2025/'26 and 2026/'27 years.

23                   MPI filed a new fiv -- a new rolling  
24 five (5) IT strategy for the 2020 -- pardon me, for  
25 the current GRA. A rolling five (5) year IT roadmap

1 follows a continual planning framework that outlines  
2 MPI's technology, priorities investments and  
3 modernization activities over a five-year horizon for  
4 the IT organization.

5           Each year, the roadmap is reviewed,  
6 refined and extended by one additional year, which MPI  
7 says will allow it to adapt to new business needs, eme  
8 -- emerging risks and technological changes, while  
9 maintaining long-term strategic drench -- direction  
10 and fiscal discipline.

11           The first version of the IT roadmap,  
12 prepared in spring of 2025 and included in the current  
13 GRA, reflected primarily the systems affected by NOVA,  
14 but did not address other critical end-of-life systems  
15 across the organization comprehensively.

16           Recognizing this gap, MPI is now  
17 revisiting and enhancing its rolling five-year IT  
18 strategy to adopt a broader more integrated approach  
19 that prioritizes modernization across all major  
20 systems, while aligning with organizational capacity,  
21 financial constraints and long-term ca -- planning  
22 objectives.

23           This refined IT strategy and rolling  
24 roadmap are being developed for implementation in the  
25 upcoming fiscal year, ensuring modernization is

1 sequenced responsibly, and informed by the lessons  
2 learned from Project NOVA.

3 MPI has indicated it will endeavor to  
4 replace one hundred and twenty-six (126) application  
5 components. During the hearing, the number of  
6 applications noted was one hundred and sixty (160).  
7 An application component MPI says is a standalone  
8 software package or shared service such as data store  
9 integration, or schedule automated job that supports  
10 one or more applications.

11 MPI stated the modernization of applica  
12 -- application components is encompassed within the  
13 overa -- overall technology roadmap. MPI will  
14 evaluate each component -- pardon me, each application  
15 component based on contractual and security  
16 obligations determining whether issues can be resolved  
17 through upgrades, or require a full replacement.

18 I stated that its five-year rolling IT  
19 roadmap establishes a sequenced, responsible  
20 modernization plan to close priority gaps, sustain  
21 operational stability, and align capacity with  
22 business needs and emerging mandates. The roadmap  
23 reflects MPI's commitment to proactive planning,  
24 prudent risk management, and continuous improvement.  
25 MPI describes 2025/'26 as a pivot year with an

1 evolving roadmap.

2                   In addition, throughout the hearing,  
3 MPI emphasized the importance of managing  
4 modernization in alignment with organizational  
5 capacity. In particular, MPI indicated that  
6 modernization efforts should not overburden the  
7 organization, and must be balanced with both financial  
8 and human capacity, and be appropriately plac -- paced  
9 over the long term.

10                   MPI defines capacity as resource  
11 capacity, including FTE counts and skills, and  
12 financial run-rate capacity.

13                   MPI notes a key issue with Project NOVA  
14 was that the organization did not weigh the importance  
15 and dependency of capacity appropriately and  
16 holistically.

17                   A core component of MPI's IT strategy  
18 is the formation and oper -- operized --  
19 operationalization, thank you, of major programs,  
20 which is a relatively new -- a relatively new  
21 department within IT that manages initiatives of \$3  
22 million or greater. This limit represents the signing  
23 authority limit which requires MPI board approval.

24                   However, the \$3 million limit is not  
25 the only factor noting a project falls under major

1 programs. Additional governance plays a role in the  
2 determination, or broadly, a major program has a  
3 significant impact on business and process operations.

4 MPI indicates that the major program  
5 strategy for managing significant initiatives will  
6 differ from Project NOVA in four (4) key aspects:  
7 including increased focus -- focus on controls, improved  
8 governance, expanded vendor governance and enhanced  
9 risk management. A single initiative or an aggregate  
10 of initiatives can fall into a major program's  
11 ownership. Ultimately, the MPI executive committee  
12 makes the final determination of whether one, or a set  
13 of initiatives, will be managed by major programs.

14 MPI emphasized that major program  
15 delivery is now structured around clear decision  
16 rights, measurable controls, independent oversight and  
17 funding aligned to proven delivery capacity. This  
18 governance model is intended to ensure modernization  
19 is pursued responsibly and transparently, marking a  
20 significant departure from the operating approach used  
21 under Project NOVA.

22 MPI clarified that the governance model  
23 for major programs will consist of ongoing engagement  
24 between technology and solution sponsors at the  
25 sponsorship level. In addition, depending on the

1 initiative, project specific sponsors will collaborate  
2 with technology and solution sponsors to shape  
3 strategic direction and ensure alignment with  
4 delivering business value.

5           Fiscal year 2025 is the first full year  
6 where the major program structure has been  
7 operationalized. The role of major programs, as it  
8 relates to project modernization initiatives, is on a  
9 case-by-case basis.

10           For 2025/'26, four (4) initiatives fall  
11 under major programs. They are: MyMPI Foundation and  
12 IRP online, SR -- SRE remediation, BI-3 upgrade, and  
13 ERP replacement.

14           Financially, all existing major program  
15 initiatives have negative NPVs, or Net Present Values.  
16 MPI explained that Net Present Value is not the  
17 primary decision-making factor for modernization, or  
18 major program investments, because these initiatives  
19 are not designed to generate revenue, but to mitigate  
20 operational, security and regulatory risks.

21           All current major program initiatives  
22 show negative NPVs, which is expected, since they  
23 address end-of-life systems and risk reduction rather  
24 than a financial return. In addition, MPI further  
25 emphasized that NPV often fails to capture intangible

1 and strategic benefits, such as improved security,  
2 compliance, scalability, user experience and future  
3 flexibility.

4 MPI highlighted NPV's bias towards  
5 maintaining the status quo, and it's sensitive to  
6 discount rate assumptions, concluding that NPV should  
7 be considered alongside other qualitative and  
8 strategic factors, when evaluating modernization  
9 investments.

10 MPI confirmed that a key objective of  
11 the original legacis -- Legacy systems modernization,  
12 and Project NOVA business case, was to reduce staffing  
13 costs associated with maintaining leg -- Legacy  
14 systems. However, due to the early closure of NOVA,  
15 this objective has not been realized.

16 MPI clarified that the previously  
17 referenced staff reduction figure of eighty (80)  
18 positions represented a ceiling estimate rather than  
19 an achieved or validated.

20 MPI confirmed that while it considered  
21 borrowing to fund modernization, it ultimately  
22 determined that the cost of capital and repayment  
23 burden would outweigh the benefits as borrowing would  
24 increase operating expenses and overall program costs.

25 MPI explained that MPI's -- that its

1 modernization approach, must balance financial  
2 affordability, organizational capacity and the pace of  
3 change recognizing that contractors cannot easily  
4 supplement leadership and specialized internal  
5 expertise.

6 MPI emphasized that modernization must  
7 be carefully paced not to -- not only to align with  
8 MPI's financial constraints, but also to ensure that  
9 staff, brokers and partners can effectively adapt to  
10 ongoing technological.

11 MPI reiterated it's commitment to  
12 responsible, transparent and forward-looking  
13 technology leadership emphasizing the progression from  
14 IT benchmarking and Project NOVA closeout to the five-  
15 year rolling IT roadmap reflects a sustained focus on  
16 continuous improvement and operational excellence.

17 The Corporation's priorities now center  
18 on managing tech -- technology risk, investing in  
19 people, enhancing ways of working, and delivering  
20 major programs aligned with business goals and  
21 Manitobans' needs.

22 MPI described this modernization  
23 approach as pragmatic and disciplined, prior --  
24 prioritizing stability, compliance and capacity  
25 aligned sequencing, underpinned by strong governance

1 and accountability.

2 Lessons learned from Project NOVA have  
3 shaped a more resilient, adaptable and customer focus  
4 IT organization, says MPI.

5 MPI confirmed that the value assurance  
6 function owns and the benefits realization management  
7 framework, which applies to all initiatives valued at  
8 over five hundred thousand dollars (\$500,000)  
9 inclusive contingency. This threshold was established  
10 based on the resource intensity and time required to  
11 effectively execute the value assurance process.

12 MPI noted that the framework provides a  
13 standardized and disciplined approach to ensure  
14 consistent tracking and validation of benefits across  
15 all qualifying initiatives. MPI clarified that value  
16 assurance focuses specifically on the realization of  
17 project benefits rather than on monitoring project  
18 implementation risks.

19 The team's role is to measure and track  
20 benefit outcomes for one year post-implementation,  
21 identifying any deviations or unrealized benefits, and  
22 initiating risk mitigation measures where expected  
23 results are not achieved.

24 MPI explained that the value assurance  
25 -- that value assurance conducts milestone check --

1 check-ins and measures tangible benefit outcomes post-  
2 implementation. When results fall short of  
3 expectations, issues are escalated through project  
4 steering and reported to the executive and technology  
5 committees ensuring governance visibility, and  
6 accounting for benefit realization.

7           Project NOVA was subject to value  
8 assurance oversight. MPI further stated that as a  
9 part of the lessons learned from Project NOVA, value  
10 assurance is now engaged earlier in the intake process  
11 to define and align expected outcomes and measurable  
12 benefits before solution design begin.

13           A detailed benefits realization plan is  
14 prepared, quantified and jointly approved by business  
15 owners, solution management and major programs  
16 ensuring alignment, accountability and clarity of  
17 purpose, while addressing the gaps identified during  
18 Project NOVA.

19           Gartner has been selected as MPI's  
20 provider for IT's benchmarking services under a five  
21 (5) contract running from June of 2025 to June of  
22 2030, with the option for two additional twenty-four  
23 (24) month renewals, subject to CPI adjustment. The  
24 total contract value is \$1.28 million.

25           The scope of the engagement includes

1 both IT service management, major programs with --  
2 sorry, and major programs with Gartner continuing to  
3 benchmark MPI's performance against two (2) peer  
4 groups, those being, the insurance sector generally  
5 and the public sector.

6 MPI has confirmed that new Gartner  
7 resources have been assigned to this engagement  
8 following staff changes at Gartner; notably, the  
9 methodology being applies remains consistent with  
10 prior benchmarking reviews, ensuring continuity and  
11 measurement, and comparability of results over time.

12 Regarding peer-to-peer comparisons,  
13 Gartner continues to benchmark MPI against public  
14 sector and private insurance peers. MPI notes that  
15 the organization occupies a unique role as it does not  
16 fall directly into either group.

17 MPI is striving to operate like a  
18 private insurer, while maintaining the diligence and  
19 accountability expected of a government entity.

20 From a governance standpoint, the  
21 Gartner IT benchmarking engagement aligns with PUB's  
22 prior recommendations; notably, the directive to  
23 synchronized benchmarking assessments with MPI's  
24 General Rate Application cycle.

25 MPI has structured the completion of IT

1 benchmarking assessments such that deliverables will  
2 now be provided in August or early September of each  
3 fiscal year, ensuring that the data reflects the most  
4 recent fiscal year, and the maturity assessments can  
5 be clearly linked to rate-setting discussions.

6           The fiscal year 2024/'25 IT  
7 benchmarking report marks the first alignment of  
8 maturity assessment with fiscal highlights. MPI notes  
9 that IT benchmarking continues to provide value by  
10 delivering fact-based insights into IT spend, staffing  
11 and service management maturity.

12           In 2024/'25 Gartner has provided the  
13 following three (3) main recommendations: plan,  
14 product and application lifestyle -- pardon me, plan,  
15 product and application lifecycle. This involves  
16 strengthening product and application lifecycle  
17 planning, with a focus on strategic alignment,  
18 modernization and governance. MPI notes that this is  
19 progressing through the creation of the five-year IT  
20 roadmap.

21           The second is management of vendors.  
22 This involves maturing vendor engagement to strengthen  
23 program and portfolio management outcomes. MPI also  
24 notes that this is continuing to make progress on the  
25 use of vendor scorecards, further progress to make

1 vendors more accountable.

2                   The third is fostering the data  
3 ecosystem. This involves advancing the data ecosystem  
4 through establishing a comprehensive data fabric  
5 architecture, enhancing data governance and  
6 integration practices. MPI is making progress on this  
7 by building its enterprise data platform, improving  
8 data governance -- governance, pardon me, and treating  
9 data as an asset.

10                   Over the lifetime of tracking --  
11 tracking Project NOVA within IT benchmarking, Gartner  
12 has highlighted incremental additional IT spend as a  
13 percentage of enterprise operating expense as a result  
14 of Project NOVA.

15                   Looking forward, MPI has noted IT spend  
16 as a percentage of enterprise operating expense to  
17 continue to be larger, and higher, than operational  
18 activities identified without Project NOVA due to the  
19 continuing needs to support and fund modernization  
20 initiatives

21                   With respect to IT service management,  
22 Gartner continues to provide assessment of maturity  
23 levels across several IT domains, and a set of  
24 prioritized improvement areas, inclusive of the most  
25 significant areas of maturity increases and decreases.

1 Taken together, Gartner's recommendations and the  
2 associated benchmarking findings served as a framework  
3 for continuous improvement across MPI's IT portfolio.

4 They highlight both strategic  
5 priorities, such as lifecycle, governance, vendor  
6 management and data modernization and the operational  
7 realities reflected in MPI's IT spend and maturity  
8 assessments.

9 These insights provide MPI with a  
10 structured view of where investment and fo -- focus  
11 can yield the most meaningful performance  
12 improvements, while also emphasizing the need to  
13 sustain progress across all IT domains.

14 MPI notes that benchmarking priorities  
15 help identify where the organization can achieve the  
16 most significant impact from change, however,  
17 improvements are lo -- not limited to the top-ranked  
18 areas.

19 Operational teams receive their  
20 specific findings and are expected to identify actions  
21 to improve maturity within their respective domains.  
22 In doing so, MPI uses these insights to inform, but  
23 not dictate, internal resource allocation, balancing a  
24 focus on high-impact opportunities with achievable  
25 incremental gains across the broader IT portfolio.

1 MPI's confirmed that systems  
2 modernization has been a longstanding component of its  
3 IT strategy. This has been discussed, planned, and in  
4 -- in execution for over eight (8) years, beginning  
5 before 2018/'19.

6 The effort originated with the Legacy  
7 systems assessment conducted prior to 2018, during  
8 which MPI evaluated future options for several core  
9 systems as part of a multi-year modernization strategy  
10 rather than a short-term single project initiative.

11 Project NOVA was formally closed on  
12 June 30th, 2025. MPI filed as part of its General  
13 Rate Application Exhibit No. 21, Project NOVA closeout  
14 report, which summarizes the project history,  
15 identifies the key factors contributing to early  
16 closure, outlines total expenditures and impairments,  
17 and documents the lessons learned and the absence of  
18 realized benefits from a value assurance perspective.

19 MPI's decision to close Project NOVA  
20 was driven by insights that emerged from the Release 3  
21 discovery sessions. MPI engaged Accenture to analyze  
22 the path forward for completing Project NOVA.

23 This analysis reveal -- revealed signi  
24 -- significantly increased costs, extended timelines,  
25 and a high likelihood of strain on organizational

1 capacity, with projected costs rising to four hundred  
2 and thirty-five point seven million dollars (\$435.7)  
3 over fifty-six (56) months, before any detailed R-4 --  
4 or Release 4 discovery.

5           To ensure accountability and an  
6 appropriate path forward, MPI's executive steering  
7 committee decided to close Project NOVA on June 30th,  
8 2025, with future modernization efforts to be re-  
9 planned, based on organizational capacity and  
10 strategic priorities.

11           MPI confirmed that Project NOVA's  
12 closure marked the program's formal end, with no  
13 additional major expenses, or booked res -- or major  
14 expenses booked or resources assigned to the original  
15 NOVA scope. The only exception noted was a small  
16 portion of work related to the MyMPI ported -- portal,  
17 and the IRP online system, which was transferred to  
18 another active program for completion.

19           From a financial standpoint, as of June  
20 30th, 2025, MPI had incurred one hundred and sixty-  
21 seven point nine million dollars (\$167.9) in  
22 implementation costs. This is comprised of one  
23 hundred and seventeen point eight million dollars  
24 (\$117.8) capitalized, and fifty point one million  
25 dollars (\$50.1) expensed along with \$65 million

1 dollars in ongoing expenses for licensing, and  
2 support.

3           In accordance with IFRS, MPI recorded  
4 \$60.8 million impairment of deferred development cost  
5 -- cost assets in fiscal 2024/'25.

6           This change resulted from an impairment  
7 analysis where MPI identified \$12.8 million in change  
8 management costs that were incorrectly capitalized,  
9 and concluded with \$47.9 million write-down of assets  
10 under Project NOVA with no future value.

11           With respect to the retained value from  
12 Project NOVA, MPI notes that the foundational work to  
13 Release 1 through Release 3 remains in use. The  
14 foundational work referenced in the Project NOVA  
15 closeout report pertains to the core systems,  
16 infrastructure and architectural components developed  
17 across Releases 1 through 3. These elements detailed  
18 in MPI's response to pre-ask 2 represent the  
19 foundational capabilities and retain value that remain  
20 in use, and have been integrated into MPI's ongoing  
21 operations.

22           Due to the early closure of Project  
23 NOVA and the impairment decision, MPI has accumulated  
24 additional technical debt which will need to be  
25 further resolved. In particular, due to significant

1 impairment of Release 1 solution centered on SRE, MPI  
2 is reverting to the Legacy system and has formalized  
3 an initiative for a new solution -- solution to be  
4 managed with major programs.

5 This work is underway and the migration  
6 is expected to be completed by spring or early summer  
7 of 2026 coinciding with policy renewal dates.

8 MPI added eight (8) FTEs to SRE line to  
9 facilitate manual entry, or previously migrated  
10 policies to the pr -- Project NOVA solution back into  
11 the Legacy system. The path forward is yet to be  
12 determined.

13 Specifically, for Releases 2 and 3,  
14 impairments of over \$19 million and \$2 million  
15 respectively were identified; a portion of these costs  
16 relate to an accounting error further noted within the  
17 NOVA impairment report.

18 MPI continues to incur \$65 million of  
19 ongoing project -- pardon me, ongoing costs post  
20 Project NOVA closure. These costs arise from ongoing  
21 contractual obligations for systems and services  
22 implemented during the project.

23 With respect to addressing the previous  
24 R-3 scope, MPI is assessing priorities in comparison  
25 to other business and contractual needs while also

1 evaluating the organization's capacity to achieve the  
2 desired results. MPI acknowledged that the existing  
3 software targeted for modernization under Release 3  
4 was built primarily internally and that the  
5 organization, therefore, does not have significant  
6 contractual obligations related to it.

7 MPI indicated that, unlike Project  
8 NOVA, future modernization initial -- initiatives will  
9 not be managed as a single monolithic project but,  
10 will instead, be executed to discrete -- as discrete  
11 initiatives under MPI's IT and major programs  
12 governance frameworks.

13 MPI has indicated the organization is  
14 not intending on taking the Project NOVA original plan  
15 and breaking it into smaller pieces. They will,  
16 instead, evaluate on an ongoing basis and develop a  
17 new strategy.

18 Madam Chair, panel members, I have  
19 attempted to comment on the main issues that arose  
20 this year. I would like to thank the Panel and  
21 Counsel to MPI and the Interveners for their coop --  
22 cooperation extended throughout the hearing.

23 Thanks as well to MPI, Coalition  
24 witnesses and supporting staff, obviously, and to the  
25 Board staff for their diligence and invaluable

1 assistance over the past several weeks.

2                   Subject to any questions, or additional  
3 feedback from parties not present, those are my  
4 submissions. Thank you, Madam Chair.

5                   PANEL CHAIRPERSON: Thank you, Mr.  
6 Andres. Any questions, Mr. Ireland...? Ms.  
7 Sharman...?

8                   BOARD MEMBER SHARMAN: None from me.

9                   PANEL CHAIRPERSON: Thank you very  
10 much. It's just after -- 25 after 10:00. So, we'll  
11 take the morning break, and come back at quarter to  
12 11:00 and hear from MPI Counsel. Thank you.

13

14 --- Upon recessing at 10:26 a.m.

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

16

17                   PANEL CHAIRPERSON: Thank you. Mr.  
18 Guerra...? Mr. Scarfone...?

19                   MR. STEVE SCARFONE: Good morning,  
20 Madam Chair --

21                   PANEL CHAIRPERSON: Good morning.

22                   MR. STEVE SCARFONE: -- Panel members  
23 and My Learned Friends. Just before MPIC begins its  
24 closing remarks, we will read into the record our last  
25 two (2) exhibits for this proceeding. MPI Exhibit

1 number 66 is the MPI rate group change history filed  
2 October 28th. And MPI Exhibit number 67 is this  
3 closing submission of MPI for the 2026 General Rate  
4 Application filed today.

5

6 --- EXHIBIT NO. MPI-66: MPI rate group change  
7 history filed October  
8 28th

9

10 --- EXHIBIT NO. MPI-67: Closing submission of  
11 MPI for the 2026 General  
12 Rate Application

13

14 MR. STEVE SCARFONE: So, if you had  
15 the over/under -- if you were under a hundred, which  
16 we've been over before, we were under a hundred  
17 exhibits this year, so that's a good sign.

18

19 CLOSING REMARKS BY MPI:

20 MR. STEVE SCARFONE: I'll begin, Madam  
21 Chair, with a quick overview before going into a brief  
22 summary of the relief requested by MPIC.

23 So, this year, MPIC presented its rate  
24 application as a continuation of its strategic  
25 journey, one focused on affordability, one focused on

1 long-term financial stability, and one focused on what  
2 we call capacity minded modernization, and as Mr.  
3 Andres alluded to, a capacity in that sense meaning  
4 both financial and people.

5                   To reach this point, MPIC has  
6 implemented, we say, some meaningful changes across  
7 its operations this year, most notably, the closure of  
8 Project NOVA, at the increase to the Basic deductible,  
9 the launch of a multiyear corporate Strategic Plan  
10 which this Board heard about for the first time last  
11 year, and the delivery of key IT initiatives under the  
12 new major programs framework.

13                   Throughout the Hearing, the Board heard  
14 how MPI is actively working to fulfill its mandate  
15 through these initiatives. MPI wants to highlight  
16 several recent accomplishments in this regard which we  
17 say demonstrates real progress at the Corporation.

18                   The average insurance premium as a  
19 percentage of one's income is just 2 percent. The  
20 Forester agency that does our customer experience  
21 reporting shows a score of 73.2 percent, which is an  
22 increase of over 3 percent from last year, 69.

23                   On the IT side, the Gartner overall IT  
24 maturity score was 3.24 percent. And, again, that's  
25 an increase up from 3.03 for 2022/'23. And there was

1 a slight decrease in IT spending as a percentage as a  
2 proportion of total operating expenses.

3 This Board's mandate includes the  
4 overall financial health of the Corporation. And the  
5 Board should be satisfied of that with MPIC's minimal  
6 -- minimum capital target ratio at 109 percent above  
7 its statutory target of 100.

8 There was a 4.77 percent average annual  
9 turnover percentage without counting retirees compared  
10 to 7.66 percent in 2023/'24. That's an important  
11 point to make note of, Madam Chair, because you will  
12 recall that one (1) of the top corporate risks a  
13 couple years ago was retention of key employees, and  
14 the Corporation has made strides in keeping its  
15 employees at MPIC.

16 In addition, we have the multiyear  
17 Corporate Strategic Plan, As I mentioned, the Project  
18 NOVA closeout, the major programs governance framework  
19 which you heard from Mr. Hart about, diversified  
20 towing, and the glass repair first policy. Those are  
21 some of the initiatives that this Board heard about  
22 and which the Corporation is very proud of.

23 The Board heard how MPI is advancing  
24 several key initiatives that underscores its  
25 commitment to modernization, accountability, and

1 financial stewardship. This includes the five (5)  
2 year rolling IT roadmap, the implementation of a more  
3 rigorous budgeting process supported by performance-  
4 based key indicators.

5           There's also enhanced claims cost  
6 controls, and, lastly, as you heard, a transition  
7 toward a discretionary outsourced chief investment  
8 officer for investment management, all of which will  
9 be spoken about in greater detail in this submission.

10           Concerning the relief requested, as Mr.  
11 Andres alluded to, we are seeking approval of an  
12 overall rate increase of 2.07 percent for the Basic  
13 program, and this rate is calculated in accordance  
14 with accepted actuarial practice, firmly anchored in  
15 AAP, I would -- I would add so much, so that not even  
16 an increase in the New Money Yield could move it.

17           We are still seeking 2.07 percent. And  
18 I'll get more -- I'll -- I'll speak more to that when  
19 I get to the discontinuance of the rate update, Madam  
20 Chair.

21           MPIC has proposed no changes to the  
22 following components of the Basic insurance program,  
23 as Madam Chair alluded to when this Hearing first  
24 opened, that is the miscellaneous permits and  
25 certificates, the driver premiums, the Basic service

1 and transaction fees, and fleet rebates and  
2 surcharges.

3           The prayer for relief does include  
4 changes to the Driver Safety Rating system, the DSR.  
5 MPIC is in its last year of transitioning that scale  
6 up to a plus 20 and moving the discounts one third of  
7 the way towards their actuarial indicated rates.

8           The Board heard evidence about the  
9 great -- the rate group extension with a revised cap.  
10 MPIC is seeking approval to expand the number and  
11 range of rate groups for private passenger and light  
12 truck vehicles by adding rate groups 42 through 45  
13 with a cap of plus 5 for any one (1) individual  
14 vehicle.

15           The Board heard from the finance  
16 witnesses about the discontinuance of the regulatory  
17 deferral account. MPIC is seeking a directive to  
18 defer approximately 31 million in initiative expenses  
19 forecasted for '26/'27 into the RDA; but more than  
20 that, it's seeking a declaration from this Board that  
21 the RDA assets as of March 31, 2026, are of no value  
22 and not recoverable from Basic ratepayers.

23           This would effectively, if that relief  
24 is granted, reset the RDA balance to zero. And that  
25 is -- that is the balance that the Corporation would

1 like to see remain in that RDA as going forward, MPI  
2 proposes to include actual initiative expenses from  
3 the prior fiscal year into the rate setting process  
4 adjusted for inflation.

5           The other relief sought is no capital  
6 build or rebate. Of course, before this Board, the  
7 RSR, which is Basic's Rate Stabilization Reserve, is  
8 in a strong financial position with a projected MCT  
9 ratio of 107 percent as of March 31, 2025. And it's  
10 expected to reach its target ratio of a hundred  
11 percent by the 2027/'28 fiscal year, where it might  
12 dip below that target.

13           And because the MCT ratio did not  
14 exceed 120 percent as stipulated under Section 18 of  
15 the MPIC Act, there will be no capital rebate to Basic  
16 customers. And as -- again, as Mr. Andres alluded to,  
17 while MPI is not proposing a new Capital Management  
18 Plan and this Application, it does, of course,  
19 continue to manage internally its capital in  
20 compliance with Section 18 of the MPIC Act.

