



“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 31, 2025

Pages 2332 to 2524

1 APPEARANCES

2

3 Todd Andres) Board Counsel

4 Kara Moore (np)) Board Counsel

5 Trevor Yakimchuk) Board Counsel

6 Darren Christle) Board Staff

7 Jennifer Dubois) Board Staff

8 Kristen Schubert) Board Staff

9 Christie Dweh) Board Staff

10 Roger Cathcart (np)) Advisor

11 Michael Gandhi) Advisor

12 Blair Manktelow (np)) Advisor

13 Marc Caron (np)) Advisor

14 Sunil Bridgehall (np)) Advisor

15

16 Steve Scarfone (Counsel) (np)) Manitoba Public

17 Ted Meira (Counsel) (np)) Insurance

18 Eric Wishnowski) Counsel

19 Anthony Guerra) Counsel

20

21 Chris Klassen) CAC (Manitoba)

22 Katrine Dilay)

23 Victoria Cloutis (np))

24

25 Charlotte Meek) CMMG

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APPEARANCES (cont'd)

Karen Wittman (np)) Taxi Coalition
Alisen Kotyk)

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1 --- Upon commencing at 9:01 a.m.

2

3 PANEL CHAIRPERSON: Good morning,
4 everyone. Ms. Dilay...?

5

6 CLOSING COMMENTS BY CONSUMERS COALITION:

7 MS. KATRINE DILAY: Thank you, Madam
8 Chair. And good morning to the Panel to MPI to other
9 Interveners, PUB advisors, and counsel. Mr. Klassen
10 and I are pleased to be delivering these closing
11 submissions on behalf of the Consumers Coalition this
12 morning.

13 We will file two (2) exhibits for the
14 record, so the closing submissions themselves, which
15 is a presentation, will be Exhibit CC-12. And then we
16 also have a separate recommendations document. The
17 recommendations are the same as in the presentation,
18 but just for a reference for the Board, we've provided
19 them also separately in a -- in a document which will
20 be filed as Exhibit CC-13.

21

22 --- EXHIBIT NO. CC-12: Closing submissions

23

24 --- EXHIBIT NO. CC-13: Recommendations document

25

1 MS. KATRINE DILAY: We also note that
2 we did file a very short confidential closing
3 submission. We do not propose to go on the
4 confidential record this morning. The confidential
5 submissions are just filed in writing for the Board's
6 reference and can be filed as CC-CI Exhibit 5.

7 And so, Ms. Dweh, if we could bring up
8 Exhibit CC-12. We'll be going through that
9 presentation this morning. Thank you.

10 Our presentation this morning is
11 entitled from Optics to Outcomes Delivering on
12 Affordability, Accountability, and Transparency Beyond
13 the MPI 2026 GRA. On slides 2 and 3 we provide a
14 brief outline.

15 So, the first part of our presentation
16 will be an overview. After that, we'll focus a little
17 bit on our -- on our clients, the Consumers Coalition,
18 to provide a bit of an introduction.

19 We'll then go through some of the
20 context to situate ourselves in terms of where this
21 rate Application is in terms of the context for
22 ratepayers and for the Corporation.

23 We'll then have a short section on the
24 PUB test for just and reasonable rates. And, Ms.
25 Dweh, we can move to slide 2, please.

1 So, section 4 will be the PUB test for
2 just in reasonable rates. After that, the next four
3 (4) sections will go through the four (4) separate
4 questions in the PUB test, namely are forecasts
5 reasonably reliable. Are actual and projected costs
6 necessary and prudent? Going on to the next page,
7 please. Are revenue needs reasonable in the context
8 of the -- the overall general health of the
9 Corporation?

10 And the Board will be glad to hear that
11 starting at that section, you will hear from my
12 colleague Mr. Klassen, so, you'll get a break from my
13 voice. Then we'll go into: Are the proposed rates
14 just and reasonable in accordance with statutory
15 objectives?

16 The last two (2) sections will be
17 brief. We will talk about transparency and process
18 and conclude with our clients' view on the value of
19 regulatory oversight for MPI.

20 So, diving into Section 1, which is our
21 overview section, and going to page 5, please, we've
22 noted throughout this process that MPI and the
23 Consumers Coalition appear to agree on the need for
24 affordability, accountability, and transparency. And
25 we heard that very clearly from Ms. Jatana as well as

1 throughout MPI's evidence.

2 From our clients' perspective, while
3 aspirations and processes are important, the objective
4 for MPI and for the regulatory oversight process must
5 be on delivering outcomes for ratepayers; that's
6 really where the rubber hits the road.

7 In our clients' submission, tangible
8 outcomes which will deliver long-lasting value for
9 ratepayers are lacking in the 2026 GRA. And there are
10 early warning signs that MPI will not deliver tangible
11 results beyond the 2026 GRA.

12 And so, from our clients' perspective,
13 the result from those -- those findings or conclusions
14 is that continued oversight and direction from the
15 Public Utilities Board are required to ensure that MPI
16 will deliver superior value to ratepayers in the form
17 of tangible outcomes on affordability, accountability,
18 and transparency.