21           MPI is also seeking, as this Board  
22 knows, the discontinuance of the rate update. And I  
23 will add that, although, Madam Chair, it's not  
24 formally in our prayer for relief in the legal  
25 application part of the General Rate Application, it

1 does form part of the rate update, and so I think it's  
2 proper for this Board to consider that relief and --  
3 and grant the discontinuance of the rate update if  
4 it's so inclined.

5                   MPIC filed its rate update on September  
6 25, 2025. And while it has continued the practice of  
7 providing a rate update using end of August data, it  
8 has not requested approval of the updated rate,  
9 consistent with its position that such updates do not  
10 materially enhance the accuracy of the rate  
11 indication.

12                   And with respect to the discontinuance  
13 of the rate update, I want to speak to it further,  
14 Madam Chair, because it seems much emphasis has been  
15 put on two (2) aspects of that, one (1) of which would  
16 be the accuracy of the forecasting and whether this  
17 Board relies on that.

18                   And the second part is the work effort  
19 that the Corporation undertakes to prepare the rate  
20 update, both of which, in my submission, are  
21 important, but not as important, in my view, as  
22 looking to the rationale for why the rate update --  
23 the genesis for the rate update, if you will, back in  
24 2013.

25                   And I did go through with Ms. Low those

1 rationales, if you will. But if you look to the Order  
2 that was issued after the 2013 GRA, Madam Chair, the  
3 2014 GRA was one in which MPIC was proposing a new way  
4 of interest rate forecasting.

5           And the Board at that time was  
6 concerned with its new interest rate forecasting  
7 methodology, noting that MPIC had no particular  
8 expertise in this area, and so a number of -- a number  
9 of concerns were raised by the Board.

10           At the time, as we heard from Ms. Low,  
11 the interest rate forecasting methodology employed by  
12 MPIC was based on SIRF, otherwise known as the  
13 Standard Interest Rate Forecast.

14           And if Ms. Dweh could pull up MPI  
15 Exhibit number 17, please, rate update, Appendix 1,  
16 and to page 4, please. So, as it concerns the SIRF --  
17 and if you could scroll down, please. There should be  
18 a graph, Ms. Dweh, Figure 1 on page 4 of 14. Oh, you  
19 have to go to Appendix 1, sorry, which is at the  
20 bottom. I believe it's at the bottom of the document.  
21 Yes. And there we go. Thank you.

22           So, as it concerns the Standard  
23 Interest Rate Forecasting Methodology, which was  
24 employed by MPIC back in 2013, this graph was commonly  
25 seen in the rate applications. And we used to call it

1 the spaghetti graph. But it shows the dangers of  
2 relying on the SIRF.

3           And MPIC would forecast, as the SIRF,  
4 did for those interest rates to go up as we see there.  
5 But we see what the interest rates actually did during  
6 those years on the black line; it went down. And what  
7 that meant was significant financial losses to the  
8 Basic line of business.

9           When forecasts for interest rates go up  
10 and they actually go down, the impact on net income is  
11 substantial in terms of losses. And so, it was  
12 following a number of years of consecutive losses that  
13 the Corporation moved to its naive forecasting  
14 methodology, which, as Mr. Johnson used to say,  
15 removed any betting aspects with respect to interest  
16 rate forecasting.

17           He indicated at the time that the  
18 Corporation was not in the business of betting and  
19 preferred just to have the naive interest rate fixed  
20 at a point in time and carried through the forecast.  
21 And so, we say that has been addressed. That concern  
22 of the Board has been addressed.

23           The second concern back in 2013 was  
24 that MPIC was making use of a comingled investment  
25 portfolio. And as indicated in the submission, the

1 PUB stated:

2 "The effectiveness of duration  
3 matching is complicated by the  
4 fact that the Corporation's  
5 investment portfolio is managed as  
6 a whole and Basic portfolio is not  
7 separately -- separately managed."

8 So, we know that -- that too has been  
9 addressed. Several years ago, the Corporation, after  
10 the ALM study in 2017, segregated its portfolios. So,  
11 now Basic has its own Basic claims portfolio that  
12 backs the liabilities. So, that second concern we say  
13 was addressed by MPIC.

14 The PUB raised the third concern. And,  
15 again, Madam Chair, I'm speaking to the rationale for  
16 the genesis of the rate update aside from the work  
17 effort, aside from the accuracy of the forecasts.

18 The third concern was the MUSH bonds.  
19 The MUSH bonds, as they do today, formed a large part  
20 of the investment portfolio. The problem back then  
21 was they were held to maturity. So, they didn't  
22 factor into the duration matching, which helped  
23 mitigate the interest rate forecasting risk, so you  
24 had a large amount of assets that weren't working to  
25 help mitigate interest rate forecasting risk. But

1 with the adoption of IFRS-9, that's no longer the  
2 case.

3           So, the MUSH bonds today are classified  
4 as fair value through profit and loss. And they are  
5 in fact considered in the duration matching program  
6 that helps back the liabilities in the asset liability  
7 matching program.

8           And the last concern -- there was a  
9 fourth concern in 2013, and that was with respect to  
10 cashflow matching. The concern there was, as the PUB  
11 indicated, only the average durations were being  
12 matched, but not the cash flows underlying those  
13 durations. That too -- that concern was also resolved  
14 with the adoption of IFRS-9 making cash flow matching  
15 unnecessary with respect to duration matching. And  
16 all of this to say is that the four (4) PUB concerns  
17 have been fully addressed in our view.

18           So, you're left with, Well, why do we  
19 continue to update the rate Application. It's nice to  
20 have. I understand -- we understand that, that the Board  
21 might say, Well, it's nice to have. It's like that  
22 last French fry in the McDonald's bag. Do you need  
23 it? No, but it's nice to have.

24           And you have before you, as Mr. Andres  
25 said, a very robust rate Application. We are here

1 before you every year, Madam Chair. And so, to the  
2 extent that any adjustments are made in Manitoba, at  
3 least, those happen the next year.

4                   So, this Board, like it did with the  
5 interest rate forecasting methodology, by making it  
6 naive, by making it fixed, the Board could extend that  
7 and do the same thing to the rate Application because  
8 what you have is a rate Application that's robust and  
9 comprehensive and filed in June with end of March  
10 numbers that could be fixed.

11                   And. yes, things happen throughout the  
12 year. But when we're back again before you with a new  
13 filing, any inaccuracies that are based on changing  
14 interest rates are adjusted year to year.

15                   And so, our position is simply that,  
16 that, well, the evidence before you would show that  
17 some years it would seem the rate update and the  
18 interest rate forecasts are helpful; other years it's  
19 not. I believe it was 6 of 9, the March data was  
20 better than the August data.

21                   And then there was an Information  
22 Request that this Board asked MPIC to respond to that  
23 again showed it was about 50/50. And so, again, the  
24 Board might say, Well, half the time it's going to be  
25 helpful to us, but half the time it won't.

1                   And then you heard about all the work  
2 effort. And, again, I think that's a secondary  
3 consideration of this Board, right, because the Board  
4 might say, Well, so what. MPI can go about doing  
5 their work and we can benefit from the rate update.

6                   But the point is, does the Board gain  
7 enough benefit from that rate update to have it  
8 continue given that all of the concerns it had have  
9 been addressed?

10                   And I'll just finish this point by  
11 saying that Mr. Andres -- when I walked Ms. Low  
12 through the -- those four (4) concerns and the  
13 rationale for having implemented this -- this practice  
14 of updating the -- the rate Application, Mr. Andres  
15 put a question to Ms. Low. And I'm reading from the  
16 transcript -- we don't have to go there -- from  
17 October 22nd, 2025, at pages 1279. Mr. Andres said:

18                   "Just a couple of questions just  
19 following out on your conversation  
20 with Mr. Scarfone about your  
21 presentation. Ms. Low, you'll  
22 agree forecast for investment  
23 income and the financial  
24 statements do not affect the AAP  
25 rate indication, correct?"

1                   She's like, "Correct." I was like,  
2 Wow, did that question, that one (1) question undo our  
3 entire submission on the rate update. It was a good  
4 question, but it didn't, and here's why.

5                   As we know, the New Money Yield is  
6 calculated using the weighted average yield of the  
7 asset classes in the Basic claims portfolio, all of  
8 which are -- are sensitive to inflation except for the  
9 real estate.

10                  Okay. So, the New Money Yield uses  
11 investments in Basic claims. That's how it's  
12 calculated. The asset classes in the Basic claims  
13 portfolio, except for the real estate, are all  
14 interest rate sensitive, and that is sensitive to the  
15 ten (10) year government of Canada bond yield.

16                  So, this -- this year is a perfect  
17 example of that. The forecast for Basic claims  
18 investment income at the end of March was 120 million.  
19 The end of August, it was 60 million. In four (4)  
20 months. The forecast went down by one half, by \$60  
21 million. That underscores how important interest  
22 rates are in forecasting investment income. And that,  
23 of course, is what led MPIC to adopt this naive  
24 forecasting methodology.

25                  It's like we're not -- we're not

1 playing that game because four (4) months from now it  
2 can be back up to 120 million. And as Ms. Low  
3 indicated, we're not talking about four (4) months or  
4 five (5) months. We're talking about two (2) years  
5 and insurance claims, and particularly PIPP claims,  
6 that are paid out for twenty (20) and thirty (30)  
7 years. And so, nobody can predict where interest  
8 rates are going.

9                   And so, while this Board might say,  
10 well, you know, we make use of it, and -- and there  
11 was an Information Request where the Board asked us,  
12 well, you know, go back for the past ten (10) years  
13 and, you know, tell us what use we made of the updated  
14 interest rate forecast.

15                   And we looked and we're like, well,  
16 maybe the Board should be telling us 'cause it wasn't  
17 clear from the orders whether it was making use of it.  
18 It wasn't specific in those orders.

19                   But what we do know is that the higher  
20 New Money Yield means a higher discount rate, which  
21 reduces the present value of the liabilities and the  
22 rate indication, as happened this year. The New Money  
23 Yield went up at end of August and the rate indication  
24 went down.

25                   And so, there is a tie, of course, to

1 investments and the rate indication. And there is a  
2 tie to the financial statements as we saw with those  
3 huge net losses when we were forecasting interest  
4 rates to go up in the spaghetti graph and they went  
5 down. It's all tied together.

6 And so, we say this is the time, with  
7 MPIC having addressed all the Board's concerns, to end  
8 the practice and just fix the Rate Application at end  
9 of March, and then we're back again next year to make  
10 any adjustments.

11 And I'll turn it over to Mr. Guerra  
12 now.

13 MR. ANTHONY GUERRA: Thank you, Mr.  
14 Scarfone. And I can't promise you I'll be as engaging  
15 as Mr. Scarfone, but I do hope to be as persuasive.

16 And I think that's actually a really  
17 good segue for our next topic, which is the rate  
18 request itself. And, Ms. Dweh, if -- if you want to  
19 go to page 10, we can start -- we can continue to  
20 follow along, rather.

21 And -- and the reason why I say it's a  
22 good segue is because what we see with the rate update  
23 is the changing of the overall rate indication. So,  
24 this year, for example, the rate indication as of July  
25 was as 2.07. With the rate update, it went down to

1 1.57.

2 Last year, we had a rate indication  
3 that was 6.15 in -- in July, and then went to 6.77 in  
4 the October update. And then MPI added to that  
5 confusion by applying for a 3 percent rate request.

6 And if you're a member of the public,  
7 you're looking at all these numbers and saying, well,  
8 what is the actual impact on my -- my bill for next  
9 year? What is MPI actually seeking from the PUB and  
10 how tuned in should I be to these Rate Applications?

11 And so, what we see this year is a  
12 discussion at this -- at this level about the  
13 representation of the rate request and what -- what  
14 importance MPI should -- or this -- this Board and the  
15 public should place on the overall rate request of  
16 2.07 percent.

17 And so, in this Rate Application, we  
18 are seeking approval of that increase. And -- and the  
19 issue that we see is -- from Our Friends, the -- the  
20 individuals or the actuaries at Oliver Wyman, claiming  
21 that that request of 2.07 is a misrepresentation of  
22 the required rate because it doesn't factor in all of  
23 the proposed changes that haven't been implemented,  
24 and that would affect ultimately what Manitobans would  
25 pay or what MPI would collect in premiums next year.

1                   And as Our Friends at the Consumers  
2 Coalition have indicated in their opening address,  
3 they question whether or not the actions of MPI are  
4 effective in transparently communicating that  
5 information to -- to customers and to the Public  
6 Utilities Board.

7                   And so, we asked -- we were asked  
8 rather to clarify the position regarding the  
9 representations of the required rate. And in -- in  
10 response, we heard from Oliver Wyman that the rate  
11 indication should not reflect actions taken by MPI to  
12 achieve the rate adequacy, especially those that  
13 aren't approved yet by the Public Utilities Board.

14                   But its overall rate request could be  
15 more transparent by illustrating the difference  
16 between the premium trend from November of 2024 in  
17 this case, trended to April of 2027, and the  
18 calculated rate need, which they said in this  
19 particular Rate Application was 3.65 percent.

20                   And so, they had suggested in a  
21 response to an Information Request that that 3.65  
22 percent increase could comprise of the following  
23 components, which would be the decrease from the  
24 changes to the Driver Safety Rating of 1.5 percent,  
25 increase from the expansion of the vehicle rate groups

1 of 3.1 percent, and then ultimately that base rate  
2 change of 2.07 percent. And that's how you get to the  
3 3.6 percent, they would say.

4                   Now, the claim of -- of  
5 misrepresentation or being lack of transparent was --  
6 was that they said customers don't have access to that  
7 information currently. And so, what I've shown on  
8 this page here, if we can scroll down to twelve (12) -  
9 - page 12, rather -- these are excerpts from the  
10 actual Rate Application and particular one chapter of  
11 the Rate Application, the rate indication chapter.

12                   So, in these excerpts, we are breaking  
13 down how we get to that 2.07. So, for example, as it  
14 change -- as it pertains to the impacts of the DSR,  
15 this quote here says -- and I'm going to refer to the  
16 -- the last -- sorry, the first paragraph:

17                   "The rate model doesn't account  
18 for the addition of the new driver  
19 safety DSR level that was  
20 introduced in the 2025 GRA given  
21 the population of vehicles is  
22 based on the population at  
23 November 1st. To account for  
24 this, MPI forecasted an additional  
25 decrease in revenue from the

1 additional movements not captured  
2 by the rate model. The estimated  
3 additional impact is a decrease of  
4 1.5 percent on the average annual  
5 premium."

6 It goes on to say that:

7 "The overall change is a  
8 combination of increase to base  
9 vehicle premiums as well as any  
10 change to discounts applied to  
11 vehicle premiums. And the 2026  
12 GRA is in compliance with PUB  
13 Order 2/'25, directive 15.

14 "MPI is again applying for change  
15 to vehicle premium discounts. The  
16 impact revenue to changing DSR  
17 discounts is estimated to be a  
18 decrease of 4.62 percent, rather,  
19 and as such, the vehicle -- the  
20 base vehicle premium would need to  
21 increase by 7.02 percent to  
22 achieve the overall required 2.07  
23 percent."

24 Then we go down and talk about the rate  
25 group changes. That was the other comment that was

1 made by Our Friends at Oliver Wyman. You're not being  
2 clear about that. Again, rate indication chapter:  
3 "Furthermore, MPI proposes to  
4 change the rate group scale from  
5 zero to 41 to zero to 45. The  
6 estimated additional revenue from  
7 vehicles moving to rate group 45  
8 from rate group 41 is  
9 approximately \$38 million or an  
10 increase of 3.1 percent to the  
11 average vehicle premium."

12 And then finally, as it pertains to the  
13 product changes -- deductible changes in this case,  
14 Figure R-I, Appendix 3-2 highlights the impact of  
15 moving from a seven fifty (750) Basic deductible to a  
16 one thousand dollar (\$1,000) deductible for Basic.  
17 And that we see here is a difference of over 3 percent  
18 from 2.07 percent to in this case 5.1 percent.

19 In addition to providing all this  
20 information, in the original filing -- one single  
21 chapter of the original filing -- MPI also answered  
22 Information Requests and Pre-asks on this topic. When  
23 asked, we provided.

24 So, all of that is to say, when we hear  
25 comments like MPI has misrepresented its rate request

1 to Manitobans, to this Board, we take exception,  
2 right, because we feel that this Rate Application is a  
3 form of transparency, is a form of dialogue with  
4 customers.

5                   And as this Board will note, we take  
6 significant pride and effort into making sure that the  
7 GRA filing is thorough and accessible.

8                   So, I'll point out, in recent years,  
9 we've implemented many enhancements to improve the  
10 clarity and usability of our Rate Applications. We're  
11 adopting more plain language where feasible, and we're  
12 adding things like our overview chapter and our  
13 comprehensive glossary.

14                   So, we are taking feedback when it is  
15 provided and we are updating our practices to make  
16 sure that we are being clear, open, transparent with  
17 Manitobans.

18                   And so, consistent with our past  
19 practice, we've continued with the practice of  
20 applying for a single consolidated percentage. And we  
21 say this aligns with the Board's own orders, which  
22 routinely include what we would see here as a  
23 comprehensive chart showing what the rate applied for  
24 was and what the rate ordered was.

25                   And so, we asked Oliver Wyman: What

1 number would you use? If you could have only one  
2 number to ask for Manitobans, what number would that  
3 be in this particular case? Should it be that 3.56  
4 percent increase?

5 Or another number that was thrown out  
6 was the 6.63 percent increase and that number includes  
7 deductible, right? So that's the difference between a  
8 3.56 percent and the 6.63 percent is that deductible  
9 impact.

10 And -- and they couldn't say. They  
11 didn't have a choice in that matter. So even the  
12 actuaries couldn't say what number would best be used  
13 to represent to Manitobans.

14 And so, we submit that those claims of  
15 misrepresenting rates or being not transparent with --  
16 with this Board and Manitobans should be given little  
17 weight in this particular case. And we would submit  
18 that those types of comments don't actually contribute  
19 to a constructive dialogue on how best to serve  
20 Manitobans.

21 MPI has remained and will continuously  
22 remain committed to continuous improvement. And we  
23 welcome feedback on our Rate Application filings as we  
24 have in the past. And in this case, MPI, when faced  
25 with that -- that claim of misrepresentation, actually

1 took the step of asking in the Pre-ask phase -- this  
2 would be MPI Pre-ask number 1.

3           First question we posed to Oliver Wyman  
4 when we had a chance to -- sorry, this would be the  
5 Information Request phase: How would you propose that  
6 we structure our Rate Applications in the future? If  
7 you're concerned that we are not being transparent, we  
8 are as well. And how would you best address that?

9           And so, what you see here at the bottom  
10 -- this is now page 14, sorry, this chart, if you can  
11 go back up to this chart, please, Mr. Dweh. This was  
12 one of the proposals that they put. This is how best  
13 to represent the rate to Manitobans in their view.

14           And I would submit that, if you're an  
15 actuary, this may make some sense. I can tell you I  
16 don't think Ms. Low thinks that this makes a lot of  
17 sense as an actuary, but I -- I have a hard time  
18 reading this as a non-actuary, and I would -- I  
19 believe that most Manitobans would as well.

20           There are far too many numbers here and  
21 it's far too detailed and technical. And for most  
22 Manitobans, they -- they want to know the base, brass  
23 tacks. Tell it to me brass tacks. This doesn't do  
24 that.

25           So, while MPI certainly is prepared to

1 have an open and constructive dialogue about how best  
2 to serve Manitobans, this unfortunately doesn't --  
3 doesn't seem to hit the mark in this particular case.

4           We believe in this particular case that  
5 the way in which we've communicated the rate request  
6 to Manitobans through a single aggregated percentage  
7 is appropriate. MPI is seeking a 2.07 percent overall  
8 rate increase in this particular case.

9           And while certain product changes like  
10 increased Basic deductible have an impact on the rate  
11 indication, we would note in this particular case MPI  
12 is not asking for PUB approval to decrease the rate by  
13 in this case 2.98 percent, nor is it asking for PUB  
14 approval to change the product itself. As -- as we  
15 know, that's not -- that's not the jurisdiction of the  
16 PUB.

17           Also, when it comes to things like  
18 adjusting the Driver Safety Rating to influence our  
19 rate need, MPI is not requesting for approval of a 1.5  
20 percent rate reduction. We are asking for changes to  
21 the DSR framework.

22           And finally, while we're asking --  
23 while changes to the rate groups and an increase in  
24 movement caps will affect our rate need, we are not  
25 asking for approval of a 3.1 percent rate increase.

1 We are asking for changes to clear rate groups.

2                   So, in that particular case, MPI says  
3 that -- and this still makes sense for the use of a  
4 single consolidated percentage that reflects the rate  
5 change required after accounting for all proposed  
6 adjustments.

7                   We say this approach does ensure  
8 clarity and consistency in communicating the overall  
9 rate impact to customers. But as I mentioned again,  
10 if there is an opposing view and there's a better way  
11 to do this, MPI certainly would not be opposed to  
12 having those constructive dialogues.

13                   I do want to touch a little bit on now  
14 the calculation of the rate and the distribution of  
15 the rate. And I won't go too much into the -- the  
16 details here.

17                   I think My Friend Mr. Andres did a very  
18 good job in terms of digging down into the numbers.  
19 But what I would say here in this particular case is  
20 that, as we should all know here, that 2.07 percent  
21 won't impact everyone uniformly across all major  
22 classes.

23                   And so individual premiums are  
24 determined by a range of factors, including the  
25 driving -- driving record rather of the -- the

1 motorist and their claims history, the type of vehicle  
2 that they use, how it's registered in terms of being  
3 for -- for all purpose or pleasure, and the territory  
4 of their residence. And so, while some ratepayers are  
5 going to experience increases as a result of this rate  
6 request, some may see decreases.

7           And so, as we demonstrate in the  
8 dislocation report Figure 2 and 3 in this particular  
9 case, as a result of the Application that MPI puts  
10 before you, 36.9 percent of vehicles will see no  
11 change, 15 percent or 15.3 percent will see an  
12 increase, and 47.8 percent -- sorry. I got that  
13 wrong. I apologize. I'll go back.

14           o a decrease will be for 36.9 percent,  
15 no change for 15.3 percent, and an increase for 47.8  
16 percent of vehicles. And notably, 39.1 percent of  
17 vehicles will see a rate change of a hundred dollars  
18 (\$100) or less, and putting those with no change --  
19 well, 28.5 percent will experience a rate change of  
20 plus or minus 5 percent or less inclusive of vehicles  
21 with no change.

22           And so, I want to just highlight this  
23 table that we have here with the major classes, the  
24 average indicated rate per major class, and the dollar  
25 impact for those major classes.

1                   And what you'll see is that obviously  
2 not- every major class is affected in the same way  
3 with, in this particular case, the commercial major  
4 class and the motorcycle major class bearing the --  
5 the brunt or the highest percentage increase, which  
6 for commercial vehicles is a sixty dollar (\$60)  
7 increase per year and for motorcycles, forty-six  
8 dollars (\$46) per year.

9                   And so MPI recognizes that, in some  
10 cases, this rate request is going to impact these  
11 areas in a more sensitive way, and -- and we're --  
12 we're mindful of that. But we also say that these  
13 increases are careful and deliberate in terms of  
14 balancing the principles of affordability, rate  
15 stability predictability, and the need to ensure the  
16 financial sustainability of our insurance program.

17                   We would also mention in the particular  
18 case of motorcycles that there are certain levers that  
19 could have been pulled this year and that were pulled  
20 -- for example, adjusting the CLEAR rate groups and  
21 the deductibles. These are things that were those  
22 tough decisions that were made to -- in the name of  
23 rate affordability.

24                   But unfortunately for motorcycles,  
25 those levers didn't have the same impact on their

1 major class as, for example, other major classes. And  
2 so, what we see here is that, despite its best  
3 efforts, this really is the most affordable rate that  
4 MPI can -- can apply for for these major classes.

5 I do want to talk a little bit now  
6 about rate group changes, so if we can go to page 17,  
7 please, Ms. Dweh.

8 And so, you've heard from Mr. Scarfone  
9 before me that MPI is applying in this particular case  
10 to increase or expand the rate group contingent for  
11 private passenger and light vehicle vehicles from 42  
12 to 46. So that would mean then the rate groups after  
13 that would be zero to 45.

14 And we heard from witnesses in this  
15 particular hearing that this move is not revenue  
16 neutral. So, what does that mean? So, Mr. Masud, for  
17 example, said, similar to last year, the additional  
18 premium generated from vehicles moving into these new  
19 rate groups is not revenue neutral. Extra premium is  
20 collected and is flowed through as additional revenue.  
21 And as a result, the change is expected to increase  
22 the premium by approximately 3.1 percent. And we  
23 heard that this change will impact those vehicles at  
24 the -- the top end of the -- of the range. I believe  
25 it's 42 to 45 will experience that -- the lack of the

1 offsetting for revenue neutrality.

2                   And it's another tough decision, right?

3 You -- you know that increasing these rate groups is  
4 going to have an impact, a negative impact on  
5 individuals or individual vehicles in these rate  
6 groups.

7                   We would remind this Board, however,  
8 that those are vehicles and those are rate groups that  
9 represent the most expensive vehicles in our fleet, so  
10 your -- your Ferraris and your -- your Rolls-Royces,  
11 but also the highest risk vehicles, right, either  
12 because of the cost of repairing those vehicles or  
13 because they are the most prone to theft or the most  
14 prone to accidents.

15                   And so, these are vehicles that  
16 represent the highest risk to MPI in many different --  
17 different ways. And so, we have a situation where  
18 there's a need to maintain affordability and an  
19 opportunity to do that in a way that also shifts costs  
20 to those who either are able to best handle it or, you  
21 know, in -- in those tough situations, should  
22 ethically bear those costs because of the choices that  
23 were made to select these high-risk vehicles.

24                   And so we say that this move should be  
25 viewed as a measure for not only affordability, but

1 also for promoting safety in the selection of vehicles  
2 and also reducing that cross-subsidization between  
3 those rate groups where people who've made those  
4 choices for the safer vehicles, for the -- the more --  
5 the vehicles that are -- are more easy to -- to fix or  
6 -- or less complicated or -- or cheaper to fix, they  
7 shouldn't have to bear the brunt of other people's  
8 decisions to select those high risk vehicles.

9                   And I would just -- just end that  
10 discussion about the rate groups by noting that we did  
11 ask Oliver Wyman about the cap movement requests  
12 because it's not just about expanding. It's also  
13 about removing the -- the cap from plus five (5) to  
14 plus one (1).

15                   We understand that that helps to -- to  
16 move us sooner to a more not only effective but also,  
17 I would argue a fairer way of dividing up the risk by  
18 groups. And it was posed to Oliver Wyman: What would  
19 be a fair way? If you're -- if you're not in favour  
20 of the -- the current plus five (5) rate cap, what  
21 would be your alternative?

22                   And -- and they couldn't provide any  
23 criteria used to determine their proposed alternative.  
24 And so MPI is left having to make those tough  
25 decisions and having to -- to balance the interests of

1 its customers.

2                   And it's -- it's --we admit it's a  
3 tough decision and it could have gone many different  
4 ways. However, in this particular case, MPI made that  
5 tough decision to balance affordability with  
6 accountability, and we believe that we have threaded  
7 the needle, that we have achieved that -- that balance  
8 appropriately. Others may not think that's the case,  
9 but we're at least be -- we're at least here to  
10 justify the actions and to show our homework.

11                   I do want to touch a little bit now on  
12 the changes to the Basic and Extension deductibles.  
13 And so, what this Board heard this year is that the  
14 Basic deductible will increase from seven fifty (750)  
15 to a thousand dollars (\$1,000) effective April 1st of  
16 -- of next year.

17                   And so, this in effect removes claims  
18 of what would otherwise be covered by the Basic line  
19 of business and therefore impacts their -- its claims  
20 and expenses forecasts.

21                   In terms of why MPI has moved to this  
22 deductible change, it's simple, and Ms. Campos puts it  
23 out there very nicely in her quote: it's to balance  
24 affordability with long-term sustainability.

25                   And a criticism of the reasons why this

1 Application is -- this change is before us this year  
2 is, well, you didn't -- you didn't change the  
3 deductibles. Sorry, you changed deductibles very  
4 recently, and now you're coming back again and -- and  
5 changing them again. Aren't we too soon? This is an  
6 exceptional action?

7           And we would argue deductible changes  
8 can be exceptional, but we also have been through the  
9 past five (5) years that were in themselves  
10 exceptional. When you think about what's happened in  
11 the last five (5) years in terms of the pandemic, in  
12 terms of inflation, in terms of all the impacts on the  
13 economy, those were exceptional. This is a remedy to  
14 those exceptional circumstances. Things cost more  
15 now, right? What used to cost you, you know, seven  
16 fifty (750) five (5) years ago now costs you pretty  
17 close to a thousand dollars (\$1,000).

18           And I would just point out here again,  
19 and I've mentioned it before but I think it bears  
20 repeating, that had MPI not made this change in this  
21 particular year, the rate indication would've been  
22 5.01 percent, not the 2.07 percent.

23           The other issue that was raised when we  
24 talked about deductibles was how was this going to be  
25 communicated to customers. And we think that between

1 Ms. Jatana and Ms. Campos, a pretty clear -- and,  
2 sorry, I would also throw into there Mr. Smithson as  
3 well. You heard from Mr. Smithson about the way in  
4 which MPI would approach communicating with customers  
5 which was very similar to the way in which MPI  
6 approached the -- the problem in 2021 with the  
7 Compulsory Extension Review Project or CERP  
8 initiative.

9                   And so, what happens is MPI maps the  
10 customer to their current selection. So, if you are a  
11 seven fifty (750) deductible holder now, you will be a  
12 seven fifty (750) deductible holder after -- or on  
13 April 1st and after April 1st, unless you come to MPI  
14 and you say, I don't want to be a seven fifty (750)  
15 deductible holder with you, or at all. In which case,  
16 you can save some money. And I believe the -- the  
17 evidence there is approximately thirty dollars (\$30),  
18 you will save if you decide to -- to make that change.

19                   But MPI thinks that, in this particular  
20 case, most people will -- will take MPI up on that  
21 offer, will select to maintain their deductible choice  
22 and will continue to have the protections that they  
23 now enjoy. And we say that this provides them with  
24 more options for coverages, including outside of MPI  
25 should they so choose. But the majority, we

1 understand, the majority of customers continue to  
2 choose MPI. We like that. We say that's -- that's a  
3 -- a good vote of confidence in the Corporation and we  
4 hope that that continues to be the case.

5                   But we would also say that this is --  
6 this is a reflection of the current realities and  
7 giving people that option, especially those who, let's  
8 say, have really good driving records in -- in an --  
9 in a particular tough economic time for them decide,  
10 you know, I'm prepared to take on that risk because I  
11 would rather have the money in my pocket. Now, that's  
12 your choice now. And -- and so this is consistent  
13 with that.

14                   And I would remind this Board that the  
15 evidence was that there wasn't large uproar from  
16 customers when we did the same thing in 2021. People  
17 generally liked the approach then, in terms of  
18 communication, in terms of the mapping of the -- the  
19 coverage, and so we are simply maintaining a practice  
20 that we said worked the first time and should work the  
21 second time as well.

22                   Touching upon just the Basic revenue  
23 requirements and I'm not going to go too much into  
24 detail here. What we're trying to do with our  
25 closings are to really try to address the issues that

1 we see as important to this Board, especially when we  
2 review Orders. So, you're going to see in this  
3 material, things that are very similar to Orders from  
4 -- from past -- from past GRA's. And so, we're trying  
5 to be helpful in helping the Board understand the  
6 evidence and the way in which they prepare their  
7 Orders.

8                   So, some of these topics are -- are  
9 really designed just to help you when you're preparing  
10 your Order reflect on the evidence as -- as we saw it  
11 consistent with the past practices of this Board.

12                   So, I won't spend too much time on the  
13 Basic revenue requirement, other than to say, that  
14 there was some discussion this year about the deferral  
15 of initiative costs for IT systems. And so, I do want  
16 to talk a little bit about that.

17                   And so, as -- I'm on page 21 now, Ms.  
18 Dweh. Thank you very much.

19                   So, as this Board has previously noted,  
20 MPI does not record a regulatory deferral count in its  
21 financial statements to accumulate the Board directed  
22 referral -- deferred integration costs.

23                   And you heard in this, sorry, you --  
24 this Board would have heard last year, it's from the  
25 Order of 2025 GRA, that MPI can't adopt the

1 information or International Financial Reporting  
2 Standards or IFRS-14 regular -- Regulatory Deferral  
3 Accounts Standard, which would allow it to recognize  
4 that asset or liability in its financial statements.

5           And so, the result is that there is  
6 this misalignment between what MPI reports externally  
7 to individuals and to the public and what it reports  
8 to -- to this Board. And that's unfortunate. We hope  
9 that this practice will be adjusted this year so that  
10 there is that alignment.

11           There was some discussion about the  
12 amendment to the standard and last year it was noted  
13 that the International Accounting Standards Board or  
14 IASB had issued an exposure draft. MPI had taken the  
15 position that that exposure draft, in the interim,  
16 until it was finalized, we couldn't apply that. And  
17 so, the issue at that point in time was, well, let's  
18 wait and see what happens with IASB.

19           And so, what you heard in this rate  
20 application is that they still haven't made a decision  
21 and we're expecting that decision some time in 2026.  
22 But MPI still maintains the position that even when  
23 that is finalized, it is unlikely that there will be  
24 any changes, material, so that the position would  
25 still remain MPI is exempt from its application.

1                   In terms of deferred initiative  
2 expenses, so far, this Board heard that approximately  
3 26.5 million has been deferred for the 2025/'26 period  
4 and 31.2 million will be deferred for the '26/'27  
5 period, or an average of \$29.9 million for the  
6 upcoming rating year.

7                   And what that means, essentially, is  
8 that had MPI sought recovery of those expenses, the  
9 AEP rate indication in this particular GRA would have  
10 been approximately 3 percent higher. And that's  
11 simply taken by using the -- the rule of thumb that  
12 approximately \$10 million is equal to 1 percent of the  
13 rate indication. It's not entirely there but that's a  
14 pretty close assessment.

15                   In terms of claims forecasting  
16 projections, rather, the only thing I would note there  
17 for your -- for your attention today is that the  
18 evidence before you was that 71 percent of Basic  
19 premiums dollars go to paying claims with only 9  
20 percent going to operating expenses.

21                   And so, roughly 71 percent of premium  
22 dollars are going to pay the actual cost of claims,  
23 and that is consistent with what this Board heard in  
24 the last GRA. And that is a pretty remarkable stat  
25 and I think goes to show how MPI is focused on making

1 sure that the dollars spent are in the right places.

2                   What this Board also heard this year  
3 was that MPI, in its forecasting, is going to be  
4 forecasting, going forward, and has done this year,  
5 what the rate trend is setting up to be. For  
6 informational purposes only, this is not forecasting a  
7 hundred percent accuracy. This is about understanding  
8 if -- if nothing else was happening, where would the  
9 rate indication be trending in future years.

10                   And so, you've heard from Ms. Kauk, our  
11 Director of Financial Planning Analysis, that,  
12 historically, when the application was filed included  
13 in the rate was the forecast had assumed 0 percent  
14 rate increases in the future. And so, this multi-year  
15 change represents the net trend derived from the  
16 expected loss cost trends relative to the expected  
17 trends in average premiums.

18                   And so, in this particular case, what  
19 we've done is we've applied that net trend -- trend  
20 assumption, which is aligned to loss cost trends. And  
21 it could be inferred that if we're expecting to see  
22 certain loss cost trends or claims trends, we would  
23 need revenue to offset those expected expense  
24 increases. And so, in order to provide a forecast  
25 that is aligned to expectations and not skew those

1 results, the new net trend to revenue was provided.

2                   And what we see here, and this is on  
3 page 23, if you're following with me, is that the  
4 evidence shows that, again, if -- if nothing else was  
5 done -- sorry, page 23, you see -- yes, thank you --  
6 the future rate trend is looking something like this.

7                   And, again, this doesn't include things  
8 like initiative expenses and things like that, but it  
9 just shows, directionally, that there is still some  
10 pressure on the rate going forward and, therefore,  
11 focus that will need to be done on -- on our part to  
12 make sure that -- were -- that rates were made  
13 affordable.

14                   Next issue is the Basic projected  
15 operating results. I'm not going to go into too much  
16 detail about the numbers there.

17                   I would just mention that MPI is not  
18 applying for any changes to driver premiums this year,  
19 nor are we -- nor are we making or requesting any  
20 changes to service fees or other revenues. There's  
21 some slight changes there in terms of the actuals and  
22 forecasts but, again, nothing that we need to dig in  
23 too much -- in too much detail in this particular  
24 closing.

25                   In terms of vehicle premiums, what I

1 would highlight there is that MPI continues to  
2 incorporate both volume and upgrade factors in its  
3 revenue projections. And that is -- that is important  
4 in terms of the -- the forecasting. And what we see  
5 here is our forecasts show some more moderate vehicle  
6 upgrades currently and -- and less so in future years.

7           In terms of driver premiums -- now on  
8 page 26, Ms. Dweh -- we know that premiums are  
9 determined by the driver's position on the Driver  
10 Safety Rating scale. There was no changes in this  
11 particular GRA to the driver premiums but what we saw  
12 last year was a ten dollar (\$10) approved increase.

13           And MPI provided some information as to  
14 its limited ability to -- to calculate a driver  
15 premium that accords with actuarial practice -- or  
16 accepted actuarial practice given the limited  
17 abilities of its systems and also the availability of  
18 -- of data.

19           And so, we're not proposing any  
20 changes, but we do believe we provided a very  
21 comprehensive response to how we calculated -- and how  
22 we have calculated driver premiums in the past.

23           In terms of reinsurance premiums, the  
24 stories there are respecting the catastrophe program.  
25 So, there is two (2) reinsurance programs that we

1 have, the Catastrophe Program and the Casualty Excess  
2 of Loss Program. And so, in terms of the casualty  
3 program, this Board heard that there were -- was a  
4 renewal of that program with no changes in terms of  
5 its structure but there was an increase in terms of  
6 the amounts paid and also the adjustment in terms of  
7 the allocation to the Basic line of business.

8           In terms of the casualty program, it  
9 was also renewed. There wasn't a renewal of the 10  
10 million -- in excess of 10 million layer because of  
11 some product changes that were made. But the full  
12 cost is now being allocated to the Basic line of  
13 business. And the result remains an 18 percent  
14 reduction in Basic program costs when compared to last  
15 year's forecast.

16           In terms of investment income, Mr.  
17 Scarfone will talk more in detail about investments.  
18 I'm on page 28 now, thank you very much. But all of  
19 that is to say that the investment income earned from  
20 the portfolios means less -- excuse me, less premium  
21 revenue for -- for ratepayers or for MPI.

22           Last year, MPI realized \$238.3 million  
23 in net investment income, which was a significant  
24 increase from the forecast and was then adjusted for  
25 this year, obviously, lower and through the rate

1 updates, even -- even lower. And what we see here is  
2 the impact of -- of interest rates really taking hold  
3 at any point in time.

4 I mentioned, again, no changes to  
5 service fees or other revenues. So, I won't touch  
6 more on that, but I do want to touch a little bit more  
7 about the Extension operations, because Extension the  
8 line of business, the health of line of business and,  
9 in this particular case, the impacts of the change in  
10 deductibles were issues that were discussed in this  
11 rate Application hearing.

12 And so, what we see here is that  
13 increasing the Basic deductible to a thousand dollars  
14 (\$1,000) results in a decrease to the Basic line of  
15 business, but a subsequent increase to pressures on  
16 the Extension line of business, roughly about the  
17 same.

18 And relative to the 2025 GRA -- I'm on  
19 page 32 now -- the total premium projected for '26/'27  
20 didn't materially change for the 2026 GRA. Mr. Masud,  
21 in this particular case, explained that there was no  
22 adjustment to the Basic deductible for the 2026 GRA  
23 and that Extension premium forecast for '26/'27 would  
24 have been lower than the level projected in the  
25 2025/'26 -- sorry, 2025 GRA compliance filing.

1                   The reduction in the Basic claims costs  
2 results from an increase in Basic deductible from  
3 seven-fifty (750) to a thousand (\$1,000), but should  
4 policyholders continue to purchase the deductible  
5 buydown, such as the \$200 deductible available through  
6 Extension, MPI projects a corresponding increase to  
7 Extension claim costs and that would be roughly 29.8  
8 million for '26/'27.

9                   For transfers from the Extension line  
10 of business to the Basic line of business, we heard  
11 that \$52.9 million was transferred from Extension to  
12 Basic last year. And that for '26/'27 and '27/'28,  
13 MPI is currently forecasting transfers from Extension  
14 to Basic of 48.5 million and 34.9 million  
15 respectively.

16                   And so, MPI acknowledges that transfers  
17 from Extension to Basic are one of the ways in which  
18 MPI helps to keep rates affordable for its customers.  
19 And so, these transfers help to ensure that Basic can  
20 maintain its -- its MCT ratio or Minimum Capital Test  
21 ratio at its legislative targets.

22                   And we did hear that without these  
23 transfers, the Basic ratio for -- the Basic MCT ratio  
24 would have been below its forecast. So, those  
25 transfers are certainly something that MPI plans to

1 continue in the future.

2                   Transfers to other lines of business, I  
3 think it was relatively established in this particular  
4 GRA that, although there are pressures on the line of  
5 the non-insurance line of business, the driver and  
6 vehicle administration line of business, in this  
7 particular case, we did hear from Ms. Jatana that  
8 she's confident in current discussions with government  
9 that there will be sustainable funding for that line  
10 of business, so that there will never have to be a  
11 consideration of anything other than having adequate  
12 funding from government to sustain that line of  
13 business.

14                   And then, where it pertains to the  
15 other potential line of business, Special Risk  
16 Extension line of business, this Board has received  
17 information suggests that that line of business is --  
18 is actually trending in a fairly good way, to a more  
19 financially healthy position, and we are confident  
20 they will continue to do that. And so, we are not  
21 concerned, at this point in time, of Special Risk  
22 Extension requiring any transfers from Extension or --  
23 or anywhere else.

24                   Talk a little bit about ratemaking, and  
25 if we can go to page 35, please. As Mr. Scarfone did

1 reference, this application is filed in accordance  
2 with accepted actuarial practice in Man -- in Canada,  
3 rather.

4           We talk a little bit about the New  
5 Money Yield, and I think My Friend at the PUB did a  
6 very good job in terms of going through that. So, I  
7 won't go through that too much, other than to say that  
8 the initial assumption was 4.09 percent after  
9 expenses. And that did increase after the September  
10 update using August 31st data, and that resulted in an  
11 increase in the New Money Yield to 4.38 percent, which  
12 did the -- have the impact of decreasing the overall  
13 rate indication by 29 basis points, from 2.07 percent  
14 to 1.57 percent, a decrease of 0.5 percent.

15           And so, we do show on page 36 of the  
16 closing, a slide from the investments and ALM  
17 presentation that do talk about the -- the impacts of  
18 the New Money Yield from March 31st to August 31st for  
19 your reference.

20           And you'll hear from -- you heard from  
21 My Friend Mr. Scarfone, and there may be some  
22 additional discussions about that in the investments  
23 area as well. But MPI, as you know, is requesting the  
24 discontinuance of the practice requiring the update  
25 this year. And as such, we have not applied for a

1 provisional rate.

2                   The rate that we applied for in July  
3 was the final rate that MPI is currently seeking and  
4 so that remains the case. And obviously, if -- if one  
5 is asking to discontinue the practice of -- of  
6 updates, applying for the updated rates would be a  
7 poor move in that case. So MPI believes that this is  
8 the proper approach, not just that the practice should  
9 be discontinued, but the rate that we are applying  
10 for, in this particular case, is the most just and  
11 reasonable rate for -- for Manitobans in this case.

12                   I note that we're getting close to  
13 12:00. I do have a larger area to talk about in terms  
14 of claims forecasting.

15                   Madam Chair, what would you like in  
16 terms of the next little segments to go?

17                   PANEL CHAIRPERSON: Can you give us an  
18 approximate time for the claims cost forecasting  
19 portion of your --

20                   MR. ANTHONY GUERRA: I have about -- I  
21 would say 20 minutes.

22                   PANEL CHAIRPERSON: Well, let's keep  
23 going to the end of that section then, and that would  
24 get us breaking at roughly 12:15.

25                   MR. ANTHONY GUERRA: Thank you. So,

1 we heard from Ms. Low and her team of actuaries this  
2 year that -- that her team continues to grow in terms  
3 of its maturity, but despite their tough work, their  
4 work is always very difficult. I -- I would not want  
5 to be an actuary in this day and age, especially over  
6 the last five (5) years we talked about has been very  
7 exceptional.

8                   Forecasting, what the future's going to  
9 look like based upon the past, is almost an impossible  
10 task at this point in time, and so my heart goes out  
11 to that team, and to any actuary who has worked on  
12 this rate application, because I can't imagine the  
13 stress that you must face having to look at past  
14 trends and trying to predict what the future is going  
15 to be.

16                   What we do know at a hundred percent  
17 level is that their forecast will be a hundred percent  
18 wrong. The question becomes how inaccurate is that  
19 going to be? And so, the team is always working on  
20 ways to refine their practices, to update their  
21 methodologies, to look at best practices, to look at,  
22 you know, common sense ways to essentially, you know,  
23 put the Corporation in the best position possible.

24                   And so, we heard from that team this  
25 year was that a couple of things were done to -- to

1 help improve the forecasting. So, they -- they broke  
2 out the comprehensive coverages by peril. We looked  
3 at that, and they updated the work-from-home mobility  
4 factor, or adjustment factor, to help better explain  
5 the patterns that they were seeing following the COVID  
6 restrictions and, more importantly, how is that going  
7 to extrapolate for -- for future forecasting?

8           Just in terms of how they conduct their  
9 forecasting, we do outline the two-step process that  
10 they use. And I'll just remind the Board that the  
11 first step is about looking at the past patterns, and  
12 looking at the claims to see how they've changed over  
13 time, using statistical tools to consider things like  
14 MPI's operations, economic conditions. And, the goal  
15 there, is to pick the most accurate past trend, and  
16 then deciding what future trends based upon that makes  
17 sense, even if it's different from the past.

18           And so -- so, making sure those trends  
19 are -- are accurate or -- or defensible is what helps  
20 keeps those rates stable while still responding to  
21 change. And once you have those past trends, you can  
22 predict the future costs by starting with adjusting  
23 them to today's levels, using the trends from step  
24 one. Then you calculate the average cost based on the  
25 last five (5) years, and we're going to talk a little

1 bit about accident year weighting, but that's really  
2 what that's talking about. And then you apply the  
3 future trends to estimates to see what the claims cost  
4 would be in each upcoming year, and then you adjust it  
5 based upon any changes in products or coverages.

6                   And so, we talk a little bit about the  
7 results of that practice here. But what I'm most  
8 interested in is talking about the adjustments, or the  
9 enhancements, that MPI has made in this particular  
10 case. And so, let's talk about the work-from-home  
11 adjustment.

12                   And so, the first question you have to  
13 ask yourself was, so why is MPI coming to us this year  
14 asking, or proposing a change in the methodology? And  
15 it's because the current methodology is broken.

16 Right. Mr. Masud testified that they previously  
17 relied upon Google data, that's since become stale,  
18 commuter behavior studies which is subjective, to  
19 determine what adjustments should be made to past  
20 claim frequencies.

21                   The result though was that the data  
22 that they're seeing for 2024 accident year is much  
23 higher than they were expecting. So, if their current  
24 process was working, you would expect to see  
25 frequencies of claims in line with those expectations,

1 but it -- it's not doing that. It's much higher.

2                   And as Mr. Scarfone talked about in  
3 terms of interest rate forecasting, if you forecast  
4 your future claims to be here -- and for the record,  
5 I'm having my hand lower -- and they're here -- and  
6 for the record of having my hand higher -- there's  
7 going to be a big problem because all of a sudden your  
8 loss costs are going to be -- or your claims costs are  
9 going to be much higher.

10                   And so, it's important that we get that  
11 frequency right. Because if it's wrong, it could be a  
12 significant impact. And that's the danger, is that  
13 the data is suggesting that we are trending much  
14 higher than expected.

15                   So, the team was looking at, well, how  
16 do we explain this? We have these influences that  
17 don't seem to be helping us understand the data  
18 anymore. And so, what if we just stuck a simple  
19 linear model into this data and see what happened and,  
20 sure enough actually, that had a pretty good way of  
21 explaining what was happening.

22                   And so, using that model, they could  
23 predict, you know, we're pretty much coming out of  
24 this pandemic. I think we all understand there's more  
25 cars on the road. We all feel that there's less talk

1 about the pandemic these days. Is that what the data  
2 is showing? And they would say, yes, it is showing  
3 that. And so, that's really what we're talking about  
4 here is: Does it -- does it continue to make sense to  
5 look at 2024, and going forward, as one of those years  
6 that is impacted by the COVID pandemic and the  
7 restrictions and the work-from-home, and all the other  
8 adjustments there.

9                   Even if people aren't working from  
10 home, they certainly are appearing to go about their -  
11 - their daily business in a -- maybe a new way that we  
12 hadn't predicted before or seen. And so that new  
13 model, even though it's simplistic, doesn't mean it's  
14 not powerful. And they would say, this is a good  
15 predictor, at least of what we're seeing, based on  
16 what we currently have, because we have two (2) tools.  
17 We could continue to use the old tool, and we can  
18 continue to use this tool, and the old tool isn't --  
19 we know that's not working. So, let's put some faith  
20 into this, and see if this helps us. And so that's  
21 really what we're talking about here.

22                   And so, if we look at page 41, for  
23 example, this is the slide that you would've seen in  
24 the claims forecasting presentation. And this shows  
25 what the models that were before you were showing.

1 And now, the Oliver Wyman model seems to have been  
2 abandoned by Oliver Wyman, and we'll talk a little bit  
3 more about that in a second. But really, what we're  
4 talking about here is the existing model that MPI  
5 used, the one that we say is -- is showing us less  
6 accurate data, we would say that would continue to  
7 under predict what the work-from-home adjustment will  
8 be in the future.

9                   The new model will be a little bit  
10 higher. Yes, we're going to say that frequencies are  
11 going up, but that's what the model is showing us.  
12 And then Oliver Wyman initially presented a model that  
13 said, well, you know, there probably should still be  
14 some adjustments. 2024 seems to be returned to normal  
15 and going forward there. So, it's a slight adjustment  
16 in another way but, again, we heard from them that  
17 they no longer have even confidence in -- in that  
18 model.

19                   And so, the criticisms that you  
20 would've heard of the new simplified parameter is --  
21 is that it's not reasonable. It gives too much  
22 consideration, or weight, to the model fit and not  
23 enough interpretability, or explainability, to the  
24 result.

25                   And so, while you heard from Oliver

1 Wyman that they agreed to a return to pre-pandemic  
2 levels for accident year 2024, and -- and that's  
3 actually good that you have that note. So, if you can  
4 keep it there, that slide from their deck. If you  
5 recall what he was saying, Mr. Sahasrabuddhe was  
6 saying in the first chart there, that that last point  
7 at 2024, that was the data that MPI was producing from  
8 September of 2020 -- or sorry, -- yes, September  
9 valuation 2024, that suggests that 2024 is getting  
10 back to normal. Right. Not back to the same  
11 frequencies before the pandemic. Let's get that --  
12 that straight.

13                   But it's showing us that that trend,  
14 which was always going down even before the pandemic,  
15 the -- the trend of -- of frequencies of collisions,  
16 or of claims, was going down because vehicles are  
17 becoming more safe and, you know, other things are  
18 happening here. That's always going down.

19                   But now, we're going back to that  
20 trend, existing trend. If you took out the pandemic,  
21 and pretended like the pandemic never happened, you're  
22 now back on that same path that you would've been on  
23 had -- when you -- when you started the pandemic. And  
24 that's where that data point is telling us, and that  
25 was, initially, a data point that Oliver Wyman said

1 had some real value there. Enough value to say that  
2 we're out of the pandemic for 2024 and going forward  
3 in terms of the impact on frequency.

4           They later turn their -- their position  
5 around. But, what we saw, and I think it's important  
6 to note here, is that even more updated data supports  
7 that maybe this is not as uncertain as Oliver Wyman  
8 would make you think it is. And so, I would just  
9 encourage you to, for example, take a look at the  
10 response to Information Request PUB/MPI-1-57.

11           And so, in that particular case, the  
12 loss trends were updated for collision based on March  
13 2025 data show the estimated only change was a 2.5  
14 percent change from a 10.36 percent to a 10.10 percent  
15 for the accident year 2024.

16           And so, what that's showing is that  
17 that increase seemed to have continued. And so, does  
18 it make sense to discontin -- to not use that -- that  
19 dat -- I'm sorry, can you continue to be at that last  
20 chart, please. Thank you.

21           That last data point, there is not so  
22 uncertain. Even Oliver Wyman agrees, we can't  
23 discontinue -- we the -- we can't completely remove  
24 ourselves from that data point, pretend like it  
25 doesn't exist. It exists, and how accurate it is is

1 up for debate. But MPI says, as every day goes  
2 forward, that data point becomes more and more in line  
3 with reality. And so, for this Board, something to  
4 consider, do you believe that 2024 and 2025 is more  
5 representative of a return to this decline that we  
6 were seeing before the pandemic, or do you still think  
7 that this is a suppression of frequency because of  
8 people returning to -- sorry, not returning to work  
9 from the office, and things like that. Not just for  
10 2024, but going forward.