19 And why do our clients come to these
20 conclusions? Of course, we'll go into this in more
21 detail through our submissions. But at a high level,
22 we've seen many processes which are immature in
23 development or being refined this year.

24 We've also seen insufficient progress
25 to identify and act on levers that MPI controls or

1 could control and capabilities that MPI has or could
2 develop in order specifically to manage and mitigate
3 the impact of rising claims costs, but also other
4 rising costs.

5 We've seen operating budget process
6 resulting in a 7.9 percent increase from the target.
7 We've seen key performance indicators which are not
8 yet driving improvements within the Corporation.
9 We've seen a corporate strategy which is
10 insufficiently focused on external threats to rising
11 claims costs. We've seen a Basic insurance model in
12 which any change may be scuttled by legislation.
13 We've also seen ongoing challenges in MPI's investment
14 portfolio.

15 Going on to the next page, we've seen
16 the rate request in the 2026 GRA in appearance have
17 been aligned with inflation but really has masked the
18 real costs to ratepayers. Essentially, MPI has passed
19 on its revenue requirements to customers in other
20 ways, through the Basic deductible increase, through
21 rate group changes, and to future customers through
22 the deferred initiative expenses.

23 And so, based on all this, we see early
24 warning signs that MPI will not deliver tangible
25 results beyond the 2026 GRA. We note that MPI's

1 actions to reduce the overall rate indication in this
2 GRA will not always be available in future GRAs. And
3 we'll go through this in more detail.

4 And as mentioned, we also see early
5 warning signs that MPI's processes, its plans, and its
6 current capabilities are not poised to deliver long-
7 lasting ratepayer value.

8 And so, that brings our clients to
9 recommend that going forward, continued oversight and
10 direction from this Board are required to ensure that
11 MPI delivers tangible results in affordability,
12 transparency, and accountability.

13 And, of course, we'll go into this in
14 more detail in the context section, but this -- this
15 recommendation will be in light of the multiple risks
16 that are faced by the Corporation, including rising
17 claims costs and IT risk as well as the economic
18 pressures that are faced by ratepayers and the early
19 warning signs that MPI's ability to strategically
20 mitigate the impact of rising costs may not be
21 optimal.

22 And, of course, this recommendation is
23 also in light -- in light of the fact that all of
24 MPI's costs are paid for by ratepayers, either through
25 rates or through reserves. And this was confirmed by

1 Ms. Jatana when we discussed this in cross-
2 examination. There are no other options for MPI to
3 cover its costs. Ms. Jatana confirmed that at the end
4 of the day, Basic rates are funded by the ratepayers.
5 So, that leads our clients to conclude
6 that the PUB oversight and regulation is really the
7 tool to ensure continued affordability,
8 accountability, and transparency on behalf of Manitoba
9 ratepayers. And our clients believe very strongly
10 that this tool has been and can be effective going
11 forward.

12 Starting on page 10, we will go through
13 a brief section to introduce our clients. Going to
14 page 11, the Manitoba branch of the Consumers
15 Association of Canada, or CAC (Manitoba) is, of
16 course, a longtime Intervener having participated in
17 these Hearings for many decades.

18 It has a demonstrated track record of
19 evidence-based interventions having tested MPI's
20 evidence through cross-examinations and bringing
21 forward independent experts throughout the years.

22 CAC represents all customers, but with
23 a particular focus on customers who face barriers in
24 the marketplace, such as persons with a low income,
25 newcomers, or persons with disabilities, among others.

1 In our submission, CAC in its past
2 interventions has demonstrated what we would refer to
3 as a balanced focus on -- on affordability,
4 recognizing the need to also ensure, of course, the
5 financial health of the Corporation for continued
6 reliable and good quality services to all Manitobans.

7 This year, CAC has joined in its
8 intervention by the Manitoba Seniors Equity Action
9 Coalition, which is a relatively new group. The
10 Manitoba Seniors Equity Action Coalition traces its
11 roots to an intensive engagement process in 2022/'23,
12 which invited interaction with Seniors from across
13 Manitoba.

14 The Manitoba Seniors Equity Action
15 Coalition seeks to represent to the interests of all
16 Manitoba seniors. However, it does have a particular
17 focus on amplifying the voices of equity seeking
18 seniors, including Indigenous, racialized,
19 (INDISCERNIBLE) LGBTQ plus disabled, unhoused, and
20 low-income seniors across Manitoba. Moving to slide
21 13.

22 Together the Consumers Coalition focus
23 on affordability, accountability, and transparency.
24 And this is because, as we all know, MPI's Basic line
25 of business operates in a monopoly. Customers do not

1 benefit from competitive pressure in the marketplace
2 which might otherwise apply downward pressure on rates
3 and incentivize MPI to operate efficiently and control
4 spending.

5 As we all know, that's where PUB
6 regulation plays a role. It acts as a proxy to
7 competition to ensure that MPI operate -- operates
8 efficiently and prudently and that rates for Basic
9 insurance only include those costs which are prudent
10 and necessarily incurred. The PUB acts and the public
11 interest.