11                   And so, you heard from Ms. Low and  
12 others that the role continues to change. We've heard  
13 from the Ontario government back to work in full-time  
14 in January. You've heard more recently from the  
15 Alberta government back to work full-time in February.  
16 That's going to have a real impact if that happens as  
17 well, in Manitoba. That's what we're talking about  
18 here.

19                   There was some discussion about the use  
20 of fuel sales, and the issue was, does the simplistic  
21 model, because the simplistic model that MPI put  
22 forward acts in a linear fashion, and so, the idea  
23 was, well, maybe you could use fuel data to help  
24 understand from a different perspective if, in fact,  
25 the behavior of commuting times, or the behavior of

1 frequencies could -- could also reflect that linear  
2 movement.

3                   And what you see from the response to  
4 MPI Exhibit No. 60, for example, which takes a look at  
5 the fuel sales data is that it doesn't really explain  
6 either model. The existing model doesn't help explain  
7 the new model either. It's really a wash. There are  
8 so many variables that factor into that.

9                   And MPI would rather us rely on kil --  
10 kilometers driven as opposed to fuel sales as a proxy  
11 for mobility. And so, what we hope to be able to  
12 present to you in the future is additional data that  
13 would help explain the kilometers, but we're really  
14 talking about this year, and does it make sense to  
15 rely upon fuel sales to say, no, actually fuel sales  
16 are also suppressed so that means, that -- that the  
17 existing way of looking at the world, makes more  
18 sense. And again, I would just remind that that way  
19 of looking at the world didn't work for 2024 and it  
20 won't work again for 2025.

21                   That's the danger we have here. And I  
22 -- I don't want us to be in a situation where we come  
23 back and say, told you so, but I fear that that will  
24 be the case, if we continue to use the work-from-home  
25 model. We really are gambling on the future of claims

1 frequencies, if we continue down this path. And I  
2 think the position of the actuaries, at least at MPI,  
3 would be that there's enough data here to support the  
4 use of the more conservative approach on that issue,  
5 then to continue to use something that we know isn't  
6 working. The other issue that we want to canvas is  
7 the valuation data.

8                   So, I'm on page 44. And so really what  
9 this comes to is, are we evaluating claims data based  
10 on what's available in September, in this case  
11 September of 2024, versus March of 2025? And so, as  
12 the first step in the claims forecasting process, MPI  
13 would've used claims counts and severity data based on  
14 the September 30th valuation.

15                   But as the Board heard, we then apply  
16 that data trends to ultimate loss costs that uses  
17 valuation data from March 31st of the following year,  
18 in this case, 2025. So, for this particular year,  
19 this would mean that the trend selections use the  
20 September 30th, 2024 valuation data, but then use the  
21 March 31st, 2025 valuation data to apply selected  
22 trends to ultimate loss costs.

23                   And so, during the hearing, you  
24 would've heard from MPI witnesses that the different  
25 valuations are used to position MPI to file the GRA on

1 time. If we were to use the March data, the MPI  
2 witnesses would say, we wouldn't be able to file this  
3 rate application in July. We would be filing it more  
4 towards August. I believe it's eight (8) weeks is the  
5 turnaround time if we were to do that.

6                   So that leaves them in a position of  
7 having to file the -- the July GRA using the September  
8 data. And they know that that means that the GRA  
9 filing in July is challenged by the currency of the  
10 data. They appreciate that. But what else are they  
11 going to do? It's the only way that we're going to be  
12 able to file our GRA in July, and that is what this  
13 Board wants.

14                   And so, if that's the case, do we want  
15 to position MPI in a position whereby the filing is  
16 done in July, and automatically the first question  
17 becomes update it to March. All the work that you've  
18 done, up until that point in time, is of no  
19 consequence, of no value, do it all again.

20                   And in that particular instance, MPI  
21 would've already represented to this Board what its  
22 rate request would be, represented to Manitobans what  
23 its rate request would be, and then having to do all  
24 of that work again. Talk about administrative burden.  
25 That -- that would be very disheartening for this

1 team.

2                   And so, while this Information Request  
3 that asked for the updated data to March, this wasn't  
4 in this particular case, PUB/MPI-1-57. We get why the  
5 question is asked. The problem right now is that we  
6 don't have a way to ensure that our filing can use  
7 that March data. And we cannot be in a position where  
8 MPI files the rate application and -- and  
9 automatically is asked to re-update that information  
10 making everything else stale.

11                   So, in response to Information Request  
12 1-57, I think the team did a very good job in setting  
13 out the -- the problems with that approach. And, we  
14 would strongly caution this Board, until MPI is in a  
15 position to be able to use March data and still meet a  
16 July filing date for its GRA, that cannot be a  
17 practice that MPI is asked to do. It will create  
18 confusion. It will create unnecessary burden, and it  
19 will put MPI in an impossible position that it will  
20 never be able to meet the expectations of -- of this  
21 Board if that's the case.

22                   So, in terms of what this Board can  
23 expect for the 2027 GRA, we submit, and this is on  
24 page 45 of the submission, that we can update the 2027  
25 GRA in terms of providing information to this Board on

1 the efforts that this team is -- has achieved to -- to  
2 look at the use of March data, but until that time,  
3 that's the best that can be done.

4           We can provide a timeline of terms of -  
5 - of what work is being done to try to get to that  
6 point and that's the best that we can do. And if --  
7 and if that's all we can do, then MPI submits that  
8 that should be enough to satisfy this Board for next  
9 year. And until that -- that time, we would say,  
10 please, no more Information Requests asking for  
11 updates on that -- on that evaluation data, that March  
12 valuation data, and certainly not just for one  
13 coverage. Right.

14           Because, that was the other criticism  
15 that we heard here is that the -- PUB just asked for  
16 information for the collision trend selection, and  
17 that doesn't include all the other trends. And if you  
18 were to update all the other trends, you might see  
19 that the -- the change in the rate indication and all  
20 the other -- other inputs that flow from that. It  
21 could be very different.

22           Plus, when we received that data -- we  
23 received that request, rather, that team is working  
24 very hard to get the response out in time, that level  
25 of detail level of -- level of -- of criticism and

1 challenge of that data is simply not there. And so,  
2 you don't have MPI's lens on the data, you simply have  
3 the data pure and raw, and -- and that's a dangerous  
4 thing perhaps.

5                   So again, happy to come back here next  
6 year and provide an update to this Board in terms of  
7 what steps MPI is taking to -- to get to a point of  
8 being able to use March data in its July filing, but  
9 it's just not there yet.

10                   The next topic would be the impact of  
11 product changes. Now we are a quarter after, so  
12 perhaps this would be a good plac -- place to pause.

13                   PANEL CHAIRPERSON: Yes, I think so.  
14 Thank you, Mr. Guerra. Thank you. So, we'll adjourn  
15 until 1:15, please.

16

17 --- Upon recessing at 12:14 p.m.

18 --- Upon resuming at 1:00 p.m.

19

20                   PANEL CHAIRPERSON: Good afternoon,  
21 Mr. Guerra.

22                   MR. ANTHONY GUERRA: Thank you, Madam  
23 Chair and Ms. Dweh, if you can pull back up MPI  
24 Exhibit number 67. And I believe we're on page 45.  
25 Yes. Thank you very much.

1                   The next topic would be the impact of  
2 the deductible changes. Again, we're still in the  
3 claims -- the claims forecasting section of the  
4 closing.

5                   I don't want to spend too much on this  
6 topic other than to say -- and you'll see at the  
7 bottom here that the Claims Forecasting Panel has  
8 highlighted that there is an impact of moving the  
9 deductible specifically -- or especially on the  
10 comprehensive glass only replacement claims.

11                   And so, the Board heard that in 2021,  
12 64 percent of glass only claims were above the seven  
13 fifty (750) deductible. And now by 2024, that amount  
14 has increased to 86 percent. So, if we can go to the  
15 next page, Ms. Dweh.

16                   You'll see that there is a helpful  
17 chart that Mr. Bowering provided to this Board that  
18 shows really what we're trying to accomplish with this  
19 deductible, specifically, rather, with the  
20 comprehensive glass claims. And then it's moving that  
21 needle so that less of those claims are being paid by  
22 Basic.

23                   So, if we move it to the right, less of  
24 those claims get paid by Basic, more into the  
25 Extension, or by the claimant if the -- if the

1 claimant doesn't have the Extension deductible  
2 products. So, really that is a big shift and a big  
3 help in terms of managing those -- those comprehensive  
4 glass claims into the future.

5 I should also mention of note that  
6 there was a request -- Information Request in this  
7 case, PUB/MPI-1-53, that looked at an alternative  
8 approach for Project costs resulting from the  
9 deductible change. The approach reduces the projected  
10 costs by about 1.8 -- \$1.8 million for '26 and '27  
11 accident years, and thereby has an impact on the  
12 overall rate indication of about a 0.1 percentage  
13 points. And that moves the needle from 2.07 to 1.90  
14 in terms of the rate indication.

15 And while MPI has conceded that this  
16 approach is a more accurate approach given the  
17 magnitude of the impact, MPI didn't update its -- its  
18 rate application to acknowledge that, although it does  
19 acknowledge that the result in MPI-1.1 -- 1-53 does  
20 provide an alternative approach that is -- is more  
21 accurate in this particular case.

22 I do want to talk a little bit more now  
23 about accident year weighting as I mentioned I would.  
24 And so, if we can go to page 47, please.

25 So, just a high level here. So, what

1 are we talking about when we talk about accident year  
2 weighting? So, as part of this second step of this  
3 claims forecasting process that we talked about here  
4 once we have all of the historic trends, now we're  
5 looking at the future, MPI brings all of those  
6 historical years to the same cost level as the most  
7 recent accident year, and then weights it  
8 discretionarily rather on the last five (5) recent  
9 accident years. And this is a methodology rather than  
10 MPI's been using for the last couple years now.

11                   And so, for the 2026 GRA, the  
12 percentages that are applied to each of the years, in  
13 this case, 2020 to 2024, result in an accident year  
14 weighted trended ultimate adjusted loss cost or  
15 historical experience which then MPI applies to future  
16 trends and product adjustment factors to project the  
17 ultimate loss cost for future years.

18                   And so, really what we're talking about  
19 here is we're taking a look at those five (5) years  
20 and saying, you know, how predictive are any of those  
21 years in terms of helping us understand the -- the  
22 future at loss costs.

23                   And so, what we've seen over the last  
24 couple of years now is MPI using an equal weighting  
25 approach assigning 20 percent to each of the historic

1 action years and saying that each of those years has  
2 about 20 percent predictive power in terms of the  
3 future because it doesn't have any information to  
4 believe that any of those years are more predictive  
5 than the others.

6                   And so, weighting really is what we do  
7 here to make sure that we address the fluctuations in  
8 historic experience. And we note that in the past,  
9 the Board has been receptive to MPI's approach of  
10 using equal weights for -- for the accident year.

11                   So, what we saw in 2024, and again,  
12 last year in 2025 GRA, was that this Board found that  
13 it was appropriate and reasonable for MPI to -- to use  
14 equal accident year weights. And so, this is the  
15 approach that MPI has put forth in this rate  
16 application this year.

17                   And so, for MPI, it makes a lot of  
18 sense to use the accident year weights. It supports  
19 stability in our forecasts and allows us to use  
20 comparability across years. And when we say that, you  
21 know we shouldn't disrupt that process unless there's  
22 some clear justification.

23                   So, we heard from our friends at Oliver  
24 Wyman that that's not a reasonable approach from -- in  
25 their perspective, and so they have suggested an

1 alternative approach where -- whereby this Board would  
2 use accident year weights -- equal accident year  
3 weights in almost every case except for the surgical  
4 use here of the unequal weighting in the case of  
5 accident benefits other index, which they would say  
6 should receive a 12.5 percent weighting in each of  
7 2020 and 2021, and then 25 percent weighting a year  
8 thereafter.

9                   And so, for Oliver Wyman. They've  
10 explained that the accident years 2020 and 2021 and  
11 2021/'22, they say those are outlier years because  
12 they were significantly impacted by the COVID-19  
13 pandemic.

14                   And they also note that the estimates  
15 that the estimated effect of their alternate model  
16 reduces the rate indication by about 0.27 percentage  
17 points.

18                   So, in response, Oliver Wyman  
19 recommended -- sorry, we note that in the 2024 GRA  
20 rather Oliver Wyman recommended unequal accident year  
21 weightings. In that case, it was 2 percent for  
22 accident year '20 and 23 percent for accident year  
23 2021. And in the 2025 GRA, Oliver Wyman did not  
24 propose any alternative accident year weight.

25                   So, their approach, unlike MPI, which

1 has been consistently to apply equal accident year  
2 weights, their approach has been very different. One  
3 year it's 2 percent. One year it's 20 percent. One -  
4 - one year it's 12.5 percent. They don't have a  
5 consistent approach to accident year weighting. And  
6 they would say that's intentional because they're  
7 looking at the situation every year and they're --  
8 they're seeing something different.

9                   So, when you look at it from a  
10 different perspective, you're going to find new  
11 things. Well, we look at things from the same  
12 perspective. And if there's reason to move off of  
13 that, that's -- that's when we do that.

14                   In this case, we say there's not enough  
15 evidence to be able to move off of the need to apply  
16 accident year weights equally. And so, when we asked  
17 them why they believed accident ear benefits other  
18 indexed should -- you know, were so significantly  
19 impacted by the COVID pandemic, they responded that  
20 they didn't know why it was impacted. So, they didn't  
21 actually come to us with a good reason for why that  
22 was an outlier year. They suggested that there could  
23 have been compounding effects and -- and the ultimate  
24 adjusted loss costs.

25                   And so, they base their opinion on the

1 simple fact that what they saw was unexpected and  
2 unexplained. And that's interesting, but we don't  
3 think that's a sufficient basis to depart from the  
4 practice that this Board has accepted the last couple  
5 years, which is you use the equal weighting unless  
6 there's some justification for doing so. And -- and  
7 the fact that you're seeing something unexpected,  
8 unexplained wouldn't satisfy that.

9                   So, MPI's position in that is pretty  
10 clear, which is that this Board should continue to  
11 endorse the practice of using the equal weights for  
12 accident years and, in this case, is -- is no  
13 different than in previous cases.

14                   There's also some discussions about  
15 select loss trends assumptions. And I won't go into  
16 too much detail on every single one other than to say  
17 that the following trend assumptions were at issue in  
18 this GRA. And so, Ms. Dweh, if you can go to page 49,  
19 please.

20                   So, we looked at accident benefits  
21 weekly indemnity, accident benefits other indexed,  
22 accident benefits other nonindexed, bodily injury  
23 collision, comprehensive hail, comprehensive theft,  
24 comprehensive vandalism, physical damage, third-party  
25 loss of use, physical damage deductible transfer, and

1 physical damage.

2                   These are the situations where MPI  
3 proposed a loss trend and there was an alternative  
4 trend being proposed by Oliver Wyman. And one (1)  
5 thing I would mention here just at the outset is, you  
6 know, I -- I mentioned it before, but I think it bears  
7 repeating, neither MPI, nor Oliver Wyman, nor any  
8 other actuary for that matter can predict the future  
9 with a hundred percent certainty or accuracy, and so  
10 the question is always going to be, which of the  
11 forecast is the most accurate.

12                   And that can only ever really truly be  
13 determined by looking at the forecast compared to  
14 actuals in future years, right. So, how well do we do  
15 in future years? Well, that's kind of how we're going  
16 to know how well we're doing now. But we can't do  
17 that in advance of getting the right application  
18 approved.

19                   So, what happens in the interim when  
20 you're faced with that? So, in this situation, MPI  
21 would submit that when you're presented with an  
22 alternative trend assumption, or if there is some  
23 question as to whether or not the trend assumption MPI  
24 used is just and reasonable from some other critique,  
25 then the question before this Board ought to be, is

1 there a reasonable basis to believe that the loss  
2 trend assumption used by MPI is either not reasonable  
3 or is less reasonable than an alternative assumption.

4           And where this Board decides that the  
5 loss trend assumption that was used by MPI to prepare  
6 its rate application is not reasonable or less  
7 reasonable than another alternative, it should say so.  
8 And it should clearly state as to why it has done so  
9 with supporting reasons.

10           And so, we'll go over I think two (2)  
11 of the major ones that we've heard about today. I  
12 won't talk about the work-from-home adjustment because  
13 I think I already went into a detail about that. So,  
14 if we go to page 50.

15           We heard from our friends at Oliver  
16 Wyman that one (1) of the main issues for them is the  
17 use of different time periods for the frequency and  
18 severity trends. They don't like that practice. They  
19 say that there's a connection there, or there ought to  
20 be a connection, between the -- the two (2) trends  
21 that we see for frequency and severity. And so, in  
22 that situation, we should always select the same time  
23 periods unless there's some compelling reasons not to.

24           Whereas MPI, and this Board has in the  
25 past also agreed with MPI, that we -- we don't

1 necessarily have to be bound by that if there's -- if  
2 there's a good model in place that -- that is  
3 statistically strong and helps to explain what we're -  
4 - what we're seeing here.

5                   And so, what MPI has put forward are  
6 loss trend selections that use different time periods  
7 for frequency and severity in some cases because the  
8 models are really good fits. And they're really good  
9 statistically at showing and -- and helping us  
10 understand what that -- what that past trend is  
11 telling us.

12                   And so, when we look at some of these  
13 trends, like accident benefits weekly indemnity loss,  
14 for example, or the collision trend, or the  
15 comprehensive vandalism trend, for example, these are  
16 all situations where the alternatives that are being  
17 proposed by Oliver Wyman are statistically not as good  
18 a fit as the ones from MPI.

19                   And so, the question that you have to  
20 ask yourself in those situations is, is there a  
21 reasonable basis for -- for this Board to simply  
22 disregard what the -- what the models are -- are  
23 saying, these statistically strong models in favour of  
24 ones that are -- are less statistically strong, did  
25 they give you a compelling reason to depart from that.

1                   And if they didn't, then it seems to us  
2 that the -- the trends that were selected by MPI using  
3 the statistically stronger models should be the ones  
4 that are preferred by this Board.

5                   But I will focus on the two (2) that  
6 were, I think, receiving the most attention in this  
7 case. And so, if we can turn to page 52.

8                   There were a couple of instances where  
9 Oliver Wyman proposed alternative trends for coverages  
10 where MPI selected the same time period for frequency  
11 and severity. But the issue was that they didn't  
12 select the same time period.

13                   So, for example, they may have both --  
14 MPI may have started its trending for -- for severity  
15 and frequency using 2012, so the same time period, but  
16 them -- but Oliver Wyman comes in and says, 2012 isn't  
17 the proper period, you should look at 2014 and using  
18 the same periods for frequency and severity.

19                   So, accident benefits other nonindexed  
20 loss trends, that's a situation where MPI uses the  
21 frequency and severity models that start at 2011,  
22 whereas Oliver Wyman used models that start at 2012.

23                   And so, both frequency and severity  
24 models that MPI used were statistically stronger.  
25 They had a higher 'R' square adjust -- or adjusted 'R'

1 square rather and more significant 'P' values. Oliver  
2 Wyman's, on the other hand, had a weaker fit and a  
3 nonsignificant time parameter.

4 And so, the use of the Oliver Eyman  
5 model is a weaker model, we would submit, but would  
6 result in a 0.11 percentage point decrease in the rate  
7 indication.

8 Okay. So, what do we do with that?  
9 So, during the Hearing, this Board heard that Oliver  
10 Wyman believes that there was a cyclical to the  
11 loss costs and that MPI was simply fitting its model  
12 to an increasing part of the wave. We were, you know,  
13 essentially cherry picking or -- or selecting data  
14 that was not recognizing the fact that this data was  
15 going to fall, that there's going to be a cycle here  
16 that would help better explain the future.

17 And so, its recommendation was to fit a  
18 separate frequency and severity model that recognizes  
19 the cyclical to the data.

20 But you also heard from Ms. Low that  
21 the apparent cycle that we were seeing in that data is  
22 actually better explained by changes in how reserving  
23 of -- of permanent impairments were being done and,  
24 due to this change as well as the impact of processing  
25 times and centralizing -- centralized reserving

1 rather, that cycle was not actually expected to happen  
2 in the future.

3                   So, yes, maybe we're seeing what could  
4 have been a cycle, but it wasn't explained because of  
5 something outside of MPI's control. That cycle was  
6 within MPI's control, and that's why you were seeing  
7 that.

8                   And so MPI knowing its business, knew  
9 that that actually wasn't a true cycle, and so its  
10 actuaries were -- were doing the right thing at the  
11 time, which was interpreting the data based upon how  
12 they know the business runs.

13                   And so, when that evidence was put to  
14 Mr. Sahasrabuddhe, he -- you know, he wasn't aware of  
15 the changes necessarily, but he, you know, said that  
16 that could be a good reason to justify excluding those  
17 data points.

18                   So, he wasn't necessarily opposed.  
19 That would've been new information to him. And I --  
20 and I -- I -- you know, I commend him for  
21 acknowledging that that could change the situation.

22                   The other alternative future trend was  
23 the comprehensive theft loss trend. And so, this is  
24 one coverage where despite agreeing that MPI's past  
25 lost cost trend was reasonable, the coverage at issue

1 was -- was -- had a proposal by Oliver Wyman they said  
2 was more reasonable.

3                   And so, in this particular case, MPI  
4 selected a plus 10.31 percent future trend using loss  
5 cost model which had an adjusted 'R' squared value  
6 that indicates a very strong fit and a significant 'P'  
7 value. So that's good. That's a good statistical fit  
8 there.

9                   The Oliver Wyman one selected a 0  
10 percent future loss trend -- loss cost trend rather on  
11 the basis that it believed a flatter pattern would  
12 emerge from 2012 to 2024, making it unreasonable to  
13 select a future rate that equals the past loss cost  
14 trend rate.

15                   And so, if you were to adopt the Oliver  
16 Wyman alternative approach, that would reduce the --  
17 the rate indication by 0.98 percentage points. And  
18 so, Oliver Wyman was asked why a future loss cost  
19 trend of zero for collision -- sorry, would be more  
20 reasonable when it agreed that a future severity trend  
21 of 5.49 percent for collision and 5.1 percent for  
22 comprehensive fire were -- were also reasonable, and  
23 Oliver Wyman pointed out in part to media attention  
24 that was given to vehicle thefts in recent years,  
25 which it says supports flattening this trend for

1 future compared to the other coverages.

2 MPI submits though, however, that a  
3 belief that is based on a vague statement of recent  
4 media attention is simply not sufficient or compelling  
5 enough to justify departing from the use of a model  
6 that is statistically stronger.

7 Further, MPI notes that during cross-  
8 examination, it was observed that fourteen (14) years  
9 of historical data suggested that cyclicalities that  
10 they in fact relied upon in the case of the accident  
11 benefits other nonindexed.

12 They were saying that cyclicalities there  
13 suggests a future trend. Well, there was that  
14 cyclicalities present in the comprehensive theft loss  
15 trend, and they were apparently ignoring that.

16 And so, they didn't favour that  
17 cyclicalities. And the -- when presented with that,  
18 they doubled down and said, No, actually media --  
19 media reports.

20 This is national media we're talking  
21 about. We don't have that same kind of theft problem  
22 in Manitoba as one does at the ports of Vancouver or  
23 the ports in -- on the -- in the east coast where --  
24 where we know that that theft becomes more important.

25 So, what we -- what we submit, in each

1 of these two (2) cases, this highlights the problem  
2 that we have sometimes with external parties that come  
3 in and think they know how to run MPI's business  
4 better than MPI's own actuaries.

5           They are there in the trenches with the  
6 business understanding how this business works. And  
7 their selection of trends is based upon their insider  
8 knowledge of how this -- this business works. And  
9 then these two (2) cases, these are both cases where  
10 MPI's insider knowledge of how the business works  
11 results in a better trend selection than the  
12 alternative trend proposed in this case by Oliver  
13 Wyman.

14           In addition to the claims forecasting,  
15 we -- we all heard that the -- the severity trends for  
16 -- for claims is rising and it's a problem, and it's  
17 going to continue to be a problem in the future.

18           So, what MPI has to do in this case is  
19 MPI has to double down on its efforts to control its  
20 claims costs. And what you heard in this rate  
21 Application was MPI is doing exactly that. And so, to  
22 address those costs and to maintain affordability, you  
23 heard from -- from individuals like Mr. Bowering that  
24 MPI is taking actions to manage future severity while  
25 ensuring that proper repairs are completed and that

1 roads remain safe.

2                   You heard from Mr. Bowering that his  
3 team has established key performance indicators and is  
4 tracking them this year -- starting this year. And he  
5 testified that the goal here was to select Key  
6 Performance Indicators, or KPIs, that measure things  
7 over which MPI has influence.

8                   And so, if we go to the chart on page  
9 54, you can see that they're doing exactly that,  
10 right. So, they have the ask approved variance KPI,  
11 for example. They realize part savings KPI, the  
12 settlement value variance KPI, the salvage return.  
13 These are all KPIs that measure every aspect of the  
14 claims process from when the claim is first presented  
15 to the repair shop to when MPI seeks to recover from  
16 those who are responsible for accidents who don't have  
17 access to that coverage.

18                   And so, these are points in which MPI  
19 is monitoring how effective its operations or its  
20 controls over claims are and allows that team to be  
21 able to say, okay, we're on track. We're doing really  
22 good. And, you know, maybe we can even have a stretch  
23 target there in the future, or, you know, something's  
24 wrong. Let's dig down a little bit deeper into that.  
25 Why is that happening, right.

1                   And so, in the case, for example, if  
2 settlement variance, right, if it's a little bit  
3 higher than we expected, and ADP is a software that  
4 provides the information about what the vehicle should  
5 be valued at, maybe it's something as -- as explained  
6 as people are getting, you know, better equipment  
7 added to their vehicle, newer tires, or newer engine  
8 or whatever the case is that wouldn't necessarily be  
9 captured in that data.

10                   But unless you dig down and know for  
11 sure, you don't know whether or not this is a trend of  
12 something, you know, more significant or this is  
13 something that could be easily explained. But now you  
14 have access to that data. And what Mr. Bowering was  
15 telling you is I think this is an important first step  
16 for that team to be able to say going forward, we have  
17 our control over things. We are doing as good a job  
18 as we possibly can to keep those -- those costs down.

19                   I don't want to speak to the issue of  
20 expense forecasting. I think that's just left for the  
21 -- the closing. So, I'll leave that for you to  
22 consider.

23                   In terms of the expense forecast, which  
24 is page 55 of the materials -- so, we heard that these  
25 two (2) costs pertain to the -- sorry, they fall into

1 categories of fixed or variable costs. And operating  
2 costs include acquisition expenses.

3           And we heard that they include the  
4 initiative expenses unless they're excluded. And this  
5 year, MPI did exclude those initiative expenses from  
6 the rate indication. And for '24/'25, MPI excluded  
7 \$34.1 million initiative expenses and is forecasted to  
8 exclude an additional 26.5 million in '25/'26. And --  
9 and so, the -- and 31.2 million in '26/'27.

10           In addition, for '24/'25 MPI recorded a  
11 \$60.8 million impairment related to the closeout of  
12 Project NOVA of which impairment \$9.9 million is  
13 allocated to Basic. And so, with the value of the  
14 impairment included, the balance of the regulatory  
15 deferral account is forecasted to grow to \$102 million  
16 by 2026/'27, and excluding the value of that  
17 impairment reduces its forecasted growth to \$92.1  
18 million.

19           And during the Hearing, this Board  
20 heard that unless action is taken, the balance of that  
21 rate deferral account is expected to grow to \$201.3  
22 million by '29/'30.

23           And that's going to create a further  
24 disconnect between the financial reporting and the  
25 actual cost in recovery. It's also going to challenge

1 this Board to be able to be in a position to -- to  
2 maintain rate stability, to maintain rate  
3 predictability.

4                   And so, you'll hear a little bit more  
5 about the ask of abandoning the use of the regulatory  
6 deferral account. But in the back of your minds, I  
7 would -- I would like you to keep in mind there that -  
8 - that this account continues to grow every year and  
9 is quickly becoming unmanageable.

10                   In terms of the fleet rebate  
11 allocation, which is 3.6 on page 56, the only thing  
12 I'll say here is that this Board has heard previously  
13 that there isn't an issue with -- obviously, with our  
14 ability to -- to manage this topic.

15                   Some of this has been an issue that  
16 we'd hoped to be able to address through technology.  
17 Unfortunately, with the close of the Project NOVA,  
18 that has somewhat pushed out our planning on this  
19 issue a little bit.

20                   But what this Board heard in 2026 is  
21 that aspects of its implementation plan are -- are now  
22 on pause with the closeout of Project NOVA and that  
23 target planning for prioritization would be occurring  
24 as part of the development of the IT strategy in the  
25 five (5) year rolling IT roadmap.

1                   And then the chapter of the rate  
2 application included a fleet program chapter which  
3 complies with Directive 14.5.

4                   Given the evidence before this Board,  
5 MPI would submit that it would be appropriate in this  
6 case for the PUB to issue a directive that MPI provide  
7 an update in the 2027 GRA on its efforts and -- and  
8 potential implementation plan -- excuse me,  
9 implementation date for the fleet rebates.

10                  On the issue of generalized linear  
11 models, that was a topic that was discussed quite a  
12 bit, especially in the Information Request rounds, and  
13 so I will address it a little bit. The Board heard  
14 that -- sorry, last year, the Board issued Directive  
15 14.7 which directed MPI to carry out a transition to  
16 the use of generalized linear modeling.

17                  And in compliance, MPI provided a  
18 comparison of the results using both methodologies for  
19 all major classes, and then proposed a transition plan  
20 for approval. And this was -- this was last year.

21                  So, for Major Class 1, MPI integrated  
22 the GLM derived rate line relatives and experience  
23 adjustments while keeping capping and flooring rules  
24 for a smooth transition for information purposes, but  
25 not for actual ratemaking.

1                   And so, to be clear, I just want this  
2 Board to know for the current analysis, MPI intended  
3 to keep the GLM framework consistent with the previous  
4 Minimum Bias Procedure, or MBP, framework to enable a  
5 clear comparison between the two (2) approaches.

6                   And then when MPI transitions to the  
7 use of GLM ratemaking in the past with a specialized  
8 tool, future model enhancements will be considered.  
9 But again, this is not really designed to do anything  
10 other than take us from the existing MBP framework to  
11 a GLM framework that is consistent with the minimum  
12 bias procedure framework.

13                   And so, for this year, as a result of  
14 it studying, the Board heard that when compared to the  
15 impact of premiums from moving to minimum bias  
16 procedure to GLMs, the impact is really minimal, with  
17 92.8 percent of vehicles maintaining premiums with  
18 plus or minus 5 percent of those determined using the  
19 existing process.

20                   And per the slideshow -- excuses me,  
21 per the slide below rather, only 0.2 percent of  
22 vehicles would see an increase in premiums more than  
23 15 percent.

24                   And during the hearing, this Board  
25 heard that the majority of these vehicles at the top

1 and bottom of the dislocation scale are trailers, and  
2 so that kind of skews the results. That looks like a  
3 more significant increase than it actually is given  
4 that the -- the amounts that trailers pay is -- is  
5 relatively minimal.

6                   For the 2027 GRA, MPI is therefore  
7 asking approval that it be the first to include as  
8 part of its ratemaking methodology relativities for  
9 each major class derived using generalized linear  
10 models instead of the existing minimum bias procedure.

11                   And then the last topic before I turn  
12 it over to my friend again is the minimum credibility  
13 standard. And so, you would've heard in last year's  
14 GRA, and then the GRA before it, that -- that there  
15 was an issue, especially with the Taxi Coalition, in  
16 regards to the use of minimum credibility weighting.

17                   And so, the Board noted last year that  
18 MPI judgmentally assigns a 10 percent minimum  
19 credibility to ensure that new -- new relativities  
20 rather for smaller insurance uses, those with minimum  
21 units, are -- are partially reflective of their  
22 historic experience.

23                   And this Board noted that MPI applies  
24 the same minimum credibility uniformly across all  
25 insurance uses and believes that a 10 percent amount

1 ensures stability for insurance uses where the raw  
2 relativities can fluctuate materially year over year.

3           So, setting the minimum credibility too  
4 high can amplify volatility, whereas too low makes the  
5 relativities insensitive to emerging trends. And so,  
6 what is the right balance there? And -- and that's  
7 always been the issue for MPI. But MPI has always  
8 said that 10 percent, is that Goldilocks approach, if  
9 you will. It does a great job of recognizing both the  
10 -- the recent experience, but not too much.

11           The Taxi Coalition disagreed and it  
12 said, No, we think that this is not giving us the  
13 credibility that we deserve. And so, we encourage  
14 you, PUB, to look at other things, increasing that  
15 rate from 10 percent to 15 percent, or 20 percent, or  
16 even 25 percent.

17           And so last year, what we had is a  
18 situation where the Taxi Coalition was asking for this  
19 threshold to be increased by -- to 15 percent. And --  
20 and the Board said, Well, we want to hear more  
21 information about this, so come back with some  
22 additional analysis. And -- and that's exactly what  
23 MPI did.

24           We complied with Directive 14.6 from  
25 Order 2.2- excuse me, 2/'25 by filing the alternative

1 analysis at Appendix 10A at the risk classification  
2 chapter. And then we also provide you with what the  
3 difference is in this year if we use the 10 percent  
4 minimum credibility versus the 15 percent minimum  
5 credibility that you heard last year from the Taxi  
6 Coalition that they really, really wanted.

7           And what do we see is, if we use the 15  
8 percent minimum credibility this year, their rates go  
9 up. If we use the 10 percent minimum credibility  
10 which MPI has always said is the most appropriate one,  
11 their rates stay low. And that's why you haven't  
12 heard from the Taxi Coalition this year about the 15  
13 percent minimum credibility, because it doesn't have  
14 an impact on them. It doesn't have a positive impact  
15 on them.

16           And that's the problem when you have  
17 these types of arguments about, we want a particular  
18 solution in this year, because then you have to apply  
19 that solution in years after, and it doesn't always  
20 have a good impact on you. You live and die by the  
21 sword is what I always say. And this is a situation  
22 where, fortunately, MPI was able to prevail in this  
23 case because, if not, we'd have the Taxi Coalition  
24 coming back and saying 10 percent should always have  
25 been the case. I don't know why MPI moved it.

1                   And so, MPI submits that the 10 percent  
2   credibility threshold continues to be the only method  
3   that really ensures stability for all insurance uses,  
4   including taxicabs, where the raw relativities  
5   fluctuate materially from year to year. And -- and  
6   that should be the end of that discussion, we -- we  
7   would hope.

8                   And so, with that, I turn it now over  
9   to My Friend, Mr. Scarfone.

10                  MR. STEVE SCARFONE:    Thanks, Anthony.  
11   I'm going to now deal with the RSR, the Rate  
12   Stabilization Reserve, and the CMP, the Capital  
13   Management Plan, two (2) well-known acronyms.

14                  Right there in the beginning is  
15   reference again made to this Board's mandate, and that  
16   is to ensure the overall financial strength of the  
17   Corporation. In that first paragraph reference was  
18   made throughout these proceedings to lawyer math. And  
19   there again you see it with retained earnings at four  
20   eighty-three (483) with a loss of 39.6, decreasing to  
21   four ninety-six (496).

22                  So, take note that that word  
23   "decreased" should read "increased" to 496 million,  
24   and the adjustment referenced therein is a small  
25   matter of a \$53 million transfer from the Extension

1 line of business.

2 I don't know why it was characterized  
3 as an adjustment, but the numbers are correct. We  
4 just need to change "decreased" to "increase" there.  
5 And that equates to that 107 percent MCT that was  
6 referenced earlier in section 1.2.5 of the closing  
7 argument.

8 Carrying on with the retained earnings  
9 for Basic, they are projected to grow to 763 million  
10 by the end of '29/'30 driven by annual projected  
11 transfers from the Extension line of business.

12 And that is a common theme throughout  
13 this part of my submission 'cause next I'll deal with  
14 the financial condition test, which makes repeated  
15 reference to those transfers from the Extension line  
16 of business.

17 As indicated, the Corporation is in  
18 compliance with Section 18 of the Act under its  
19 Capital Management Plan that it continues to operate  
20 under.

21 And you'll see at the bottom of the  
22 page there that the Rate Stabilization Reserve has its  
23 own investment portfolio which generated a modest \$43  
24 million of income, all of which you see there gets  
25 returned into the RSR to maintain or grow the capital

1 of Basic.

2                   And that's consistent with the evidence  
3 that you've heard in past proceedings where Ms. Low  
4 has said you do not mix capital with AAP. It used to  
5 be, Madam Chair, you'll recall, that excess capital  
6 above the two hundred (200) threshold was used to  
7 lower the rate indication. That's no longer the case,  
8 of course. And now if there's excess capital, it --  
9 it gets returned to ratepayers by way of rebate.

10                   The updated projected transfers from  
11 Extension to Basic are \$48.3 million and \$34.7  
12 million, respectively, in 2026/'27 and 2027/'28. We  
13 want to say here that Basic remains non-sustaining  
14 line of business. So, without the Extension --  
15 without reliance on the transfers from the Extension  
16 line of business, Basic would be operating at a loss.

17                   And so that is why the Corporation has  
18 repeatedly said that it has no intention of  
19 transferring excess capital to anywhere but the Basic  
20 line of business so long as that remains the case.

21                   And we're well aware, Madam Chair, in  
22 recent years, the PUB has expressed concern over  
23 competing interests for that capital, namely, the  
24 Driver and Vehicle Administration line of business and  
25 perhaps maybe even the commercial trucking line of

1 business.

2                   While we currently don't have a PUB-  
3 approved Capital Management Plan in place, MPI  
4 continues to manage its capital in compliance with  
5 those statutory targets and notwithstanding that both  
6 DVA and SRE had negative net incomes of 13.2 million  
7 and 54.2 million respectively.

8                   Again, the Corporation, as evidenced by  
9 its forecasting, intends to transfer all excess  
10 capital from Extension into the Basic line of  
11 business.

12                   On that last point, with respect to the  
13 Driver and Vehicle Administration line of business,  
14 you heard evidence in this proceeding that there has  
15 been discussions with the government in that regard.  
16 And specifically, Ms. Jatana at page 52 of the closing  
17 spoke about having received a commitment from  
18 government to ensure that the DVA line of business  
19 will be self-sustainable.

20                   And if you scroll down -- thank you.  
21 Keep scrolling down, please. There's a chart on page  
22 62. Thank you. Right there.

23                   You'll see there that the DVA line of  
24 business is operating at an annual loss, but augmented  
25 or supported by those transfers that were made from

1 the Extension line of business several years ago.

2 In her evidence, Ms. Jatana says in  
3 that quote:

4 "I believe in the 2027/'28 period  
5 is when we will start seeing a  
6 deficit."

7 And in fact, she was correct. You'll  
8 see that, beginning 2027/'28, it has anticipated that  
9 that line of business will be operating at a deficit  
10 of \$7.7 million.

11 And so, the Corporation is confident --  
12 or perhaps optimistic is a better word -- that there  
13 will be that agreement, that funding agreement, that  
14 funding arrangement in place with the Government of  
15 Manitoba to allow for this line of business to be  
16 self-sustaining before 2027/'28 is upon us.

17 Very briefly, with respect to the  
18 financial condition testing that was done by the  
19 independent appointed actuary, the report does  
20 conclude that the future financial condition of the  
21 Basic line of business is satisfactory.

22 And this Board will be aware that  
23 several scenarios are tested with respect to drawing  
24 that conclusion. This particular FCT used three (3)  
25 scenarios in that regard.

1                   The first was a high loss ratio, which,  
2 interestingly, replaced the inflation scenario that  
3 last year posed the greatest threat to the  
4 satisfactory financial condition of the Basic line of  
5 business.

6                   And that's going to be important for my  
7 submission later when I speak to the inflation  
8 production in the investment portfolio, but all to say  
9 is that the high loss ratio is now, under this report,  
10 the largest threat to Basic's financial condition.

11                   And in regard to that, the appointed  
12 actuary considered a situation where the highest  
13 possible claim ratio with at least a 10 percent  
14 probability level occurred. And you'll see therein at  
15 page 64, and it's measured against the base scenario  
16 which closely aligns to the Corporation's business  
17 plan.

18                   So, when they measure that against the  
19 base scenario, you'll see that the MCT ratio with the  
20 high loss ratio scenario declines quite considerably.  
21 But for this adverse scenario, as with the others that  
22 were tested, the recommendation from the appointed  
23 actuary was to transfer capital from the Extension  
24 line of business. And you see that repeatedly  
25 throughout the FCT report.

1                   The second adverse scenario was a  
2 decline in the equity markets, as changes in economic  
3 conditions, the appointed actuary said, have the  
4 potential to significantly impact an insurer's  
5 financial situation.

6                   And so, remembering, Madam Chair, that  
7 a decline in the equity market would only impact the  
8 RSR portfolio and the EFB portfolio because the  
9 Corporation does not have any equities in its Basic  
10 claims portfolio.

11                   But in the RSR portfolio, there's an  
12 allocation of 28 percent. And in the Extension -- or,  
13 sorry, in the employer future benefits portfolio,  
14 there's an allocation of 34 percent. And as we know,  
15 the three (3) combined make up the Basic line of  
16 business, and so that's why the appointed actuary was  
17 looking at those other portfolios in this adverse  
18 scenario that was tested.

19                   And the last one was the combined  
20 scenario that combines both inflation, high loss  
21 ratio, and the underestimation of policy liabilities,  
22 and a decline in the equity market.

23                   So, everything bad is happening in the  
24 combined scenario, and in that situation, again, the  
25 recommendation, if it was ever to occur, was to

1 implement the proposed Capital Management Plan to  
2 augment Basic capital. And so again, reference to the  
3 transfers from the Extension line of business that the  
4 Corporation has already built into its forecast.

5           Moving now to page 65, please, I'll  
6 move on briefly to Vehicles (sic) for Hire. So, it's  
7 been some time that this Board heard about the  
8 introduction of the framework for Vehicles for Hire.

9           At this time, the Corporation continues  
10 to apply the time ban model to all Vehicle for Hire  
11 policies.

12           And so, there was some discussion this  
13 Board would call in recent years about implementing a  
14 blanket policy for some customers. Perhaps only the  
15 taxis and the ride sharing companies were also  
16 considered at some point, but with respect to the  
17 TNCs, and that is a particular TNC, we did not have  
18 the sufficient data to price the model. And so, we  
19 fell back to the time ban model, which continues to be  
20 used. As I said by all Vehicle for Hire customers.

21           There have been ongoing discussions  
22 with the Taxi Coalition, not just with respect to the  
23 blanket policy, but also with developing a part-time  
24 insurance option. Both that and the taxi blanket  
25 policy were ultimately stalled due to limited --

1 limited engagement with the Coalition, as MPI has  
2 alluded to in its testimony.

3           The Coalition also successfully  
4 petitioned this Board to rescind its directive for a  
5 Vehicle for Hire technical conference you'll recall  
6 this past summer, citing a lack of substantive  
7 progress on a taxi-specific insurance model.

8           But during the hearing, counsel for the  
9 Taxi Coalition inquired whether MPI would consider a  
10 blanket policy limited to physical damage or partial  
11 coverage. MPI responded that it would not pursue such  
12 a product.

13           Accordingly, MPI returns to the PUB in  
14 this GRA without proposing any further changes to the  
15 Vehicle for Hire framework. MPI does not anticipate  
16 seeking PUB approval for a new Vehicle for Hire  
17 framework in the next GRA, Madam Chair.

18           And lastly, with respect to the taxis,  
19 in response to a directive from the 2025 GRA, MPI  
20 provided an update on the Telematics project that had  
21 been initiated.

22           The Taxi Coalition made reference to  
23 this, you may recall, Madam Chair, in its opening  
24 comments but did not pursue the matter further during  
25 this hearing. And we heard evidence that the

1 Telematics study was completed in the late summer and  
2 shared with the Taxi Coalition on October 3rd.

3           As no request was made for a copy of  
4 the study, MPI did not file it in this General Rate  
5 Application, so it's not evidence before this Board.  
6 And MPI now considers the matter to be in the Taxi  
7 Coalition's hands for any further action in that  
8 regard.

9           So, with respect to all of these  
10 developments and perhaps dead ends with respect to  
11 certain options that were pursued with the Taxi  
12 Coalition, MPI submits that there -- there need to be  
13 no further directives from this Board respecting  
14 Vehicle for Hire. It would appear at this stage at  
15 least that the blanket policy that's currently in  
16 place is being used by all MPI customers to their  
17 satisfaction -- or time bans, sorry.

18           The Driver Safety Rating has had two  
19 (2) components to it and a very long history with this  
20 Board, I would suggest, and I think the Board would  
21 agree. They set out that history usually every year  
22 in the orders that are produced following the General  
23 Rate Application.

24           But there are primarily two (2) issues  
25 canvassed every year. The first was the status of

1 MPI's proposed plan to implement an alternative rating  
2 model to the current rating model used the registered  
3 owner model.

4                   The second was the collection -- the  
5 second part of that was the collection of the primary  
6 driver data that was needed to move away from the  
7 current registered owner model.

8                   In the 2025 GRA, the PUB recommended  
9 that the Government of Manitoba make legislative  
10 changes to allow MPI to collect the data that it says  
11 was required in order to price a primary driver model.

12                   After filing the 2026 GRA, MPI  
13 confirmed that the timing under the existing project  
14 plan for the Basic insurance model remained  
15 undetermined as it still required authority to compel  
16 the -- to compel customers to provide that data to  
17 allow MPI to price a possible primary driver model.

18                   And during that time, as Mr. Andres  
19 alluded to this morning, the Government of Manitoba  
20 introduced Bill 49, which bill would aim to amend the  
21 MPIC Act to clarify that any discount from a premium  
22 payable to insure a motor vehicle must be based on the  
23 Driver Safety Rating of the registered owner of that  
24 vehicle.

25                   And so, essentially, what this -- this

1 amounts to in MPI's view is having the current  
2 registered owner model enshrined into MPIC's home  
3 statute.

4                   And so MPI at this stage -- as you see  
5 there at the top of page 68, in terms of any future  
6 directions on this issue, MPI submits that it would be  
7 prudent to wait until the next GRA to confirm whether  
8 Bill 49 passes, and if so, when the amendments are  
9 effective.

10                   And so, there's no evidence before this  
11 Board in this proceeding, Madam Chair, that would  
12 allow the Board to make any findings with respect to  
13 the recommendation that was made last year to the  
14 Government of Manitoba to provide that authority to  
15 collect the data. Presumably, the Government of  
16 Manitoba heard the Board on that front and went in the  
17 direction of the new proposed bill.

18                   The second part of the DSR that has  
19 that same long history is the rating scale changes.  
20 And so, it was the 2018 General Rate Application where  
21 this story began, Madam Chair.

22                   The Corporation was before this Board  
23 looking to increase the surcharges on the demerit side  
24 of the scale.

25                   And it was at that hearing during a

1 cross-examination when our then chief actuary candidly  
2 admitted that the -- the amounts charged under the  
3 scale were not based on actuarial science. They were  
4 statistically driven but not -- not generated in  
5 accordance with accepted actuarial practice.

6           And so, it was from that finding in  
7 that GRA that the Board then directed MPIC to start  
8 making some adjustments to the scale, particularly to  
9 the discounts on the merit side of the scale.

10           And MPIC submits that it has made some  
11 progress with respect to that. You'll see from the --  
12 the submission that there's a history therein that  
13 sets out how those discounts were moved towards their  
14 actuarial percentages or targets.

15           There has been a slowing in certain  
16 years where MPIC cited affordability concerns, but the  
17 Corporation is back on track, in its submission, and  
18 this year, as we set out in our relief, are seeking to  
19 move them one third of the way there. And in the next  
20 couple of years, we expect that that scale will be  
21 indicative of all the actuarial indicated rates that  
22 this Board would like to see happen.

23           And if we just scroll down, there is  
24 what we can expect to see in the future. So, the --  
25 the current discount -- and you'll see there the new

1 DSR level that's -- that's proposed this year at  
2 twenty (20).

3                   But there are increases to the discount  
4 ranging from 1 percent at DSR level 2 all the way up  
5 to 5 percent at DSR level 19 for the very good  
6 drivers.

7                   And then just quickly before I send it  
8 back to Mr. Guerra, again, by fiscal year '28/'29,  
9 each DSR level on the merit side of the scale will be  
10 at their actuarial indicated rates with the higher DSR  
11 levels now adjusted by fitting, as Mr. Andres said  
12 again this morning, two (2) contiguous straight lines  
13 from zero to plus 20 in compliance with the Board  
14 Order from last year.

15                   And that is -- constitutes the update  
16 on the DSR.

17                   MR. ANTHONY GUERRA:    Thank you, Mr.  
18 Scarfone, and in fact, I'll probably be very brief on  
19 the next -- next few sections here.  So, we'll make up  
20 some time.  And I appreciate all the information that  
21 we're going through.  It does take a little while to  
22 go through it.

23                   I would like to skip over to Section  
24 7.2, which is the Basic expenses overview.  And so, in  
25 this specific area here, what we're really talking

1 about is the Integrated Cost Allocation Methodology or  
2 ICAM, which is the process that MPI uses to allocate  
3 MPI's corporate expenses across all of its lines of  
4 business -- so Basic, Extension, special risk  
5 Extension, and then the Driver Vehicles Act  
6 administration or DVA line of business.

7           And so, from 2025 GRA, this Board heard  
8 that that ICAM was updated to align with International  
9 Financial Reporting Standards or IFRS-17 financial  
10 presentation. And there was some question there about  
11 whether or not MPI had -- had made some changes to the  
12 ICAM that is PUB approved.

13           And -- and basically, the result of  
14 that was to say it was updated to apply to IFRS-17.  
15 It does follow the spirit and intent of the PUB-  
16 approved ICAM from 2012. It just had to be updated to  
17 align with IFRS-17.

18           And then there was a couple of changes  
19 in -- in which the -- the steps were carried out, but  
20 they were not material changes in MPI's view or in  
21 KPMG's view 'cause KPMG was also retained to look at  
22 that and to make some findings about that application,  
23 and they were supportive of how MPI was applying it.

24           And so, in this particular Rate  
25 Application, this Board heard that there wasn't any

1 changes to the structure. It remains consistent with  
2 the Application that was set out in the original  
3 version. No changes were made to the cost  
4 purification process.

5                   And so, despite the updates to the ICAM  
6 that were required to accommodate IFRS-17, MPI submits  
7 that this ICAM does remain compliant with that. That  
8 was approved by the Board in 2012.

9                   And so, the impact of the updates to  
10 the ICAM is a greater allocation of corporate expenses  
11 to the Basic line of business with about 1.27 percent  
12 more expected in the 2025/'26 year compared to what  
13 was forecasted in the last GRA.

14                   And with the pending closeout of  
15 Project NOVA, MPI undertook an assessment of the  
16 current allocation of NOVA costs related to the  
17 leadership stream changes and to Release 4 Duck Creek  
18 claims licensing fees.

19                   And the result of that assessment was a  
20 change in the allocators that were used with the  
21 claims indicator allocator used for Release 4  
22 subscription fees and the Weighted Customer Call  
23 Contact -- Centre Contact (sic) Ratio or WCCCCR -- I  
24 really hate that acronym -- used to allocate  
25 leadership costs.

1                   And the result was a greater allocation  
2 of these expenses, particularly from DVA, but into  
3 Basic in this case.

4                   During the hearing, MPI was asked why  
5 it was reallocating these historic costs to Basic.  
6 And in response, Ms. Kauk disagreed that the change in  
7 estimates was a restatement of historical information.

8                   And she clarified that the initial  
9 allocators were never intended to be fixed and would  
10 be refined and updated as MPI progressed through the  
11 project.

12                   And she also mentioned that MPI will --  
13 will continue to reevaluate rather its allocator with  
14 every project and annually reevaluate it to ensure its  
15 appropriateness.

16                   Move on now to Section 7.3, which is  
17 maintenance expenses. And in fact, I don't really  
18 need to talk about that too much. That is more for --  
19 for offline information. And we'll -- we'll move on  
20 to operating expenses, which is section 7.4.

21                   And I'd actually like to draw your  
22 attention to page 75. And this again is a discussion  
23 about the deferral of initial -- initiative expenses.  
24 And so, in this particular GRA, you've heard many  
25 times before, but I'll just restate it again, that MPI

1 is asking for the forecasted initiative expenses for  
2 '26/'27 to be deferred into the regulatory deferral  
3 account and that the PUB declare that account -- the  
4 account assets be of no value and thereby discharge  
5 it, which is not the equivalent of an impairment.

6 Mr. Kolaski talked about the difference  
7 between the declaration we're seeking and the  
8 impairment, but this is not what we're asking for.

9 The effect of it is to bring the  
10 balance of that RDA or Regulatory Deferral Account  
11 down to zero, and thereafter, the proposal would be  
12 that MPI pursues a new approach that require --  
13 require the PUB rather to abandon the practice of  
14 deferring initiative expenses into a future RDA or a  
15 Regulatory Deferral Account, and instead we would use  
16 the actual initiative expenses incurred from the last  
17 fiscal year adjusted for inflation.