12 On behalf of the private passenger
13 customer class, the Consumers Coalition aims to
14 represent the interest of MPI customers. It does have
15 a priority on affordability as well as fair allocation
16 of costs among customers. And they submit that this
17 can only be achieved through demonstrated efficiency,
18 accountability, transparency and which must be
19 balanced with the financial health of the Corporation
20 to ensure long-term sustainability.

21 In particular, in the 2026 GRA, the
22 Consumers Coalition has attempted to look beyond the
23 words used by MPI to explore what, if any, tangible
24 results ratepayers will see and experience through
25 their rates both this year, but also looking to the

1 future.

2 And their conclusion based on the
3 evidence they've seen is that there is still work to
4 do and effective regulatory oversight can help and is
5 essential, in their view. Going to page 14.

6 Before going into the key issues that
7 we've -- we've all heard and explored in this Hearing,
8 we want to spend a few minutes on context. This is
9 important, recognizing that MPI's rate Application
10 does not take place in a vacuum. Going to the next
11 page.

12 It's been evident through this Hearing
13 that customer priority is on affordability. We've
14 seen that in multiple areas in evidence as well as in
15 cross-examination. We've also seen that keeping the
16 cost of insurance affordable has the highest return
17 for MPI to make improvements to the customer
18 experience. And if we could go to page 16, please.

19 So, in this context of affordability
20 being a priority, we also see in evidence that there
21 are many risks to affordability both today and into
22 the future for MPI.

23 We've heard that the Basic line of
24 business remains under pressure from inflation and
25 evolving claims trends, including complexity of

1 vehicle repairs. We've seen that collision severity
2 loss trends are rising significantly year over year.

3 And MPI's recent applications show the
4 impact on rates of these rising claims costs. Last
5 year, the PUB ordered a 5.7 percent rate increase.
6 And the rate indication for the 2026 GRA would have
7 been 10.83 percent before the impacts of the rate
8 group expansion, the Basic deductible changes, and the
9 deferred initiative costs.

10 Another risk is from DVA, which runs a
11 deficit. And there's currently no funding agreement
12 with government which would ensure that DVA be self-
13 sustaining, although we did hear that there are
14 promising discussions taking place. In our clients'
15 view, that still remains a risk to the Basic line of
16 business.

17 Another risk to affordability in the
18 long term are initiative expenses which would increase
19 the projected rate increases in the 2027 GRA and
20 beyond.

21 We also know that MPI is rebuilding
22 after what we would refer to as a tumultuous period.
23 There was a government ordered organizational review.
24 We've seen high turnover rates both within the
25 Corporation, but also at the executive and Board

1 levels. There was a historic labour interruption.
2 And we've also seen the challenges faced by Project
3 NOVA and its ultimate cancellation. In that context,
4 MPI has told us in their evidence that they are
5 focused on restoring trust and rebuilding.

6 So, in terms of what we've seen in this
7 rate Application at a high level, the evidence has
8 shown that the 2026 GRA 2.07 percent rate increase
9 really -- or rate ask rather really masks a higher
10 increase in revenue requirement for the Corporation.

11 And you've seen this graph in our
12 opening submissions. And we included it here just for
13 illustrative purposes to show where MPI is proposing
14 to collect its required revenues for the 2026/'27
15 rating year.

16 So, the 2.07 rate ask is what you see
17 in the yellow. The Basic deductible increase by 33
18 percent from seven hundred and fifty dollars (\$750) to
19 one thousand dollars (\$1,000) has decreased the rate
20 indication by 2.94 percent, and that's what you see in
21 the -- in the blue.

22 The vehicle rate group changes has
23 further reduced the rate indication by 3.1 percent,
24 and that's what you see in the orange. And the
25 deferral of initiative expenses has reduced the rate

1 indication by another 1.91 percent in the grey.

2 And it's important to note that while
3 the 2.07 percent is what is being requested in rates,
4 those other three (3) pie charts are also going to be
5 collected from MPI customers, just not through the
6 overall Basic rates.

7 And so, going to the next page, our
8 clients say that the appearance of affordability is
9 not sufficient. In the 2026 GRA MPI has talked about
10 the importance of affordability and asserts it has
11 delivered that affordability through 2.07 rate
12 increase overall, but in our clients' view, it has
13 simply passed on its revenue requirement to customers
14 in other ways, through the deductible increase where
15 customers will effectively pay 5 percent more for the
16 same level of coverage, through the rate group changes
17 where more than three hundred thousand (300,000)
18 vehicles will see their premium increases -- increase
19 -- pardon me -- by more than 5 percent, and that's
20 even before feeling the impact of the deductible
21 change, and through the deferred initiative expenses
22 for 2026/'27, where our MPI's proposal would be that
23 actual initiative expenses will be paid by future
24 ratepayers.

25 So, that's for 2026. But looking to

1 the future, there are concerning signs regarding MPI's
2 desire and ability to contain costs and deliver long-
3 lasting value, namely, it's too early to tell if MPI's
4 new or revised processes and many areas that will go
5 through in this presentation will deliver tangible
6 outcomes. Many processes are immature in development
7 or being refined.

8 What we've seen in this GRA in terms of
9 early outcomes from some of these revised or refined
10 processes is that there is insufficient progress to
11 identify and act on levers that MPI currently controls
12 or that it could control and MPI's capabilities that
13 it currently has or could develop in order to manage
14 and mitigate the impact of rising claims costs and
15 other costs.