18 So, for example, pretend we're in the  
19 2027 GRA. MPI would be seeking approval of rates  
20 effective April 1st, 2027, and we would seek recovery  
21 of the initiative expenses actually incurred in this  
22 fiscal year 2025/'26 as this would represent the most  
23 recent period with fully incurred expenses.

24 And based on current forecasts, what we  
25 anticipate would be the case if we were 100 percent

1 accurate, is we would be coming to you next year with  
2 a \$26.5 million request for initiative expenses. And  
3 in the future GRA 2028, that would be \$31.2 million.

4           And so last year, this Board set out  
5 the expectation that MPI would advise it on how  
6 deferred initiative costs would be addressed using  
7 regulatory principles such as intergenerational  
8 equity.

9           That was in Order 2/'25. And MPI would  
10 respond to that by saying this new approach is in fact  
11 addressing that principle as well as other principles,  
12 such as -- such as the matching principle or the rate  
13 stability and predictability principle or the use or  
14 required to be used principle.

15           During this hearing MPI was asked how  
16 long initiatives would be -- would be live before they  
17 would be expected to bring value to ratepayers. In  
18 response, Mr. Kolaski noted that the new approach  
19 provides a 3-year amortization window as it brings  
20 prior year actuals into the rate over a two (2) year  
21 period. So, we have three (3) years of amortization  
22 working on -- on that -- on that front.

23           And the Board heard from the IT witness  
24 panels that the new approach for major programs  
25 delivery, pursues discreet, manageable programs, so

1 none of this in monolithic program Project NOVA size  
2 initiatives going forward, a more discreet and  
3 manageable programs, most of which will have a twelve  
4 (12) to twenty-four (24) month time horizon.

5           So, by the time MPI is seeking recovery  
6 of these expenses, the subject initiative should  
7 already be well live -- or there -- Mr. Kolaski did  
8 testify that there is value to ratepayers in  
9 modernization as a whole. So, starting those  
10 initiatives should also have some value as well. And,  
11 therefore, MPI submits that the proposed approach  
12 provides a simple, but effective, mechanism for  
13 recovery expenses that does align with the regulatory  
14 principles that we know this Board is -- is desirous  
15 of applying.

16           In the event that the Board doesn't  
17 endorse this new approach, MPI cautions that continued  
18 deferrals of initiative expenses may necessitate a  
19 capital build provision in the future, especially when  
20 the scenarios where capital transfers are no longer  
21 available. But, also, on the issue of whether or not  
22 MPI could bring in prior year expenses gradually, so  
23 if there's a question about, well, you know, you have  
24 a big balance in your RDA or your Regulatory Deferral  
25 Account, why can't we just draw this in, you know,

1 over a 10-year period, for example?

2 Well, MPI would submit that this would  
3 run counter to other regulatory principles, including  
4 the principle intergenerational equity, because you  
5 would be selectively withholding incurred expenses for  
6 initiatives that have value for current ratepayers, in  
7 the sense that current ratepayers might be underpaying  
8 for the value they're receiving.

9 And so, this alternative approach would  
10 not be an improvement over the approach proposed by  
11 MPI in this GRA, it's respectfully submitted.

12 The other issue that was talked about a  
13 little bit in this particular rate application, and  
14 this is at page 77, is -- is compensation. MPI notes  
15 that for '25/'26 compensation budget remains aligned  
16 with the 2025 GRA forecast for '26/'27.

17 The Board heard that it reduced its  
18 historical \$6 million vacancy provision by  
19 approximately \$3.5 million. And this reduction  
20 reflects an implied forty (40) FT positions to allow  
21 for surge capacity, reflecting the reality that  
22 employees are often hired in advance of vacancy to  
23 ensure sufficient training and onboarding.

24 So, really what we're talking about  
25 here is, historically, MPI has been criticized for --

1 for having such a large vacancy provision. And so,  
2 the understanding is that, perhaps, that is building  
3 in a bit of a cushion.

4 And so, MPI did take some time this  
5 year to really -- or last year, I should say, to  
6 really understand what is an appropriate level for --  
7 for its vacancy allowance.

8 And I think between the evidence you  
9 heard from Mr. Kolaski and from Ms. Kauk, is that they  
10 really did a great job in terms of doing a deep dive  
11 into understanding what is the true -- the true  
12 vacancy that we're seeing. And then also adjusting  
13 for the realities of this business.

14 It takes time to get people ready and  
15 enabled to -- to hit the ground running in their  
16 positions. There's a training period. There's --  
17 there's often some overlap. So, that surge capacity  
18 is really talking about those -- the reality of the  
19 business, that it does take time for people to get  
20 comfortable into their positions. People are not  
21 ready to go on day one (1) necessarily, and so that --  
22 that is reflected in that surge capacity provision  
23 that's added there.

24 So, we believe that this vacancy  
25 provision now more accurately represents what MPI is

1 expected to be able to achieve on an annual basis.  
2 And hopefully that will address the criticisms that we  
3 received in the past, in terms of having that vacancy  
4 provision not tied to anything statistically  
5 meaningful.

6 In terms of staffing levels, the  
7 forecasted staff compliment of two-thousand, one  
8 hundred twenty-two point eight (2,122.8) FTs in  
9 '24/'25 was the actual, but in the GRA, MPI reported  
10 -- sorry, that was the forecast. The actuals for last  
11 year were two thousand thirty-four point 9 (2,034.9)  
12 FTE for '26/'26 and '26/'27 we're forecasting staffing  
13 levels at -- at two thousand one hundred seventeen  
14 point eight (2,117.8).

15 In the 2026 GRA, we've updated that to  
16 two thousand eight-eight point eight (2,088.8), so two  
17 thousand eight-nine (2,089), I think, is a -- is a --  
18 a number that you've heard multiple times; that is the  
19 budget for 2025/'26, and now going forward. It's,  
20 essentially, being held flat.

21 And so, even with the surge hiring, the  
22 fill -- the filled roles remain below the approved  
23 ceiling of the two thousand eighty-nine (2,089) FT and  
24 that vacancy estimates will continue to be evaluated  
25 annually based on actual data.

1                   We move on to page 78. I do want to  
2 talk a little bit about the budgeting methodology and  
3 key performance indicators. So, we heard loud and  
4 clear from -- from EY and -- and this Board last year  
5 about the importance of improving the -- the budgeting  
6 process and the allocation or the inclusion, I should  
7 say, of key performance indicators in that process.

8                   And so, I -- I hope you feel -- you --  
9 hope you are leaving this -- this application this  
10 year with the sense that MPI has made significant  
11 progress in terms of maturing its budgeting processes.

12                   You've heard from Mr. Kolaski that MPI  
13 has a bottom-up/top-down zero-based budgeting process  
14 in place anchored to its multi-year strategic plan.  
15 Managers are conducting detailed reviews of financial  
16 FTE needs, which are refined by directors and aligned  
17 with strategic priorities.

18                   We heard that final -- final budgeting  
19 proposals are presented to the executive leadership,  
20 including the CEO, the CFO, the VP of People and  
21 Culture and to others. And the executive committee is  
22 setting initial targets for total corporate operating  
23 costs and then providing strategic direction and  
24 financial discipline in terms of the dynamic budgeting  
25 process.

1                   And these targets are serving to  
2 provide a structured framework and alignment across  
3 all of the organization, enabling departments to  
4 assess and adjust their needs while minimizing the  
5 unnecessary churn.

6                   And so, the -- the slide that we have  
7 on slide -- or on -- on page 79 of the closing,  
8 illustrates the new changes to how MPI is integrating  
9 its strategy and into its budget.

10                  And so, this planning, I believe it  
11 was, Ms. Hildahl, took us through this journey and  
12 we're seeing that not only are we aligning our  
13 budgetary process with our strategy process, but we're  
14 also aligning it more now with the -- the PUB process  
15 and the -- and the estimates process with the  
16 Government of Manitoba.

17                  So, all of these refinements are  
18 leading to the ability for us to more accurately  
19 predict what the future is going to be, based upon  
20 what we're currently doing. And we're hoping that  
21 that's going to pay some big dividends, but in the  
22 meantime, the framework is being stub (sic). I think  
23 you've heard about the key performance indicators that  
24 we're tracking now, and you should expect to see  
25 continued refinements and continued reporting on that

1 in the future.

2 If we -- just to scroll down quickly, I  
3 just want to make one comment on the broker  
4 commissions and premiums taxes. So, that's at page  
5 80.

6 Only thing I would note there is that  
7 with the closeout of Project NOVA, there will  
8 obviously have to be some discussions about broker  
9 commissions in the future. The broker agreement is  
10 not expected to expire until March of 2028.

11 And so, what you'll see there is that  
12 the future agreement with the brokers will -- will  
13 likely still maintain the existing or a similar  
14 structure that's not based on online transactions.

15 And so, with that, I will turn it over  
16 to Mr. Scarfone to talk about information technology.

17 MR. STEVE SCARFONE: Thank you. This  
18 Board heard a lot of evidence on the information  
19 technology front. I think the panel was, including  
20 the confidential portion, was testifying for two (2)  
21 full days.

22 MPI would say that information  
23 technology provides no better example for this Board  
24 on MPI's commitment to transparency and updating this  
25 Board with respect to its important initiatives.

1                   Of course, you'll recall back in March,  
2 there was the special sitting held in-camera to  
3 announce MPI's decision with respect to Project NOVA.  
4 This Board learned of that even before the public did.  
5 And we also conducted the annual IT Summit in May of  
6 2025. And, again, expect to provide updates with  
7 respect to information technology and the major  
8 programs at the next -- at the next IT Summit in the  
9 spring of 2026.

10                   But what the Board -- if you can scroll  
11 down now to page 82, please -- what the Board did hear  
12 about was the IT strategy going forward and the new 5-  
13 year rolling IT map that aligns with the Corporation's  
14 multi-year strategy. It maps IT goals to the  
15 strategic pillars and the aims of the strategy are set  
16 out at the table on page 83.

17                   The strategy identifies expected  
18 outcomes for each of these actions and specifies  
19 executive ownership, as well as metrics for success,  
20 providing an opportunity to assess progress and  
21 establish accountability, which Mr. Hart emphasized  
22 was an important piece to his 5-year role in IT  
23 roadmap.

24                   The IT panel testified that the primary  
25 aim of the IT strategy is to manage technical risk.

1 And so, there has been an evolution of sorts with  
2 respect to the vernacular that's used by the -- the  
3 tech people. It used to be referred to as "technical  
4 debt." We've now learned that they prefer to make use  
5 of the word "technical risk" and the IT roadmap will  
6 aim to manage that risk going forward.

7           The Board also heard that "technical  
8 debt" is subsumed within the technical risk. So, it's  
9 not as though the Corporation has turned the page on  
10 addressing its technical debt, but it is -- will be  
11 addressed with the technical risk, with the aim of the  
12 IT roadmap.

13           The importance of managing the  
14 technical risk was highlighted for the Board because  
15 it avoids significant adverse consequences across the  
16 organization, avoiding the loss or theft of data, of  
17 course, reducing maintenance costs and remaining  
18 compliant with regulations and maintaining the ability  
19 to respond when -- with projects when desired.

20           One of the failures of NOVA, as this  
21 Board heard, was that MPI had designed the program  
22 using a narrow lens and did not employ, what it  
23 called, the holistic view to addressing the technical  
24 risk.

25           Ending Project NOVA, however, as this

1 Board heard over and over, does not address the  
2 technical risk that MPIC still faces. Accordingly,  
3 MPI was in the process of closing out the project, it  
4 was also developing the 5-year rolling IT roadmap.

5 MPI introduced the first draft of the  
6 roadmap at the aforementioned special sitting and,  
7 again, at the 2025 IT Summit. And you'll see there at  
8 page 44, that the roadmap is guided by those  
9 assumptions and guiding principles. Sorry, page 84,  
10 if I misspoke.

11 The new 5-year rolling IT roadmap, its  
12 approach to addressing technical risk differs from the  
13 past approach with Project NOVA. First, the roadmap  
14 aligns investments in technology with strategic  
15 business processes. It also intentionally divides  
16 larger initiatives into smaller more manageable ones.  
17 Finally, it incorporates a holistic view of technical  
18 risk.

19 While projects under Project NOVA  
20 umbrella may show up on the roadmap, the Board heard  
21 that the current focus is on addressing software that  
22 presents an immediate risk, such as those with  
23 expiring contracts. So that would be the update to  
24 the bodily injury management system, for example, and  
25 the expiring software and contract with the FINEOS

1 agency.

2                   The Board heard that the 5-year rolling  
3 IT roadmap was initially presented last spring as a  
4 high-level concept, focusing on major programs, but  
5 it's still currently being refined.

6                   So, what the Board has before it is not  
7 what MPI expects that final IT roadmap to look like  
8 and it will change as new priorities emerge.

9                   Mr. Hart testified that MPI is working  
10 to make it more accessible, incorporate capacity  
11 constraints, provide specific costs for two (2) years  
12 out and broaden the scope of risk to be addressed to  
13 include infrastructure and other risks.

14                   And Ms. Jatana said -- Ms. Jatana said  
15 that the aim of the new roadmap is to look at all the  
16 solutions that require attention and sequence  
17 projects, so not as to overburden the organization, as  
18 occurred with Project NOVA.

19                   Very briefly with IT benchmarking,  
20 Madam Chair, I will say that the Corporation, again,  
21 engaged Gartner this year. And as I set out at the  
22 outset of this presentation, there were improvements  
23 to the maturity score that came back from the Gartner  
24 agency.

25                   The Board also heard that the

1 investments MPI continues to make in its IT domains  
2 have positioned it to respond to evolving business  
3 needs with MPI's maturity levels higher than the peers  
4 in eight (8) of nine (9) domains. So, again, it's  
5 overall maturity scored -- score increased from three  
6 point zero three (3.03) compared to an average  
7 maturity scored of two point six zero (2.60) for the  
8 comparator groups.

9                   In addition to the maturity scores --  
10 and I'm now at page 88. We raised this here in our  
11 closing because the topic of IT staffing, and the  
12 spending on contractors was raised with questions put  
13 to the witnesses on cross-examination.

14                   The Board heard that the IT  
15 benchmarking report found that MPI uses a higher  
16 proportion of contractors relative to both insurance  
17 industry and public sector peers, with and without the  
18 inclusion of NOVA resources.

19                   However, as the panel explained in the  
20 direct evidence, MPI's updated forecasts for FTE and  
21 consultants show declines in each category over the  
22 next three (3) years. And so, we say that's an -- an  
23 important stat, or an important piece of evidence,  
24 that this Board needs to consider.

25                   And the Board heard that MPI also has

1 already taken action to reduce its long-term reliance  
2 on external services by adopting the Skills Framework  
3 for the Information Age, a framework that is used to  
4 assess current capabilities, identify skill gaps, and  
5 deliver targeted learning plans.

6           And then just lastly, before I move off  
7 of IT benchmarking, one last concern that was raised,  
8 was the availability of leaders and SMEs or Subject  
9 Matter Experts, particularly going forward. Again,  
10 this Bo -- this Board heard that MPI is undertaking  
11 workforce planning and is utilizing the SFIA framework  
12 to identify the exact training that people require to  
13 close those gaps, and opportunities for the requisite  
14 knowledge transfer.

15           And just in the interest of time, I'm  
16 going to move on to the Project NOVA closeout report,  
17 and major program delivery at page 89.

18           So, as just stated, Madam Chair, the  
19 Corporation appeared before this Board at the special  
20 sitting to announce its closeout of Project NOVA. And  
21 I think the Board is probably most interested in some  
22 of the numbers that we heard from the IT panel, and  
23 Ms. St. Laurent, and from the finance division with  
24 respect to the total cost of Project NOVA to  
25 Manitobans.

1                   So, at fiscal year end, March 31st,  
2 2025, that cost amounted to \$166 million. In  
3 addition, the total NOVA ongoing costs as of March  
4 31st, 2025, so from end of fiscal year going forward,  
5 to the closeout date of June 30th, 2025 was an  
6 additional sixty million, nine hundred and seventy-six  
7 thousand dollars (\$60,976,000), so \$61 million, in  
8 addition to the 166 to fiscal year end.

9                   The total ending net book value of NOVA  
10 at fiscal year end, again March 31st, 2025, was nearly  
11 \$50 million. And these -- this amount, sorry,  
12 represents the assets that are currently in use.

13                   And so, they're being amortized, and  
14 MPI has identified these assets amounting to this  
15 amount of \$50 million to be of some use to the  
16 Corporation going forward, particularly with respect  
17 to its four (4) major programs.

18                   And now with respect to the amounts  
19 written off, with respect to NOVA as at March 31st,  
20 2025, was \$60.7 million. The write-off amounts that  
21 are contained within the current RDA balance that MPI  
22 is seeking to have declared of no value amount to \$9.9  
23 million.

24                   So, I don't know that that figure was  
25 made clear throughout -- throughout the hearing, but

1 the numbers that you did hear were \$60.7 million for  
2 the write-off of NOVA, \$44.3 million is the balance in  
3 the current RDA.

4           And within that amount, within that  
5 44.3, there are predominantly \$9.9 million amounts to  
6 a NOVA write-off. So, from that \$60.7 million. I  
7 hope I've explained that. But it's -- I thought the  
8 Board might be interested to know how the RDA amount  
9 that the Corporation is asking be declared of no value  
10 aligns with the NOVA write-off amounts of \$60.7  
11 million. So, there is some overlap there, between the  
12 two.

13           And then, so those figures were all at  
14 the corporate level, of course, across all lines of  
15 business for Project NOVA, specifically for the Basic  
16 line of business. Project NOVA cost a total of sixty-  
17 two million four hundred and eighty-nine thousand with  
18 a write-off of \$8.8 million, and a remaining net book  
19 value of \$20.7 million.

20           For the DVA line of business, Madam  
21 Chair, Project NOVA cost a total of \$57 million with a  
22 write-off of 27 million, and a remaining Net Book  
23 Value of \$21 million. And so, it's important to note  
24 the Net Book Value amounts in our view, because they  
25 do represent amounts that were incurred that have a

1 future value under the new major projects initiative.

2           Very quickly, those amounts that --  
3 that I just cited for the Basic line of business were  
4 determined by an allocation process. And, as was  
5 explained by, Ms. Koch, in a response to questions by  
6 PUB Counsel, MPIC had changed its allocating costs  
7 from Story Points to the WCCCCR acronym that Mr.  
8 Guerra just made reference to, which resulted in ba --  
9 Basic share of Project NOVA increasing from 51.8  
10 million to 62.5 million. But she explained that using  
11 the Story Points allocators were no longer  
12 appropriate, in her view, and that that re-evaluation  
13 was conducted to arrive at those new amounts.

14           And lastly, there was an Information  
15 Request that puts all of these numbers into some  
16 perspective, in our view, before the amounts allocated  
17 to Basic were adjusted, as I just mentioned from Story  
18 Points to the WCCCCR methodology, MPI calculated that  
19 Project NOVA cost the Basic policyholder thirty-three  
20 dollars (\$33). And that was to the end of the fiscal  
21 year in 2025.

22           Just very quickly with respect to the  
23 Net Book Value and the assets that the Corporation has  
24 identified as still having some value, those would  
25 include the various technologies that Project NOVA was

1 making use of, Dynamics 365 and the power platform for  
2 the SRE or Release 1.

3 And, in addition to that, Celtic and  
4 MuleSoft, MPI intends to leverage these technologies  
5 for vehicle registration, and Driver Licensing  
6 Solutions, and other corporate initiatives, including  
7 the Electric Vehicle Rebate program.

8 Forgive me, Madam Chair. I'm just  
9 looking to see what I can -- there's no need for me to  
10 bring you through some of what you can read later.

11 PANEL CHAIRPERSON: Certainly. Take  
12 your time, Mr. Scarfone.

13 MR. STEVE SCARFONE: Yes, just in the  
14 interest of time, I'm trying to streamline the  
15 presentation. Yeah, so that, I think, is all that  
16 needs to be said with respect to the closeout of  
17 Project NOVA, I'm going to move on.

18 But before I do, it's important that we  
19 mention at slide 92 that this transition that's going  
20 to occur from NOVA to the major programs initiative,  
21 that you heard so much about, is not being done, of  
22 course, in a vacuum. There were many, many lessons  
23 learned. You heard Mr. Hart say that the list was  
24 long. Candidly admitted that mistakes were made, and  
25 you have there before you the key lessons learned;

1 that the Corporation has leveraged, or made use of, or  
2 took notice of, in its path forward with the new IT  
3 roadmap and the major programs.

4           We can't emphasize that enough that  
5 it's going to be a new direction, and with a -- with a  
6 view to capacity, which was identified as the major  
7 falling out with respect to NOVA. It was -- it was --  
8 the Corporation was obviously stretched too thin. And  
9 so now they've identified these four (4) major  
10 programs. They prioritize them. You heard about  
11 them.

12           Some of them are carryovers, as I've  
13 said, from Project NOVA because the technical debt,  
14 the technical risk, the Legacy systems still need to  
15 be modernized. And so, you'll see with respect to  
16 those four (4) major programs, some overlap, MyMPI  
17 foundation, and IRP online, and of course, the SRE  
18 remediation. That major program is definitely linked  
19 to the problems that we experienced with Release 1  
20 with the commercial trucking business.

21           So those two (2) major programs are now  
22 in flight, as they say, budgeted at \$10.6 million and  
23 \$15 million. And then the Corporation under its  
24 strategy and the IT roadmap have identified, as I  
25 mentioned earlier, updates to the bodily injury claims

1 management system. So, the entire injury case  
2 management division operates under this system. The  
3 injury adjusters, or the case managers as we call  
4 them, make use of this program. It has to be updated  
5 because it's at end-of-life.

6 And the ERP replacement program is  
7 MPI's internal program for its payroll and accounting.  
8 So that too is one of the four (4) identified major  
9 programs that are on the roadmap.

10 And then just quickly, before I -- I  
11 send it back to Mr. Guerra. As stated by the  
12 director, I'm now on page 94 under governance. I  
13 don't want to skip past this part, because as stated  
14 by the director of major programs, Ms. St. Laurent,  
15 there will be an increased focus on financial controls  
16 within major programs, including regular updates on  
17 forecast versus actuals, and key performance  
18 indicators, and key risk indicators for each project.

19 There were questions put to Mr. Hart  
20 about the updated governance framework, or the model,  
21 and with Project NOVA having closed, it also meant the  
22 end of the contract with the governance vendor. So,  
23 they couldn't transition into major programs under the  
24 contract they had with MPI for NOVA.

25 And so, a new RFP was issued to bring

1 in a new governance vendor for the major programs.  
2 The new internal governments -- governance model,  
3 sorry, will be applied separately to each of the major  
4 programs. And so, Mr. Hart testified that for  
5 accountability and continuity reasons, the technology  
6 sponsor and the solution sponsor will remain the same  
7 throughout for each program and they will be  
8 accountable, of course, to the board of directors.

9                   And at the top of page 95, please, Ms.  
10 Dweh, you'll see there in the new governments not --  
11 the new governments -- governance model for the major  
12 programs. It's difficult to read, but I believe Mr.  
13 Ireland was asking questions of Mr. Hart with respect  
14 to the technology sponsor, and the solution sponsor,  
15 and what their roles were with respect to how  
16 accountability would be -- how accountability would be  
17 tracked.

18                   And so, you see there at the spons --  
19 sponsorship level, you have the two (2) sponsors for  
20 technology and solutions, both of whom will be also  
21 reporting to the executive steering committee. And  
22 that too, is at the sponsorship level, comprised of  
23 all members of the executive.

24                   And so lastly, just -- it says here,  
25 and I think it's important to repeat, that managing

1 technology risk is MPIC's top priority, particularly  
2 as it concerns information technology, and will be  
3 achieved by aligning modernization efforts with  
4 capacity.

5                   And so, with that, I will send it back  
6 to Mr. Guerra. And, Madam Chair, just before I do  
7 that, I -- I'm -- as I've said, I'm aware of the time.  
8 I don't know if we're going to finish in time for our  
9 friends at the Coalition to -- to begin their  
10 proceeding, but if -- if the Board was to need a mid-  
11 afternoon break, perhaps this might be the time.

12                   PANEL CHAIRPERSON: Well, a question  
13 for Mr. Guerra, can you give us a rough estimate of  
14 how much longer you might be?

15                   MR. ANTHONY GUERRA: So, I have two  
16 (2) issues left to cover, one being benchmarking, one  
17 being the corporate strategy. I anticipate between  
18 the two (2) of those, probably about 10 to 15 minutes.  
19 And then My Friend Mr. Scarfone has investments to  
20 cover off and that's it.

21                   PANEL CHAIRPERSON: Thank you very  
22 much. I would say that given the timing of that, and  
23 the fact that the Board may have some questions, we're  
24 probably looking at CC starting tomorrow morning.

25                   Is that acceptable with you, Ms.

1 Dilay...? Mr. Klassen...?

2 MS. KATRINE DILAY: Yes, certainly,  
3 thanks.

4 PANEL CHAIRPERSON: And that being the  
5 case, we'll take a break now until a quarter to 3:00.  
6 Thank you.

7

8 --- Upon recessing at 2:26 p.m.

9 --- Upon resuming at 2:46 p.m.

10

11 PANEL CHAIRPERSON: Thank you,  
12 everyone. Mr. Guerra...?

13 MR. ANTHONY GUERRA: Thank you, Madam  
14 Chair. And just picking up off where Mr. Scarfone  
15 finished on the topic of the new major programs, IT  
16 governance model. I would just like to now move into  
17 value assurance, which is also about measuring and  
18 ensuring the realization of benefits when it comes to  
19 our major programs.

20 And so, this Board may have had a  
21 little bit of confusion over the last couple years  
22 about where things really are at with value assurance  
23 and -- and value measurement with MPI because it has  
24 been a bit of a mixed bag in terms of moving within  
25 different divisions and different people and different

1 processes.

2                   And so, I think what you've heard this  
3 year from the team is that they really are in a -- in  
4 a point now where they are about to -- to really  
5 implement the business -- or Benefits Realization  
6 Management, or BRM, process.

7                   It's now being rolled out. And you're  
8 -- you're hearing about how it's being really baked  
9 into the planning process. And that was one of the  
10 lessons learned from this team when it came to how  
11 benefits were -- were monitored and -- and measured  
12 when it came to the Project NOVA case, was that we  
13 heard that they -- they weren't involved in that --  
14 that initial planning phase.

15                   And so, I hope what you take from the  
16 presentation from the value assurance team -- and I  
17 think Ms. Kauk did a very good job in terms of  
18 explaining it, which is to say these teams are really  
19 now baked in at the very beginning of the project  
20 development, helping the -- working with the business  
21 to help understand what are the -- the, you know,  
22 expected benefits that we're hoping to achieve from a  
23 particular project. Why should it -- it move forward?  
24 How are we going to measure them? How are we going to  
25 monitor them? How are we going to adjust them when --

1 when things happen and change requests or decision  
2 requests are needed?

3           And so that process is now in place.  
4 It's being rolled out. It's being applied to our  
5 major programs. And -- and I -- I think the message  
6 to take away from this is that this team is really now  
7 on the ground floor and will continue to be working  
8 with the team -- the business teams when they're  
9 developing their -- their programs to make sure that  
10 the -- the benefits are clearly spelled out with a  
11 clear framework of how we're going to monitor them and  
12 how we're going to report on them, which is a key  
13 component of measuring project accountability.

14           On the topic of benchmarking outside of  
15 IT benchmarking now, we're talking about the three (3)  
16 ways in which MPI compares itself in terms of its  
17 performance benchmarks. And so, at page 97 of the  
18 material we outline the three (3) different ways in  
19 which MPI has historically done that.

20           So, the first way would be comparing  
21 vehicle rates across Canada and the average private  
22 passenger vehicle written premium -- premium  
23 comparison.

24           The second way would be the operational  
25 efficiency or the Crown benchmarking report that you

1 may have become more familiar with, and then finally  
2 the serving Manitobans or the customer service  
3 measures.

4                   On the premium comparison, I think the  
5 -- the story here is that we used to have a means to,  
6 you know, compare the rates across Canada and  
7 involving private organizations; however, that -- that  
8 practice no longer is available to MPI. That's --  
9 that's -- you know, that happened last year as well.

10                   And so, the alternative measures to  
11 affordability were introduced last year in terms of a  
12 potential metric to replace what was previously being  
13 done. And then this 2026 GRA, and this is a page 98  
14 of the materials, they introduced -- the team  
15 introduced a new profile based comparison that looks  
16 at those -- those same EY comparisons that were  
17 completed a couple of years ago, measures them against  
18 SGI and ICBC.

19                   There's still some issues. It's  
20 obviously not going to be apples to apples. And I  
21 think the results are probably what most people would  
22 expect, which is MPI typically falls in between the  
23 two (2) Crown corporations in terms of the -- the  
24 rates that it's charging for -- for select comparator  
25 groups.

1                   And so, that' -- that's probably not  
2 surprising to a lot of people. I think MPI would say  
3 that that's one (1) measure of -- of how we're doing.  
4 So, comparing premiums is important, but it's also  
5 important for MPI to look more internally within the  
6 province and ask itself the question of how well we're  
7 doing for -- for Manitobans themselves in terms of --  
8 of looking at it from a -- from a financial or -- or  
9 income perspective, and so this metric that's --  
10 that's currently being developed to measure  
11 affordability.

12                   You know, we've -- we've talked last  
13 year and again this year about looking at a metric  
14 that will illustrate vehicle insurance premiums  
15 expressed as a proportion of average or median  
16 household or individual income.

17                   The teams are currently looking -- or  
18 continuing to examine this metric with a view to  
19 ensuring that its -- its proper definition is -- is in  
20 place and that we have readily available data that can  
21 be measured in a timely way.

22                   We certainly don't want a situation  
23 where, with the IT benchmarking report, we're using  
24 data that's very stale dated by the time that it's  
25 presented to this Board. So, we want to make sure

1 that whatever measure we use is something that we can  
2 reliably report on and -- and actually use in our --  
3 our day-to-day operations, so that's important.

4           However, sometimes the -- sometimes we  
5 hear that perfection can be the enemy of good. And  
6 so, what we heard from Ms. Jatana is that, if the  
7 metric is -- is available, we should -- we should be  
8 relying upon it. And so, I think she's encouraged the  
9 team to really look back and see if there's something  
10 that can be presented next year as a -- as a final way  
11 or as, at least an iterative process, a way to present  
12 that metric and help understand what the value is that  
13 MPI is delivering for -- for Manitobans based on that  
14 metric.

15           However, we have -- we do have some  
16 information to share that has been included in the --  
17 in the response to Information Request. And so, if we  
18 go to page 99, we see that as a -- average premium as  
19 a percentage of average Manitoba income.

20           So, we saw for 2023/'24 that -- that  
21 percentage at 2.1 percent, and that carries over to  
22 2024/'25, and then very similar results for the  
23 Extension and combined average -- sorry, the combined  
24 Basic and Extension average premium as a percentage of  
25 Manitoba income.

1                   So, that's in line with inflation.  
2 It's in line with what we would expect could be a  
3 reasonable target for affordability, but, of course,  
4 more research and analysis would have to be conducted  
5 on that. This is simply just for information purposes  
6 today, and it's something that we're -- we're very  
7 strongly looking at for next year.

8                   The next chart on page 100 is a chart  
9 that you would have seen many, many times before, and  
10 it continues to be updated, and just continues to show  
11 that the growth of premiums in -- in Manitoba is -- is  
12 certainly much lower than it is in most other  
13 provinces in -- in Canada, and so we take pride on  
14 that; I think this Board does as well. And we think  
15 that's another measure of affordability as well.

16                   In terms of the Crown benchmarking, My  
17 Friend did speak about that earlier this morning, and  
18 -- and the new story there is that, unfortunately,  
19 we're -- we're not having access to the same kind of  
20 publicly available data from SGI and ICBC as we would  
21 like to be able to present a report on the public  
22 record or at all to this -- this Board. And so, we're  
23 kind of stuck in this situation when it comes to the  
24 Crown benchmarking as to how can we -- how can we  
25 properly conduct that measure.

1                   And when we talk about measuring for  
2 Crown benchmarking, it's the operational efficiencies  
3 measure that we're really looking at here. And so, in  
4 place of Crown benchmarking, which, you know, again is  
5 not only challenging in terms of getting the data, but  
6 also challenging in terms of measuring apples to -- to  
7 apples because the scales of economy for ICBC, for  
8 example, usually weigh in their favour and other --  
9 other changes in the way in which coverages are  
10 provided or -- or different models in the case of SGI  
11 can sometimes make it very difficult to -- to compare  
12 against them.

13                   So, in place of Crown benchmarking, MPI  
14 is committed to strengthening its internal performance  
15 evaluation processes and will rely more heavily on its  
16 budgeting framework and key performance indicators.

17                   And MPI is shifting to quarterly  
18 reporting tools designed to monitor performance,  
19 assess trends, and identify drivers of -- of success  
20 and -- and explaining challenges, as well.

21                   Mr. Kolaski also talked about  
22 subscribing to a service called MSA Research, which  
23 compiles data from companies across Canada using  
24 information from the Office of the Superintendent of  
25 Financial Institutions, or OSFI.

1                   It provides external benchmarks and as  
2 well as access to claims and data for SGI and ICBC  
3 through Mitchell, which may also be helpful in  
4 identifying how MPI is trending compared to those  
5 jurisdictions.

6                   So, I think what we would see here is  
7 that when it comes to operational benchmarking or what  
8 would classically be understood as the Crown  
9 benchmarking exercise, there's still some work to do.  
10 And there would hopefully be some additional updates  
11 to be able to provide in the 2027 GRA as to how MPI is  
12 progressing on that -- on that front.

13                   And then finally, I think one (1) of  
14 the really good news stories here to share with this  
15 Board is the fact that when it comes to how we are  
16 measuring with our customers using the Forrester  
17 customer experience index, or CX index score, which  
18 measures -- measures rather both customer quality and  
19 loyalty, MPI is now back within its target of 70, or  
20 good, with a score that exceeds that of 73.

21                   And this is the first time in four (4)  
22 years that we've now been at this point, and  
23 especially in a year where that is reflected by  
24 backlogs due to -- to the 2023 strike and historic  
25 hailstorm. It's a huge achievement for this

1 organization that we were able to get back up to this  
2 point.

3                   So, I know a lot of people in this  
4 organization are very proud of -- of achieving that --  
5 that score. We -- we look at that as a -- as a huge  
6 marker for the organization and a shift towards a more  
7 customer focused approach to service delivery, so  
8 that's a notable accomplishment. And I think we will  
9 continue to see good progress on that front.

10                   It's not perfect, as we note. And if  
11 we look at the figure on benchmark 2 on page 103,  
12 we'll see that there's still some work to do in  
13 certain aspects of our business. But this information  
14 -- sorry, if we go to page 103. This information  
15 allows us to -- to target how we're -- how we're  
16 working with customers.

17                   And so, you heard about things like the  
18 end-to-end adjusting strategy to make sure that wait  
19 times are reduced and the quality of the services  
20 provided are -- are up to par.

21                   And so, with these types of metrics, we  
22 can -- we can pick and choose where we want to spend  
23 our time, money, and efforts to really move the needle  
24 in the right direction. And so, you've heard, I think  
25 in this GRA, about a number of initiatives that are

1 working towards that end. And so, we hope that those  
2 numbers will continue to -- to climb in the future.

3           The Board also heard from Ms. Campos  
4 that pillar 1 of the multiyear strategy includes  
5 initiatives to improve customer service. And Ms.  
6 Campos pointed out to training safety requirements  
7 pertaining to road tests, the end-to-end adjusting  
8 initiatives that I talked about, and overlaying the  
9 customer experience data with operational metrics and  
10 satisfaction scores to better understand the overall  
11 experience and further provide examples of the steps  
12 that MPI is taking to further improve its index  
13 scores.

14           So, like I said, hopefully we're --  
15 we're going to move in the right direction there,  
16 continuing to leverage what we've been able to  
17 accomplish over the final year. And with that, I'll  
18 turn it over to Mr. Scarfone to talk about  
19 investments.

20           MR. STEVE SCARFONE: Thank you. Madam  
21 Chair, Panel members, I'm not sure that there's a lot  
22 to say about investments this year. There was, of  
23 course, the new development that this Board learned of  
24 on rather short notice, I would suggest, about MPI's  
25 intention to engage a new outsourced chief investment

1 officer for the Corporation.

2                   You heard evidence that that decision  
3 was made for a number of reasons, but largely because  
4 of the complexity of the investment fund. So, it now  
5 contains over 3.7 billion in assets and has become  
6 increasingly complex over the past number of years for  
7 the Corporation to manage.

8                   You know, you've -- you've seen and  
9 heard of some of the developments, including a number  
10 of ALM studies, the segregation of the portfolios, the  
11 criticisms often that arise with respect to the  
12 Corporation's selection of asset mixes and securities.  
13 So, there are a number of elements that went into this  
14 decision.

15                   And -- but important to note, as -- as  
16 Ms. Low did, that the role will remain  
17 nondiscretionary. And what she meant by that was that  
18 ultimately, where the Corporation might disagree with  
19 the advice from its chief investment officer, the  
20 Corporation's decision with respect to any issue would  
21 prevail. And that makes sense.

22                   You know, it's a Crown corporation.  
23 You heard evidence that on the Investment Group  
24 Working Committee there's members of that committee  
25 from the government of Manitoba in the finance

1 division.

2                   And so, it would be, I -- I submit,  
3 somewhat unorthodox to have a chief investment officer  
4 with full authority or full discretionary authority to  
5 make investment decisions for -- for a Crown  
6 corporation.

7                   And so, the Corporation will retain  
8 control of all those investment decisions, but with  
9 the assistance of this new OCIO, and so that is -- is  
10 well underway.

11                   In fact, you heard that the contract is  
12 at or near completion and that that agency will be  
13 available to appear before this Board to present on  
14 certain issues regarding the investments, including  
15 the new ALM study that's underway for 2026.

16                   As it concerns investment income, the  
17 Basic line of business, as we've heard already today,  
18 has three (3) portfolios. The Basic claims, the RSR,  
19 and approximately 70 percent of the employees' future  
20 benefits all make up the Basic line of business.

21                   The objective again of that Basic  
22 claims portfolio is to back the liabilities and to  
23 hedge risks associated with those liabilities. A  
24 secondary objective, and it bears repeating, is to its  
25 performance against the benchmarks.

1                   The RSR portfolio, the objective there  
2 is to ensure that sufficient levels of capital are  
3 maintained for the Basic line of business and the  
4 employee's future benefit portfolio to ensure that  
5 moneys are available to meet pension obligations, of  
6 course.

7                   So, with respect to the annual total  
8 returns, it was a good year for the -- for the  
9 portfolios, but not surprisingly. You didn't hear Mr.  
10 Bunston or Ms. Low pay too much attention to those  
11 returns because, you know, we've seen in other years  
12 where those returns aren't as high.

13                   But certainly, this was a good year  
14 ending March 31st, 2025. The Basic claims portfolio  
15 returned 8 percent, just 0.3 percent lower than the  
16 benchmark. The RSR portfolio was 9.4 percent above  
17 the benchmark and the employer future benefits  
18 portfolio at a 12.8 percent return, outperforming the  
19 benchmark quite considerably by over 3 1/2 percent.

20                   We also heard that the three (3)  
21 portfolios outperformed their benchmark returns over  
22 the past four (4) years, and -- and the expert witness  
23 that was called, Mr. Viola, confirmed as much.

24                   Basic claims was 1.48 percent, a half a  
25 percentage point greater than the benchmark; RSR at 5

1 percent; and employee future benefits at 6.3 percent.  
2 Again, that's over four (4) years.

3                   What Mr. Viola wouldn't give to me was  
4 that there was a certain element of skill in bringing  
5 those returns over four (4) years. In his view, four  
6 (4) years wasn't a sufficient time to make such a  
7 determination.

8                   You'll recall that his evidence was  
9 that if the Corporation had the attribution analysis  
10 that he was recommending at the portfolio level, he  
11 would be able to say more definitively whether these  
12 returns that we see over the four (4) years was the  
13 result of more skill than luck. But nonetheless, we  
14 do have all three (3) of the portfolios outperforming  
15 their benchmark over the past four (4) years.

16                   If you scroll to 106 there, you'll see  
17 the targeted weights for each asset class for each of  
18 the portfolios. These did not change from the weights  
19 that were reproduced in last year's Board Order, but  
20 we -- we reproduced them here just for the benefit of  
21 the Board to see.

22                   And so, you'll see there that, in the  
23 Basic claims portfolio, as we indicated earlier, 90  
24 percent of those assets in the fixed income are  
25 sensitive to interest rate changes.

1                   And the newly added -- in the last  
2 couple of years at least -- real estate assets are not  
3 sensitive to interest rate changes. But overall, the  
4 Basic claims portfolio is highly sensitive to changes  
5 in interest rates.

6                   And then we see the RSR and the  
7 employee future benefits asset mixes, which include  
8 fixed income, but also some public equities and some  
9 equity -- sorry, some growth assets and some  
10 alternatives.

11                   And so, you heard evidence -- in fact,  
12 it was a question that I put to Mr. Bunston -- was  
13 whether these asset classes or the mixes therein might  
14 change as a result of the new ALM study that's  
15 happening in 2026. And -- and he -- he admitted that  
16 they could change, right? There's nothing to say that  
17 some new asset classes might not get introduced.

18                   It just depends on the analysis that  
19 will be performed following an evaluation of the  
20 Corporation's investment tolerance and risks and the  
21 beliefs that it has with respect to whether it wants  
22 to continue to ensure that the -- that the liabilities  
23 are backed by appropriate assets.

24                   And so, we expect that you'll see  
25 something very similar to that. But again, it depends

1 on where that Efficient Frontier falls and the asset  
2 mixes that are selected on that Frontier.

3 So, the Corporation makes use of a  
4 single naive investment yield known as the New Money  
5 Yield, and we've heard about that already today.

6 It represents the weighted average  
7 yield of all the asset classes held in the Basic  
8 claims portfolio and is designed to reflect the best  
9 estimate of the yield available at the time the  
10 average policy is written.

11 The New Money Yield used in the  
12 2026/'27 rate indication was 4.09 percent,  
13 representing again the average weighted yield of all  
14 the asset classes, and, net of investments expenses,  
15 it increased from four o nine (4.09) to four thirty-  
16 eight (4.38) with the update at end of August 2025.

17 Therein is a history of sorts with  
18 respect to the Corporation's Asset Liability  
19 Management strategy. And as it indicates there, MPIC  
20 has progressively refined its approach to managing  
21 interest rate risk associated with its Basic claims  
22 assets and liabilities.

23 Of note in 2017, you'll see there that  
24 following the ALM study and as mentioned earlier  
25 today, the Corporation separated its co-mingled

1 investment portfolio into five (5) distinct  
2 portfolios.

3 In 2018, claims liability matched to  
4 the duration of the market bond portfolio. Again,  
5 that was at the time excluding MUSH bonds.

6 In 2021, the introduction of the  
7 completion portfolio by Addenda Capital to match the  
8 dollar value first and second moments of Basic claims  
9 asset and liabilities daily. And so, this moment  
10 matching strategy was designed to improve the matching  
11 capability to mitigate the risks of changes in  
12 interest rates.

13 And so, what you see there before you  
14 is the evolution that's occurred with respect to the  
15 ALM, and that strategy reflects a commitment by MPIC  
16 to reduce interest rate risk while maintaining  
17 portfolio yield.

18 And -- and so Mr. Bunston again this  
19 year spoke about the effectiveness of the strategy  
20 that's assessed using tracking error. And so this, I  
21 think, Madam Chair, is a good year to look at both the  
22 yields and the returns along with the effectiveness of  
23 the ALM strategy.

24 It all seemed to be working very well  
25 this year. And again, some of that is outside the

1 control of MPI. With interest rates changing, that  
2 will affect the performance of the bond portfolio, of  
3 course, right? So -- but this was a good year for the  
4 Corporation in the Basic -- Basic line of business as  
5 it -- as it concerns investments.

6                   So, there you see Mr. Bunston testified  
7 that the strategy remains highly effective for the  
8 twelve (12) month period ending March 31st, 2025. The  
9 tracking error was 19.5 million, which was within the  
10 1 percent of the market value of the total portfolio  
11 of 2.16 billion.

12                   And so that is an important  
13 consideration as concerns going forward with the new  
14 ALM study. He did, as I said, indicate that the --  
15 the asset mixes might change or they could change  
16 depending on the advice they received from the chief  
17 investment officer.

18                   But it does remain the case that as it  
19 concerns for example the motorcyclists -- I know Ms.  
20 Meek has raised concerns from her client that the  
21 motorcycle premiums are highly sensitive to interest  
22 rates.

23                   And I think, if I understand her  
24 position correctly, she would like to see an asset mix  
25 that includes some growth assets to allow the

1 Corporation to make use of that investment income to  
2 reduce those premiums.

3                   But again, it's a balancing -- it's a  
4 balancing that occurs between backing the liabilities  
5 with the appropriate assets or outperforming the  
6 benchmark.

7                   And if you're going to outperform the  
8 benchmark considerably, it would necessarily, I would  
9 submit, include growth equities into the Basic claims  
10 portfolio. And it's a difficult decision for the  
11 Corporation to make because, as we've seen from the  
12 financial condition testing report, one of the adverse  
13 scenarios was a decline in the equities market.

14                   And so, imagine a scenario after the  
15 next ALM study where the Basic claims portfolio now,  
16 instead of having 90 percent fixed income, has 50  
17 percent fixed income and an allocation to some  
18 equities.

19                   And then the scenario in the financial  
20 condition testing report comes to fruition and there's  
21 a downturn in the equity market. Who's paying for  
22 those losses? Well, it would be the Basic customer,  
23 which includes the motorcyclists.

24                   And so that is what the Corporation  
25 grapples with with these competing interests

1 concerning how its investments -- how the -- the  
2 investment decisions are made.

3                   So, as I indicate there, or as the  
4 Corporation indicates there on page 110, the new ALM  
5 study is now underway. There is a kickoff meeting  
6 planned with MPI's new chief investment officer in the  
7 third quarter of '25/'26, and MPIC has proposed in its  
8 testimony that a technical conference be held, Madam  
9 Chair, where MPIC could share with this Board and  
10 Interveners the ALM study.

11                   And so, we would have that study  
12 completed for presentation at the technical conference  
13 for feedback from Board advisors and the Interveners  
14 before final approval of a new investment strategy.  
15 And -- and we're hopeful that that might satisfy some  
16 of the concerns that we've seen raised in the past  
17 where decisions were made without feedback from people  
18 that attend this hearing every year.

19                   Lastly, as it concerns inflation, MPI  
20 confirmed in its evidence that inflation risk will be  
21 a key focus of the upcoming asset liability study,  
22 given the uncertainty surrounding the trade  
23 announcements that are made or continue to be made by  
24 the US administration.

25                   It's important to note, however, and

1 this Board can take notice of yesterday's announcement  
2 that interest rates again were dropped by the Bank of  
3 Canada, which would suggest that inflation is at the  
4 target that the Bank of Canada likes to see and is  
5 projected to remain at or between 1 and 3 percent.

6 Also, this Board will take note of the  
7 fact that again, in that financial condition testing  
8 report, inflation, which was last year one of the  
9 adverse scenarios, was replaced by the high loss ratio  
10 as the top priority.

11 And so, it does appear that inflation  
12 is not as imminent a threat as it once was. And so,  
13 two (2) years ago, you'll recall that MPI proposed  
14 further protection of its investments against  
15 inflation by increasing its allocation to real return  
16 bonds.

17 That bond overlay strategy was  
18 ultimately abandoned by the new board of directors.  
19 It's not certain at this point what the new inflation  
20 hedging strategy will look like after the new ALM  
21 study is conducted.

22 But we did ask Mr. Bunston in his  
23 evidence. At page 112, you'll see a quote from Mr.  
24 Bunston. You'll recall, Madam Chair, that the -- the  
25 Board before MPIC brought its review and vary

1 Application last year asked the Corporation to ensure  
2 that it had sufficient -- what the board called  
3 sufficient inflation protection in place.

4           And that was a rather subjective word  
5 in our view, but nonetheless, I asked Mr. -- Mr.  
6 Bunston, notwithstanding the pending LAM study and the  
7 advice that Ms. -- from Mercer as Ms. Low alluded to,  
8 is the Corporation currently sufficiently protected  
9 against inflation in his view, right?

10           And so he said:

11           "Yes, I believe it is, and that's  
12           based on the advice that we  
13           received from Mercer, which was  
14           that our current asset allocation  
15           is marginally below the Efficient  
16           Frontier."

17           And so, all of that to say is the  
18 portfolio does have some inflation protection within  
19 it. You've heard that there's some real return bonds,  
20 but also some other asset classes like equities that  
21 offer some inflation protection.

22           And so, it would've been easy for Mr.  
23 Bunston, given that yesterday was his last day, to  
24 say, no, you're not sufficiently protected. I've been  
25 telling them for years and they just won't listen.

1                   He -- if you believe what Mr. Bunston  
2 had to say, he's satisfied, given the current economic  
3 environment and the asset allocations in the existing  
4 portfolio, that the Corporation is sufficiently  
5 protected against inflation, but it will be revisited  
6 when the 2026 ALM study gets underway.

7                   And Mr. Guerra is going to speak now to  
8 the multi-year strategic plan.

9                   MR. ANTHONY GUERRA:    Thank you, Mr.  
10 Scarfone.  And I realize we're ending our submissions  
11 with discussion about the multi-year strategic plan,  
12 but, you know, ideally, we would start the  
13 conversation about it because it is, you know, one of  
14 the most important things that this Panel heard about  
15 this -- in this rate application.

16                   And the only reason why it's in the end  
17 here is just to align with what the Board orders  
18 previously have been on this topic.

19                   But again, I would encourage the Board  
20 to really spend some time taking a look at this  
21 material because it is really I think important to  
22 help understand why MPI went about strategic planning  
23 the way it did and why it believes that this framework  
24 that it now has in place -- and this is the first year  
25 that this Board has before it the implementation of

1 all of the hard work that has gone into preparing its  
2 multi-year strategic plan to really understand exactly  
3 now that it has a good foundation to move forward with  
4 and -- and to start to see some of the fruits of its -  
5 - of its labour.

6                   And so, what I think I would impress  
7 upon this Board is to just note the detail that's been  
8 put into this submission on this topic and the  
9 importance of the -- the governance that's in place  
10 now to make sure that this strategy is -- is adhered  
11 to and is -- is ultimately successful.

12                   And so last year, the dominant theme of  
13 the discussion was MPI needed to stabilize, and a lot  
14 of work was being done to stabilize the organization.  
15 And so, when we talk about strategic planning, the  
16 first thing we think we have to just mention is that,  
17 you know, we see measures now that stabilization  
18 effort was successful.

19                   And so, from an employee perspective,  
20 we heard from Ms. Jatana that the foundational aim of  
21 the strategy was to rebuild the trust and engagement  
22 with the staff, and significantly that has improved.  
23 This is evidenced by the fact that regrettable  
24 turnover has fallen from 4.5 percent -- 4.51 --  
25 percent to 2.56 percent. And Ms. Jatana said that

1 that supports that employees want to remain a part of  
2 the MPI team.

3                   From a customer perspective, we heard  
4 again that the CX -- Forrester CX score is now putting  
5 us back into a position that we want to be. And --  
6 and these were two (2) important metrics that we  
7 really think show that -- that great strides were  
8 taken over the last little while to stabilize the  
9 organization.

10                   And so, we stopped the bleeding. The  
11 patient is no longer bleeding on the table, and -- and  
12 now we're in a position where we're able to move  
13 forward with that strategic plan. And so that's the  
14 first -- the first year that we've now introduced  
15 that.

16                   So, I'm on page 114 now at 9.3. And  
17 so, with this strategy, MPI is building the foundation  
18 for the future. And so, what we heard was that MPI  
19 spent considerable time developing its strategy and it  
20 introduced the strategy to the Board last year.

21                   It sought some feedback. It sought  
22 some feedback from customers as well, and it revamped  
23 the style of the strategy in terms of the feedback it  
24 heard so that it's more of a retail version. It's  
25 more easy to -- to use, to understand, and to

1 ultimately adopt for the employees.

2           We also heard that the strategy  
3 incorporates all the recommendations from the 2024 EY  
4 organizational review. I've been told by Ms. Hildahl,  
5 and I think that is a great idea on her part, to  
6 stress that MPI accepts all of the EY recommendations  
7 to foster organizational stability and role  
8 clarification.

9           And so that was really the intent of  
10 this strategy was to really take to heart what EY was  
11 telling us and to make sure that we could embody that  
12 in the corporate strategy. And so, we think that has  
13 been achieved.

14           It's comprised of five (5) strategic  
15 pillars, you've heard, with twenty-one (21) programs  
16 in each pillar. Each year the Board -- sorry, and  
17 this year the Board actually heard from those pillar  
18 owners who testified about the programs that are  
19 within their pillars and the importance of those  
20 programs.