16 And going to page 21, it's important to
17 note that MPI's action to reduce the overall rate
18 indication in the 2026 GRA will not always be
19 available to it in the future. For example, the 33
20 percent increase to the Basic deductible has only
21 occurred four (4) times since 1998 -- pardon me, since
22 1988.

23 MPI has confirmed it does not expect to
24 increase the deductible every year. And it has also
25 acknowledged that there may be limits to increase --

1 to future increases in deductibles given MPI's
2 mandate, the product offering, external circumstances,
3 and the expectations of Manitobans.

4 The deferred initiative expenses also
5 will not be available to lower the rate indication
6 given MPI's proposal that it would discontinue the
7 practice of deferring initiative expenses.

8 In terms of the rate groups, there may
9 be opportunities in the future because MPI has
10 confirmed that the rate groups will continue to
11 expand, but there are limits that MPI acknowledged
12 given a need for sufficient volumes -- volume of
13 vehicles in each rate groups.

14 And so, this is important because in
15 the future, MPI may not have these levers to lower the
16 overall rate indication to maintain affordability for
17 Manitobans.

18 And so, as such, our clients strongly
19 believe that continued oversight and direction from
20 the PUB is required to ensure that MPI delivers
21 tangible outcomes.

22 In our clients' submissions, ratepayers
23 expect more from a mature publicly accountable
24 organization than constant rebuilding after leadership
25 changes and incremental progress on processes.

1 Delivering outcomes of affordability, accountability,
2 and transparency are needed to rebuild trust with
3 ratepayers and the regulator.

4 In light of the threats to
5 affordability and the reality that MPI ratepayers are
6 on the hook for all of Basic expenses, our clients'
7 recommendations will focus on MPI being directed to
8 report back on tangible results as an outcome of this
9 GRA.

10 Section 4 is very brief, going to page
11 24. Recognizing that we've discussed many separate
12 key issues in this proceeding, our clients say that
13 the key issues in the 2026 GRA are all interrelated
14 and must be viewed as such.

15 Together they answer the questions
16 which are listed in the test for just and reasonable
17 rates as previously confirmed and set out by the -- by
18 the Public Utilities Board. Are forecasts reasonably
19 reliable? Are actual and projected costs necessary
20 and prudent? Are revenue needs reasonable in the
21 context of the overall general health of the
22 Corporation? Is there an appropriate allocation of
23 costs between ratepayers? And finally, are the
24 proposed rates just and reasonable in accordance with
25 statutory objectives?

1 And it's important to think of these
2 issues in this way as being interrelated because they
3 all play a part in delivering customer value in the
4 form of just and reasonable rates.

5 In Section 5, we'll discuss that first
6 question set out by the PUB, are forecast reasonably
7 reliable. And we'll start our submissions in this
8 section on the key issue of claims forecasting.

9 We heard from MPI that it is committed
10 to being as accurate as possible in its claims
11 forecast by having a robust methodology. MPI
12 confirmed that it is continuing to enhance its
13 methodology, it reviews existing methodologies and
14 assumptions and adapts to improve accuracy while
15 adhering to industry best practice and actuarial
16 standards of practice.

17 MPI confirmed that having a robust
18 claims methodology can help to avoid significant rate
19 fluctuations for customer -- for its customers. While
20 overall MPI's methodology has improved and is -- is
21 quite robust in our -- in our clients' submission,
22 independent experts from Oliver Wyman flagged some
23 opportunities to improve the robustness of the claims
24 forecast methodology to ensure the reasonableness of
25 forecast.

1 And so, of course, Oliver Wyman reviews
2 the whole filing by MPI, but they really focused in on
3 key issues that in their view either do not reflect
4 best practice or are not reasonable. And really the
5 goal is increasing the robustness of forecasting for
6 the benefit of customers now, but also in the future.

7 So, starting with MPI's approach with
8 respect to the impacts both past and ongoing of the
9 pandemic. We heard from Oliver Wyman in their report
10 and their testimony that MPI's simplified approach to
11 quantifying the effects of the work-from-home on past
12 loss experience using the values of 4, 3, 2, 1, and
13 the implied zero, is arbitrary.

14 There was no evidence from MPI that the
15 change in commuter behavior was linear in the period
16 of 2020 to 2024. In our clients' view and confirmed
17 by Oliver Wyman, the prior approach based on Google
18 COVID-19 Community Mobility Report and the Commuter
19 Behavior Survey was grounded in third-party collected
20 and verifiable data.

21 And so, Oliver Wyman ultimately
22 recommends the continued use of their previous
23 methodology which includes an explanatory variable
24 based on verifiable third party collected data.

25 And what they've said is that selecting

1 metrics, absent justification beyond model fits
2 statistics, which they would submit is what MPI did,
3 that increases the risk of biased estimators or
4 overfitting as the model captures additional noise
5 within the data.

6 And on page 28, we've included a slide
7 from Oliver Wyman's presentation which, in our view,
8 provides a helpful explanation of the goal of
9 modeling, which is really to explain observed data in
10 order to predict future outcomes.

11 And we will not go through all of this,
12 but we wanted to flag it for the Board because we
13 think it -- it's a good educational tool for those of
14 us, especially who are not actuaries, in terms of
15 model fit versus interpretability and explainability.

16 And we'll go to the next slide because,
17 going forward, in terms of the continued adjustment
18 for predicting the impacts -- the ongoing impacts of
19 the pandemic, we heard in evidence that there is
20 significant uncertainty in the need for a work-from-
21 home adjustment for 2024/'25 and subsequent.

22 There were numerous elements and
23 evidence that confirmed that the future impact of work
24 from home is still significantly uncertain, including
25 that the 2024 data is immature. It is only based on

1 six (6) months of data, and there may still be
2 residual pandemic effect in driving patterns. The
3 Statistics Canada 2024 article which MPI relied on
4 points to work-from-home prevalence still being higher
5 than pre-pandemic.

6 There was also discussion relating to
7 fuel sales being a potential indicator that may
8 suggest there is not yet a return to pre pandemic
9 level. However, there was a lot of caution from MPI
10 in relying solely on this data. So, we've included it
11 here as part of the -- the overarching considerations,
12 but we would agree it's not the sole consideration to
13 be looked at.

14 We also did hear some anecdotal
15 evidence from MPI's witnesses, and we would say
16 there's anecdotal evidence that could go either way
17 relating to folks going back to work, but also
18 potentially some events or meetings taking place
19 remotely.

20 What we noted with interest is that MPI
21 acknowledges there is a risk of overpricing or
22 underpricing, recognizing the reality that we do not
23 know what will actually happen. Forecasting is a
24 prospective exercise.

25 And so, our clients say, as a result,

1 going to page 30, a balancing of considerations is
2 necessary for the mobility parameter, and our clients
3 suggest that on balance an adjustment is appropriate.

4 They come to this conclusion because
5 balancing the uncertainty in the recent data with
6 MPI's healthy level of reserves, as well as the
7 economic pressures that are faced by ratepayers and
8 Manitobans, their conclusion is that customers should
9 not be asked to pay more until there is more certainty
10 in the claims data.

11 And this was supported by Oliver Wyman
12 who -- who did have a hard time and had to deliberate
13 after their initial report about their ultimate
14 recommendation. And what they say is that, although
15 subject to considerable uncertainty given both the
16 2023/'24 and 2024/'25 data, they say that, on balance,
17 an adjustment is appropriate.

18 And so, they've also said -- or our
19 clients say rather that, for the 2026 GRA, the same
20 methodology as the 2025 GRA could be used, which would
21 reduce the rate indication by approximately 1.8
22 percent.

23 Moving on to loss trend methodology,
24 we've heard this year and in prior years from Oliver
25 Wyman that time periods for frequency and severity

1 should be the same absent compelling reasons. That's
2 because selecting the same time period for the
3 frequency and severity models helps include any
4 offsetting effects in the selected trend rates, and
5 MPI agreed with this at a high level.

6 I won't go through these in detail, but
7 we've included their examples from Oliver Wyman to
8 illustrate why this is the case.

9 Going to the next page, Oliver Wyman
10 also provided a helpful slide in their presentation
11 that we've reproduced here that explain -- that
12 explains why this is a best practice, that, absent
13 compelling reasons, MPI should fit frequency and
14 severity models to the same time periods.

15 And again, I won't go through all of
16 these because the Board will have heard Oliver Wyman
17 and have access to their presentation. But
18 ultimately, that first bullet point is that frequency
19 and severity are not completely independent. And so,
20 the -- the best practice is to fit to the same time
21 periods.

22 On page 33, as a result of their review
23 of MPI's filing, Oliver Wyman recommended five (5)
24 coverages in which frequency and severity should
25 reflect the same time periods. And that's because MPI

1 has not provided compelling reasons for fitting
2 severity and frequency to different time periods. And
3 these are listed on this page and are also available
4 in Oliver Wyman's report, which is -- which was filed
5 as Exhibit CC-8.

6 We also heard from Oliver Wyman that
7 MPI's approach to accident year weighting for one
8 narrow area of coverage -- namely, accident benefits,
9 other indexed -- does not recognize significant
10 outliers.

11 We all know that PUB Order 45 of '23
12 ordered equal weight for the most recent five (5)
13 accident years for all coverages, but both MPI and
14 Oliver Wyman appear to agree that, in particular
15 circumstances, there may be a need not to apply equal
16 weights if it enhances the long-term reliability of
17 the claims forecast.

18 And so, Oliver Wyman dug through of
19 course MPI's filings, and in this GRA, they've noticed
20 that, for accident benefits, other indexed, the years
21 2020 and 2021 are outliers and so they say are subject
22 -- subject to additional uncertainty.

23 So why does this matter? We think
24 they've said it quite succinctly in that quote because
25 giving equal weights to all the years would result in

1 40 percent of the weight for future estimated loss
2 costs being attributed to estimates that appear
3 inconsistent with recent loss costs; that's those
4 outliers.

5 And we've included again a figure on
6 the next page, page 35, from -- I believe from the --
7 from their presentation at page 18, Oliver Wyman's
8 presentation ,where we can clearly see that, visually,
9 those two (2) years are -- are indeed outliers.