21           The strategy also uses corporate focus  
22 areas to connect day-to-day operations to the  
23 strategy. And if we look at the -- the -- the  
24 presentation that was -- that was provided, it  
25 provides a concise summary of the strategy, its focus

1 areas and strategic pillars to the slightly updated  
2 corporate vision mission. And, sorry, I -- I didn't  
3 intend to in -- include the -- the -- the slide  
4 version, for whatever reason, it's not included in  
5 this presentation. But there is a slide, it's on  
6 Exhibit 34 -- MPI/Exhibit 34, slide 7, which does  
7 include a copy of the strategy on a single page.

8                   And so, why did MPI choose this  
9 particular system? Well, Ms. Campos, testified at the  
10 hearing that the pillars are intentionally cross-  
11 functional to avoid building a strategy that used a  
12 silo approach.

13                   So, she said, when you think about a  
14 larger strategy, like MPI's multi strategic plan, it's  
15 not about hiving off and separating divisional work  
16 and functional work. It's about ensuring that those  
17 cross-functional teams are working together in order  
18 to be able to impact the change that we require and  
19 pay special attention to our corporate focus areas.

20                   Another intentional feature of the  
21 strategy is the key focus on affordability. And so,  
22 there was some talk about whether or not pillar 3 is  
23 really specifically designed at affordability.  
24 There's a -- there's a program in pillar 3 that talks  
25 about defining what affordability actually means and

1 balancing it with -- with long-term financial  
2 stability.

3                   The -- the takeaway, I think for this  
4 Board, is that all aspects, all pillars of the  
5 strategy are focused on affordability. Right. So, we  
6 want to ensure that MPI products and services remain  
7 affordable. And so, there isn't a single program  
8 initiative in this program -- in this strategy that --  
9 that -- that is exclusively talking about  
10 affordability.

11                   And just have a quote here from -- from  
12 SAFIR, that says:

13                   "We can't -- we can't deliver on  
14 affordability without knowledgeable  
15 and -- and corporate intelligence.  
16 We can't deliver on affordability  
17 without financial strength of the  
18 organization. We can't identify --  
19 we can't deliver on affordability  
20 if we're not constantly pursuing  
21 understanding customer's needs and  
22 for today and tomorrow. And we  
23 can't deliver -- we certainly can't  
24 deliver on affordability, if we  
25 don't have the proper efficiencies

1                   within the organization."

2                   So, it's embedded, truly embedded, in  
3 every pillar of this strategy.

4                   And so how do we incorporate or  
5 integrate the strategy with corporate planning to  
6 ensure consistency? Well, you heard that the plan  
7 doesn't operate in isolation. The -- the plan is  
8 incorporated in -- in the focus areas are incorporated  
9 into the -- the budget for 2026. And for 2025/'26  
10 employee objectives are connected to the individual  
11 work -- to the organizational objective.

12                  So, there's a direct connection between  
13 the day-to-day work of every employee in this  
14 organization and that focused areas from the multi-  
15 year strategy.

16                  And for the budgeting process, each  
17 department must now explain the connection between  
18 their proposed budget and the multi-year corporate  
19 strategy before executives, who are tasked within  
20 assessing the criticality of the need for any trade-  
21 offs required.

22                  In addition, now being embedded into  
23 the budgeting employee performance cycles, the PUB has  
24 further heard that the corporate strategy is connected  
25 to the newly introduced 5-year rolling IT map --

1 roadmap, rather, through program 5.3, which is  
2 dedicated to protecting technology and systems. And  
3 the Board received evidence that the roadmap is  
4 influenced by and supports the -- the strategic plan  
5 and reflects MPI's commitment to pacing delivery of  
6 initiatives designed to protect MPI systems with  
7 capacity and prioritized to address to high impact  
8 systems.

9                   And so, we also heard that to ensure  
10 effective delivery under the strategy, you need  
11 structures to support it. And in this hearing, we  
12 heard that MPI continues to mature its governance  
13 structures. And, specifically, there was some  
14 discussion about three (3) main structures: the  
15 Integrated Corporate Portfolio or ICP, the Strategy to  
16 Execution Pipeline and the Corporate Planning and  
17 Governance Committee.

18                   So, on the Integrated Corporate  
19 Portfolio, the Board received evidence that the ICP is  
20 a living repository for all planned initiatives that  
21 MPI believes are feasible and are aligned with current  
22 priorities.

23                   It's a single source of truth for all  
24 initiatives and operational priorities. And that  
25 enables the trade-off discussions to be had to prevent

1 overextension in the organization.

2           The governance model maintains a real-  
3 time view of portfolio and -- of the portfolio,  
4 rather, and fosters accountability by requiring  
5 actions at each key state of the lifecycle of an  
6 initiative.

7           It brings all the work into one (1)  
8 view, which allows for better decision making and  
9 clarity eliminating noise and keeping MPI focused to  
10 allow its teams to see what has and has not been  
11 endorsed.

12           Success of the ICP will be determined  
13 through key performance indicators that measure MPI's  
14 ability to deliver on budget initiatives, deliver  
15 initiatives that directly support programs under the  
16 corporate strategy, align its capacity with  
17 organizational capacity and limit the number of new  
18 initiatives added after planning.

19           So, there are key performance  
20 indicators baked into the ICP that will help establish  
21 whether or not as being effective.

22           On the Strategy to Execution Pipeline,  
23 so what flows into the ICP, is determined by decisions  
24 that are made through the Strategy to Execution  
25 Pipeline. It's a process that MPI introduced last

1 year to funnel, categorize, segment and prioritize and  
2 monitor work until its completion.

3           So, this year, the PUB heard that MPI  
4 spent time evolving that Strategy to Execution  
5 process, strengthening how work moves through the  
6 Corporation from idea to delivery. And the Board  
7 heard, specifically, that MPI has refined and  
8 simplified that process using a three (3) gate model  
9 for main phases: ideation, solution option development  
10 and business case approval. Taking a continuous  
11 improvement mindset for internal processes like the  
12 Strategy to Execution Pipeline, MPI submits reinforces  
13 a culture embracing progress, but not perfection.

14           And then, finally, the Corporate  
15 Planning and Governance Committee, this Board heard  
16 that this new governance committee or CPG works within  
17 the Strategy to Execution Pipeline to ensure that  
18 initiatives within the Integrated Corporate Portfolio  
19 are those that MPI should be focused on. They are the  
20 gatekeepers of the ICP. They are tasked with ensuring  
21 that initiatives taken align with strategic direction  
22 of the organization and are responsible for making  
23 those trade-off decisions when priorities compete.

24           And as Mr. Chan explained, they make  
25 determinations about the initiatives the organization

1 takes at two (2) instances. One (1) annually when the  
2 entire executive team gathers to plan for a coming --  
3 the upcoming year, and next when the ideas are  
4 considered within the year. In both instances, they  
5 work -- the work of that committee is direct as  
6 determine -- is to determine early on whether the  
7 initiative is worth taking on or should be delayed.

8           When new ideas are considered during  
9 the fiscal year, the committee acts as a critically  
10 important discipline function to remain focused on  
11 pre-planning initiatives.

12           And Ms. Campo also iterated that the  
13 important work of the -- of this committee is to make  
14 the trade-off decisions to stay within organizational  
15 capacity.

16           The other part about this -- about this  
17 new framework that is really exciting for MPI is -- is  
18 the fact that that we have reporting now that we  
19 submit will -- will be the -- the determining factor  
20 on accountability.

21           And so, the benefits of this new  
22 strategic plan will be determined with regard to eight  
23 (8) Key Performance Indicators or KPIs, that were  
24 confirmed in July, and for which MPI continues to  
25 confirm baselines and targets. It's not going to be a

1 perfect scenario, right from the start, because we  
2 have to get these targets right. They have to be  
3 meaningful and they have to relate to reality.

4 MPI states that appropriate data and  
5 time are required to conduct a meaningful analysis to  
6 establish processes and data flows, to create  
7 actionable quarterly reporting.

8 And aside from those KPIs, MPI  
9 submitted this year that as we move through the  
10 Strategy to Execution Pipeline that each initiative is  
11 expected to define what good looks like, how it  
12 connects to the strategy, how it includes its success  
13 will be measured and implemented. And in the future,  
14 this PUB will receive the annual budgeting process  
15 results which will consider initiative outcomes to  
16 inform performance adjustments.

17 In the meantime, MPI has established  
18 its first quarterly progress report and provided that  
19 to the -- the Board of Directors and a copy of that is  
20 found at MPI Exhibit 15.

21 In addition to its Board of Directors,  
22 MPI is committed to providing this Board with progress  
23 reporting against its multi-year Corporate Strategy  
24 Plan and the status of these associated initiatives  
25 annually with its GRA filing.

1                   And then we talked, briefly, about the  
2 initiatives in flight for '25/'26. And so, there is a  
3 slide on page 119 that talks about those initiatives.  
4 And I would just direct the members to read that there  
5 at their leisure.

6                   The Board heard that the key program  
7 started under the stability strategy. Some of those  
8 have carried over, as they were critical components of  
9 the new strategy. In other words, MPI didn't start  
10 over but, instead, built on the momentum from the --  
11 the past year. And Ms. Jatana has indicated that this  
12 continuity ensures MPI will maintain the balance  
13 between stability and stagnation.

14                   Plans are already underway for refining  
15 the delivery of initiatives for 2026/'27 and will soon  
16 be identifying initiatives for '27/'28, which will  
17 then be incorporated into budget planning for that  
18 year, ensuring that the Corporation spend is informed  
19 and aligned with its strategy.

20                   This means that MPI will be executing  
21 this year's initiatives, refining those for delivery  
22 in the next year while planning for the year after.  
23 And this multi-year lens in process requires  
24 significant planning and effort, but is made easier by  
25 anchoring a focused and practical strategy plan that

1 emphasizes the importance of staying true to MPI's  
2 original mandate of serving Manitobans.

3           And the multi-year horizon also ensures  
4 alignment with its budget and avoids the need to  
5 develop the same budget up to three (3) times which  
6 was the existing practice.

7           And I just would comment there, lastly,  
8 on the Corporate Strategy that MPI has continued to  
9 review and make progress on the EY organizational  
10 review recommendations and provided its updates to the  
11 panel members this year.

12           I won't spend any time really talking  
13 about the presenters other than to say that, you know,  
14 we continue to work closely with our stakeholders and  
15 we appreciate that the Board's new process for  
16 allowing presenters to present in this fashion was --  
17 was able to avoid a scenario where -- where we would  
18 otherwise perhaps add a couple of additional  
19 Interveners. So that was very helpful. And we found  
20 that those presentations were -- were helpful as well.  
21 So, certainly, something that we will look forward to  
22 in the future rate applications as well.

23           And so, just again, to tie this all  
24 together, we spent a lot of time talking today and I  
25 hope that the information imparted was -- was of

1 importance to this Board, not just from -- from the  
2 technical perspective, but just also signifying all of  
3 the hard work that this organization does on an annual  
4 basis to deliver tangible, real results for  
5 Manitobans.

6                   For many people in this organization,  
7 myself included, this is a labour of love. And this  
8 is something that we take on with a lot of passion and  
9 a lot of heart. And we are very dedicated to our jobs  
10 and very dedicated delivering value to Manitobans.

11                   So, there is a lot of blood, sweat and  
12 tears in this document, our GRA, our -- our filings,  
13 our presentations and we really do hope that this  
14 Board sees that the work that we're doing is not only  
15 just for -- for our own benefit, for the benefit of  
16 this Board and also for Manitobans.

17                   So, I know that there will be some  
18 people departing today. So, for those people who  
19 won't be here tomorrow, I say, thank you very much for  
20 your participation in these hearings.

21                   I know this is also very difficult, and  
22 a time consuming process for a lot of people outside  
23 of this organization, but thank you very much for your  
24 participation. This is a very meaningful endeavor for  
25 the entire organization and -- and we thank you for

1 that.

2 And I'll leave other comments for  
3 tomorrow in the meantime, subject to any questions,  
4 those are our comments.

5 PANEL CHAIRPERSON: Thank you very  
6 much, Mr. Guerra and Mr. Scarfone. Mr. Ireland...?

7 BOARD MEMBER IRELAND: Just a couple  
8 of really quick items.

9 Mr. Scarfone, this is probably just an  
10 editorial thing on page 5, reference is made to the  
11 discretionary OCIS, as opposed to the non-  
12 discretionary OCIS.

13 MR. STEVE SCARFONE: Oh yes, thank you  
14 for that.

15 BOARD MEMBER IRELAND: I assume it's  
16 got to be changed. I've --

17 MR. STEVE SCARFONE: Yes, that needs  
18 to be changed. And also, I know Mr. Meira has been  
19 taking note of a couple typos that we've made note of,  
20 important ones, though, where we've mentioned increase  
21 versus decrease. But yes, that should read non-  
22 discretionary.

23 BOARD MEMBER IRELAND: Okay, thanks.  
24 Mr. Guerra...?

25 MR. ANTHONY GUERRA: Yes.

1 BOARD MEMBER IRELAND: I need your  
2 help reconciling something.

3 Back in the customer panel, they  
4 referenced that "affordability is a core principle  
5 that guides MPI's decisions," and they also referenced  
6 "customer feedback constantly highlights affordability  
7 as a top priority."

8 So, if we go to page 20. It's a --  
9 where are we here? With the implemented change,  
10 ratepayers will now have the option to pay  
11 approximately thirty dollars (\$30) less "or maintain a  
12 similar level of financial exposure by purchasing an  
13 Extension product."

14 We know that just slightly in a --  
15 vehicles currently have the seven fifty (750)  
16 deductible that are Extension eligible and will be  
17 moved to the one thousand (1000).

18 In the absence of any other information  
19 because it's not available, I think it's probably safe  
20 to assume, I would assume, that those sixty-six  
21 thousand (66,000) people are at the seven fifty (750)  
22 level because of affordability. Intuitively to me,  
23 that makes sense.

24 And those sixty-six thousand (66,000)  
25 are going to be moved to an option where they can

1 either pay down with thirty dollars (\$30), which is an  
2 increase in their cost, or they can be moved to a  
3 higher risk deductible where they potentially will pay  
4 another two hundred and fifty dollars (\$250).

5                   And I'm having a problem reconciling  
6 that concept of pay more or take on additional risk,  
7 with the concept of affordability as defined by the  
8 customer panel.

9                   MR. ANTHONY GUERRA:    Yeah, and that's  
10 a good question.  And it's something that, obviously,  
11 there is no perfect way to address all of those  
12 competing concerns.

13                   MPI strives to make a decision -- and  
14 these are tough decisions.  We don't always like the  
15 decision.  And then -- then there's criticisms of  
16 every decision.  But I don't think anybody in this  
17 room can say that wasn't a tough decision to make and  
18 MPI you've made a tough decision.

19                   And so, in this particular case, I  
20 would say for those people, I mean, we -- I think  
21 you're probably right.  I would say that there are  
22 certainly instances where people are really good  
23 drivers, and they think, you know what, I'm not going  
24 to pay the extra funds.  I -- I feel very confident in  
25 my ability not to have a claim next year.  And -- and

1 that's the risk I'm prepared to take on.

2                   But I think you're right. There are  
3 going to be a lot of people in those -- those  
4 situations that they're at that maximum the Basic  
5 deductible because of affordability issues. And so,  
6 it is a challenge. But, at the end of the day, MPI  
7 made this decision because it's going to have the  
8 greatest impact on the greatest number of -- of  
9 drivers.

10                   And so not to discount those people at  
11 all, however, in this particular case, this was a  
12 lever that was pulled. And unfortunately, you know,  
13 those -- those individuals are probably a little bit  
14 more challenged than -- than we would like, but there  
15 aren't a lot of other ways to deal with those  
16 situations in -- in other ways.

17                   You know, we -- we strive to look at it  
18 from every different angle, and the rate application  
19 that we put forward this year is the combination of a  
20 number of different competing questions and answers  
21 that this cor -- Corporation has made, and that would  
22 result in the situation that we find ourselves in  
23 today.

24                   So, the best way to answer your  
25 question is to say that, you know, there are -- there

1 are challenging decisions, and there are challenging  
2 impacts for -- for individuals but this still  
3 represents the best path forward.

4 BOARD MEMBER IRELAND: Thank you.

5 PANEL CHAIRPERSON: Ms. Sharman...?

6 BOARD MEMBERS SHARMAN: Thank you. I  
7 have just a couple of questions, and one of them  
8 actually follows from the question that Mr. Ireland  
9 was just asking.

10 Those sixty-six thousand (66,000) or so  
11 individuals who are currently at the seven fifty (750)  
12 -- I know they are at the seven fifty (750) deductible  
13 and we've heard testimony over the course of the  
14 hearing that the assumption that's been made is that,  
15 for forecasting purposes, that 100 percent of those  
16 sixty-six thousand (66,000) customers would not opt-  
17 out of the Extension buy-down, and I'm just curious, I  
18 don't know if you -- I just want to make sure I have  
19 this understanding conceptually.

20 So, I believe that sixty-six thousand  
21 (66,000) was somewhere in the neighborhood of 6  
22 percent of customers that are eligible for Extension.  
23 And so, I just wanted to get that sort of basic  
24 understanding, if in fact that forecast holds true,  
25 that 6 percent or sixty-six thousand (66,000) right

1 now participate only in the Basic line of business.  
2 Correct? At least, don't buy any other Extension  
3 products, or don't buy the buy-down Extension product.

4 And so, if they did in fact move --  
5 make that decision and not opt-out, do we have a -- do  
6 we have a sense then of perhaps how -- what the change  
7 in the number of individuals or individual customers  
8 are that participate just in the Basic line of  
9 business? It's a very convoluted question. I hope it  
10 makes some sense.

11 MR. ANTHONY GUERRA: One moment.

12

13 (BRIEF PAUSE)

14

15 MR. ANTHONY GUERRA: Perhaps a short  
16 way of addressing it, and I hope I address it  
17 adequately for you, but let me know if I -- I need to  
18 add some clarification to this.

19 Is based on the way in which it was  
20 presented last time through SERP in 2021, we -- we  
21 know that there's going to be approximately 5 percent  
22 of customers that will continue to remain as a Basic  
23 only deductible customer. And so, there -- there will  
24 likely be some people who get mapped over to the new  
25 Basic -- or the new Extension deductible, who either

1 migrate back, or -- or don't -- don't want to move  
2 over. So, their -- their -- but, we don't know that  
3 for sure yet. And so, we're -- we think that's what's  
4 going to happen, but we -- we don't know that for  
5 sure.

6 BOARD MEMBERS SHARMAN: Thank you,  
7 that's very helpful. It was a convoluted question  
8 anyway.

9 MR. ANTHONY GUERRA: Okay.

10 BOARD MEMBERS SHARMAN: And I do have  
11 one other question, which is a little simpler,  
12 hopefully.

13 MR. ANTONY GUERRA: Sure.

14 BOARD MEMBERS SHARMAN: In -- in the  
15 discussion around the vehicle rate groups, the CLEAR  
16 rate groups, and I think part of the discussion was  
17 that, again, about the factors that make up the -- the  
18 distribution of those groups, that it's not just  
19 vehicle cost it's, you know, it's risk of theft, et  
20 cetera.

21 And I think one of the comments that  
22 was made was that, you know, selecting a high risk  
23 vehicle could be a factor then in what vehicle to  
24 purchase, for example. So, I guess the question that  
25 I have is:

1                   In order for someone -- for an  
2 individual to take that information into account in  
3 purchasing a vehicle, I'm wondering if there is -- if  
4 access to what vehicles are in what rate groups, I  
5 can't say that phrase, is readily available.

6                   Is there -- is that information  
7 available to the general public to be able to make  
8 that kind of informed determination?

9                   MR. ANTHONY GUERRA:    So, we get into -  
10 - maybe a topic of -- similar to like when you're  
11 going to a grocery store, and you're looking at an  
12 item on the shelf. And you say, oh, this is high in  
13 sodium, maybe I shouldn't buy that -- that product, or  
14 whatever the case is.

15                   I don't think there's anything that --  
16 that exists currently right now for customers who are  
17 going to a dealership, and looking at a vehicle, and  
18 says, oh, that -- that vehicle is prone to theft. I  
19 don't think the Toyotas of the world would want that  
20 to be on their products, but I can't point you to  
21 anything particularly that MPI provides that would say  
22 that.

23                   So, to that end, that is probably an  
24 area where MPI would need to look -- take a look at --  
25 at that. But rate groups are updated on an annual

1 basis, so those determinations will be made based how  
2 a vehicle is doing over a period of time.

3                   So, if it turns out that a vehicle  
4 initially appears to be a vehicle that is perhaps full  
5 of safety features but those safety features aren't --  
6 aren't working well, or -- or really contribute to the  
7 cost of the vehicle being very expensive to ensure  
8 over a long period of time, then what you'll see, is  
9 that the -- the rate groups will adjust for that over  
10 time. And so, that can be a -- a very challenging  
11 situation for some people.

12                   But -- but I think the broader question  
13 would be: Are we pricing the product appropriately?  
14 And if a -- a person has, unbeknownst to them,  
15 unfortunately purchased a vehicle that is very risky,  
16 and very costly to -- to repair and to insure then,  
17 unfortunately, I think they still should be paying the  
18 cost of that because otherwise you're asking for other  
19 people to be paying that -- shouldering that cost.

20                   BOARD MEMBERS SHARMAN: Thank you.  
21 Those are my questions, Madam Chair.

22                   PANEL CHAIRPERSON: Thank you. And  
23 Mr. Guerra, just a further question with regard to the  
24 rate groups and, in particular, for people who are  
25 following us in the live stream who may not have had

1 the opportunity to see your presentation.

2           There's been reference made a couple of  
3 times to the Ferrari and the Rolls Royce, which I  
4 understand the point you're trying to make. But my  
5 understanding is that there are a significant number  
6 of vehicles that will be in rate group 55. And, one  
7 of the factors is that there's a manufacturer's  
8 suggested retail price of just over sixty thousand  
9 dollars (\$60,000) in that rate group, which is  
10 probably not in the Ferrari or Royals -- Rolls-Royce  
11 range. So, could you just comment on that, please?

12           MR. ANTHONY GUERRA: Yeah, of course.  
13 And we do talk about this in our closing, so I don't  
14 want you to think that we -- we just singled out the  
15 Ferrari and the -- the Rolls-Royce, and -- and are  
16 approaching it from that perspective, because we  
17 acknowledge that those high-rate groups also include  
18 things like the Dodge Charger and the -- the Grand  
19 Cherokee, for example. Those are vehicles that are  
20 mostly accessible to -- to -- to ordinary Manitobans.

21           And so, we know that vehicle price is a  
22 part of it, but it's not all of it. When it comes to  
23 the rate groups, IBC is looking -- my understanding of  
24 this whole process is IBC is looking at what is the  
25 actual cost of insuring those vehicles when it comes

1 to things like, the risk that they pose on the road,  
2 and the -- the cost of repairing those vehicles when  
3 those vehicles are involved in accidents.

4           And so, unfortunately, those -- those  
5 high-rate groups include vehicles that are really  
6 expensive, like the Ferraris and Rolls-Royces, but  
7 include also those vehicles that pose that  
8 extraordinary challenge for insurers because of the  
9 way in which they're manufactured, and the way in  
10 which they behave on the road, or the way in which  
11 they interact with people when it comes to things like  
12 theft, and things like that.

13           So, maybe drawing upon also the  
14 question that Ms. Sharman had, which is -- okay so,  
15 you know, how does appropriately rating these -- these  
16 vehicles impact, you know -- you know, you at -- at  
17 the purchasing point? Maybe not directly in the sense  
18 that you have a sticker in front of you, but the more  
19 costly those vehicles are to insure, over time people  
20 will make decisions with their wallets. And it does  
21 encourage manufacturers to make sure that the vehicles  
22 that they're producing are vehicles that are, in fact,  
23 affordable for customers.

24           So, I think, when we have proper rating  
25 groups, we are encouraging manufacturers to design,

1 build, and sell vehicles that are -- that are  
2 affordable for -- for their customers.

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

5 Ms. Meek, I noticed that it is quarter  
6 to 4:00, and I appreciate you having had conversations  
7 with PUB counsel with the possibility of proceeding  
8 this afternoon but I think, at this point, that would  
9 put a little bit of time pressure on you.

10 So, if it's all right with you, we'll  
11 move to tomorrow.

12 MS. CHARLOTTE MEEK: Thank you.

13 PANEL CHAIRPERSON: We will start  
14 tomorrow at nine o'clock with the Consumers Coalition,  
15 But I understand that Mr. Scarfone would like to say a  
16 few words.

17 MR. STEVE SCARFONE: Oh yes, thank  
18 you. Thank you, Madam Chair.

19 So, Mr. Guerra is not aware that I've  
20 decided to -- to say a few words. I think it's no  
21 secret that -- that Anthony is -- is leaving the  
22 Corporation in the next week or so. So, this will be  
23 the last time that him and I sit together at -- at  
24 these hearings.

25 And the reason that I'm doing this

1 today, because I won't be here tomorrow. There is a  
2 baseball game in Toronto that is pulling me away from  
3 hearing the Intervener closings.

4 PANEL CHAIRPERSON: Baseball game  
5 versus the PUB, really?

6 MR. STEVE SCARFONE: Yes, but I -- I  
7 do want to say to Anthony, I want to thank him for all  
8 the assistance that he's provided to me, particularly,  
9 but, of course, for the Corporation.

10 So, my first General Rate Application  
11 was in 2017 and, at the time, I did it with a lawyer  
12 from Vancouver. And we then received a legal bill and  
13 -- for cost containment reasons, our then president  
14 said, don't we have lawyers that can do this? And so,  
15 I started doing it, and realized very quickly I was in  
16 over my head. Asked around the office who wanted to  
17 help, didn't get a lot of volunteers until I went to  
18 Anthony, and he said, of course, I'll help. I know  
19 nothing about it, but I'll -- I'll do it.

20 And -- and that is Anthony in a  
21 nutshell. Like, his work ethic is insane. It's --  
22 it's exhausting, actually. So, I just wanted to -- to  
23 say that because, you know, this rate application, you  
24 know, has -- has dramatically improved, in my view,  
25 since Anthony started helping me.

1                   And so, for the past seven (7) years,  
2 he's been my colleague, my friend, and for the past  
3 couple of years my boss. And we're going to miss him,  
4 but I just wanted to say, good luck going forward,  
5 Anthony. And if you ever want to come back, we'll  
6 welcome you with open arms.

7                   MR. ANTHONY GUERRA: Thank you very  
8 much, Steve. I really appreciate those kind comments.

9                   PANEL CHAIRPERSON: Yes, thank you  
10 very much, Mr. Scarfone. I think that those of us in  
11 the room will take the opportunity to say further  
12 things with regard to Mr. Guerra tomorrow because none  
13 of us will be at a baseball game in Toronto.

14                   And thanks, everyone. We're adjourned  
15 until nine o'clock tomorrow morning.

16

17 --- Upon adjourning at 3:49 p.m.

18

19

20 Certified Correct,

21

22

23 \_\_\_\_\_

24 Wendy Woodworth, Ms.

25