10 And so, we would refer the Board back
11 to Oliver Wyman's recommendation of placing unequal
12 weight for those two (2) very specific years in this
13 specific area of coverage.

14 Going to page 36, also relating to past
15 and future loss trends, on this page we list three (3)
16 coverages in which the loss trend or future trend
17 should be adjusted as per Oliver Wyman.

18 Accident benefits, other non-indexed
19 where MPI's model fit to loss cost data for 2019 to
20 2024 does not reflect the frequency cyclicity and
21 extrapolates the severity increase.

22 And so, we heard from Oliver Wyman that
23 this result in MPI's future projection line being
24 quite steep. Oliver Wyman's alternative would
25 recognize the cyclicity and frequency. And as a

1 result, we see that their future progression line --
2 projection line, sorry, is significantly flatter.

3 The next area of coverage on this page
4 is property damage, third party deductible transfer,
5 where our clients rely on Oliver Wyman's
6 recommendation that MPI does not recognize the flatter
7 trend beginning in 2014 for both frequency and
8 severity, so an improvement could be made there.

9 And finally, for comprehensive theft,
10 MPI does not recognize the flattening of loss cost
11 trends since 2022. And of course, that's very evident
12 in MPI's own data and -- and experience, but Oliver
13 Wyman's recommendation is also supported by national
14 trends relating to theft patterns. And we've listed
15 those on this page as well, and Oliver Wyman's include
16 -- Oliver Wyman includes them as well in their
17 presentation at Exhibit CC-10.

18 And so, on page 37, we move on to
19 forecasting to the -- the issue of forecasting claims
20 costs more generally for the next few slides. As we
21 have already mentioned and was repeated throughout
22 this GA hearing, rising claims costs is a challenge
23 faced by MPI.

24 The projected ultimate losses for
25 2026/'27 rating year rose 4.91 percent between the

1 2026 GRA forecast and the 2026 (sic) GRA forecast.
2 The expected claims in the 2026/'27 rating year are
3 10.9 percent higher than expected claims were in the
4 2025/'26 rating year in the '25 GRA.

5 In light of this, MPI did confirm that
6 a strategic approach to containing claims cost is
7 desirable. Of course, any reduction or containment of
8 claims costs could lead to a reduction in MPI costs,
9 which could then be passed on to customers in the form
10 of lower rates.

11 MPI confirms that it remains informed
12 of broader trends relating to vehicle repairs because
13 this can impact the cost of claims and the accuracy of
14 MPI's claims forecast.

15 MPI confirmed that its experience since
16 2020 has not been stable, and it continues to engage
17 in internal discussions and with industry experts to
18 formulate a view on claims forecasting experience.

19 But while MPI says this, when digging a
20 bit more, it became evident that MPI may not be using
21 all the tools at its disposal to mitigate the impact
22 of rising claims costs toward maintaining
23 affordability in the long term for its ratepayers.

24 We noted that there are no briefing
25 notes or research papers available relating to

1 research on trends that would potentially impact
2 collision severity or frequency.

3 Internal meetings at MPI aim to
4 incorporate knowledge into claims forecasting and
5 ratemaking. We certainly heard that, but given the
6 lack of documents that were filed in this GRA, it's
7 difficult for the regulatory process to examine MPI's
8 actions in this regard.

9 We also noted that MPI appears not to
10 be leveraging international expertise and
11 opportunities towards influencing the rising costs of
12 claims. And we'll also go into this issue when we
13 talk about MPI's corporate strategy.

14 But as a few examples as it relates to
15 claims forecasting, MPI was not very familiar with and
16 was not -- and is no longer a member of RCAR, despite
17 the stated purpose of that organization to reduce the
18 human and economic costs of motor vehicle losses,
19 which is done through research into improved vehicle
20 damage resistance, repairability, security, and
21 safety.

22 And we pointed them to one specific
23 research paper from that organization which refers to
24 the purpose of this guide being in part for insurance
25 companies, and MPI was not familiar with it.

1 So going to the next page, based on the
2 testimony that we heard, in our clients' view, it
3 appears MPI does not view it can do much in terms of
4 influencing the cost of repairs because repairs are
5 dictated by original equipment manufacturers.

6 We did confirm that MPI is aware of
7 evolving practices by other insurers that may help to
8 mitigate the impact of rising costs, such as insurer
9 owned and operated collision centres, weather alerts,
10 and usage-based insurance.

11 And of course we did this at a high
12 level, but what we note is that there appears to be a
13 lack of a systematic approach to identifying potential
14 tools and evaluating the costs and benefits of those
15 tools for potential use in Manitoba.

16 And so, in our clients' view, going to
17 page 40, there may be opportunities to improve MPI's
18 strategic approach to containing claims costs, and in
19 turn mitigating the impacts on customers.

20 And this is the case for forecasting
21 purposes, which is the issue we're talking about in
22 this section of our presentation, but also to identify
23 opportunities to influence or contain rising costs to
24 ensure that all costs are prudent and necessary. And
25 we'll talk about that second point in more detail when

1 we get to the Corporate strategy section of our
2 presentation.

3 And so, our clients' recommendations,
4 specifically on claims forecasting, are on page 41.
5 So, our clients would submit that, to ensure
6 reasonableness of claims forecast, MPI should be
7 directed to implement the methodology recommended by
8 Oliver Wyman, which they do admit will result in an
9 increase to the rate indication of 0.81 percent. And
10 the specific issues and coverages are listed there.

11 Number 2 is that MPI should be directed
12 to provide justification to deviate from using the
13 same period for frequency and severity in their trend
14 modeling. MPI should also note events affecting
15 claims if they contribute to the decision to exclude
16 the data point.

17 Our clients would recommend that the
18 Board find that MPI has reduced its efforts to
19 mitigate the impacts of rising claims costs.

20 And finally, our clients recommend that
21 in each GRA, MPI should be directed to report back on
22 research relating to trends in vehicle repair costs
23 both in Manitoba and nationally and internationally,
24 including how such research is incorporated into MPI's
25 claims forecasting process.

1 Going into section 6 of our
2 presentation, which is that second question in the
3 PUB's test for just and reasonable rates, are actual
4 and projected costs necessary and prudent. And on --
5 on page 43, we try to -- to explain or put this into
6 context in terms of why it matters, why it should
7 matter to this Board and to MPI.

8 MPI must demonstrate necessity and
9 prudence relating to how it spends ratepayers' money
10 because the reality is that if MPI spends funds on one
11 project or initiative, those funds are not available
12 to advance another project or initiative. And
13 conversely, if MPI spends funds on one project or
14 initiative, those funds are not available to serve to
15 reduce any required rate increases.

16 As a result, how MPI spends ratepayers'
17 money is directly relevant to the PUB's rate-setting
18 role, and our clients submit that in order to fulfill
19 this -- this very important role, the PUB must examine
20 the projects and initiatives MPI undertakes which are
21 paid for by ratepayers.

22 And it must also examine MPI's approach
23 to responding to external and ongoing threats to
24 affordability given the reality that these threats
25 will likely lead to higher costs for MPI in the

1 future, which will have to be passed on to customers.

2 And so going to page 44, we start this
3 section by discussing MPI's corporate strategy, which
4 in our clients' view will inform and is informing many
5 of MPI's decisions when it comes to initiatives,
6 projects, and the way that it spends ratepayer funds.

7 We confirmed in cross-examination that
8 MPI agrees with the elements of an effective strategy
9 that were confirmed by EY in the 2025 GRA. That
10 includes that a strategy -- a corporate strategy must
11 be focused, and we heard that loud and clear from Ms.
12 Jatana.

13 MPI agrees that an effective strategy
14 must recognize that choices are necessary in light of
15 limited resources of the organization. A strategy
16 must recognize that trade-offs are necessary and a
17 strategy must prioritize problems or threats
18 recognizing the resulting trade-offs. Essentially,
19 the Corporation cannot do it all.

20 We also confirmed that, as part of
21 developing an effective strategy, a corporation should
22 assess how it can influence the areas of focus through
23 the levers that it controls. And the Corporation must
24 also ask itself what capabilities are required to be
25 successful in its strategy and what management systems

1 are or will be needed.

2 We then also confirmed that, as part of
3 an effective strategy, a corporation may then develop
4 an operational plan to turn the strategy into an
5 action plan.

6 Going to page 45, MPI acknowledges
7 that, on behalf of ratepayers, it has a duty to manage
8 the risks it faces as a corporation and that -- we
9 confirm that that includes mitigating risks to
10 affordability by determine how -- determining how it
11 can influence the specific areas through the levers
12 that the Corporation can control.

13 MPI acknowledges that reductions in
14 claims costs impact affordability, and that there are
15 -- at a high level there are tools that they can use
16 to control some of the claims costs.

17 And our clients certainly agree that
18 there are certain tools that MPI is using currently to
19 do that, but in our clients' view, there are warning
20 signs that MPI is not prepared to manage risks to
21 affordability and may not be using all the tools at
22 its disposals (sic).

23 One of these warning signs is that --
24 if we go to the next page, page 46 -- there are many
25 early, but concerning signs that MPI's Corporate

1 Strategic Plan does not align with the elements of an
2 effective strategy. In particular, our clients are
3 seeing a lack of focus of prioritization of choices
4 and trade-offs in MPI's Corporate Strategic Plan.

5 At a high level, the sheer number and
6 scope of the pillars and programs gives the appearance
7 that almost any project or initiative could fit within
8 the Corporate Strategic Plan.

9 From what our clients have seen both in
10 the GRA, in responses to IRs, and in testimony, it's
11 not evident how MPI is making difficult choices on
12 behalf of ratepayers, giving -- given the resulting
13 trade-offs that MPI cannot do it all.

14 And so, in our clients' submission, the
15 result is an unwieldy plan which may be expensive for
16 MPI and ultimately for ratepayers to implement and
17 which is insufficiently focused on external threats to
18 affordability, which of course matters for ratepayers
19 in the long term because that will impact the rates
20 that they will have to pay for their auto insurance.

21 So, digging a little bit into this,
22 based on the elements of an effective strategy that
23 were confirmed by EY and MPI, strategies is about
24 using variables that you can control in order to
25 influence those that you do not directly control.

1 Unfortunately, MPI appears to be
2 assuming away at least some of its influence relating
3 to external threats to affordability.

4 We confirmed that external threats that
5 were previously identified during the SWOT analysis --
6 which is the strength, weaknesses, opportunities, and
7 threats analysis -- are still present today and
8 include economic and cost pressures such as increased
9 vehicle complexity, inflationary pressures, cyber
10 risk, regulatory shifts, and changes to vehicle
11 technology and repair networks.

12 MPI appears to assume away influence
13 over some of these external threats to affordability,
14 especially relating to increased vehicle complexity
15 and changes to vehicle technology and repair networks.

16 Even though MPI agrees that it must
17 understand the drivers of increases in claims costs
18 and that research is necessary and a strategic
19 approach to containing claims costs is necessary, in
20 our clients' view, the evidence has shown that MPI may
21 not be using all the tools that it has at its
22 disposal.

23 And on the next few slides, we talk
24 about the move away from proactive research, which in
25 our clients' view provides a telling example of

1 assuming away influence.

2 We confirmed in testimony and we see in
3 the Manitoba Public Insurance Act that MPI's
4 legislation enables it to conduct research to analyse
5 the cost of repairs. But as a result of the Physical
6 Damage Research Centre closure, MPI no longer has a
7 dedicated collision repair research team separate from
8 the estimating operations team.

9 We also heard that MPI is no longer a
10 member of RCAR, R-C-A-R, that international
11 organization that I previously talked about. MPI did
12 confirm it still conducts research on cost-effective
13 repair vehicle -- pardon me, repair vehicle
14 techniques, but in our clients' view, the evidence and
15 the testimony shows that MPI has moved to a less
16 proactive approach to research on trends and claims
17 costs and approaches to containing those claims costs.

18 Over the next -- at the bottom of this
19 slide and over the next couple of slides, we've
20 included a few transcript excerpts. And I will not
21 read them out loud, but for our clients, this really
22 paints a picture of MPI moving away in recent years
23 from that proactive research that, in our -- in their
24 view, is very important to be ready for what's ahead
25 on behalf of ratepayers.

1 And so, we see at the bottom, if we can
2 just go back to page 48, we heard from Ms. Frazer that
3 research for MPI right now really focuses on the
4 estimating standards and policies, not necessarily
5 research that would be given by the original equipment
6 manufacturers.

7 Going to page 49, this is where that
8 first half of the page, we talked about the Centre of
9 Excellence, and we had -- we had referred to a news
10 release from 2017 about when that research centre was
11 first opened and what the purpose was.

12 And Ms. Frazer confirmed that there was
13 quite an emphasis on building a facility to be the
14 leaders to support our repair trade with that. And I
15 asked her, ultimately, would one goal of this work be
16 to help control rising claims costs? And she said,
17 yes, this one -- this was one of the goals from what
18 they believed at the time.

19 And then in the second half of this
20 page, Ms. Frazer says in the second line:

21 "As we evolved down the journey,
22 we realized that automotive
23 trends, emerging technologies,
24 aluminum, EV and autonomous
25 vehicles were not trending to the

1 speed we originally thought. And
2 so, the decision was made by
3 leadership at the time to no
4 longer be a member of RCAR."

5 And so going to the next page, if we
6 look at that first large quote, the last four (4)
7 lines, Ms. Frazer confirmed that:

8 "MPI's research has shifted to a
9 focus where we are researching to
10 assist with estimating standards
11 to support the trade, but not be
12 the voice that's making those
13 decisions. So, the research and
14 scope of the research has simply
15 just shifted."

16 And we heard from Ms. Jatana in the
17 very -- the middle part of this -- the second block,
18 quote in bold:

19 "That they see MPI's role as not
20 necessarily to define what proper
21 repair is, that is defined by the
22 OEMs, the original equipment
23 manufacturers, the car makers and
24 vehicle makers."

25 So, going to the next page and -- and

1 just kind of trying to put this into perspective, in
2 our clients' view, these are signals to them that MPI
3 may be content to no longer pursue innovation in
4 vehicle repairs or to try to influence what proper
5 vehicle repairs are and complexity of vehicles, which
6 could potentially be foregoing opportunities to reduce
7 costs for the benefit of its customers.

8 To our clients, it may be an indication
9 that MPI does not understand this business and does
10 not want to take the time to learn it and take charge
11 of its own destiny.

12 And it's interesting because it appears
13 to be at odds with the ambition of MPI that we heard
14 from Ms. Campos, which is, being ready for what's
15 ahead, it's about proactive planning, not just
16 reacting to change. They're committed to being
17 focused on adapting to what's next to drive better
18 outcomes for the organization, about ensuring MPI
19 continues to deliver value, reliability and security,
20 no matter what the future brings.

21 So, of course, that's what we -- we
22 heard MPI say, but in our clients' view, when we look
23 at their actions, in terms of that proactive research,
24 that is not transpiring and may not result in tangible
25 outcomes for ratepayers in the future.

1 And so, we've talked about this example
2 in terms of proactive research and being a member of
3 RCAR. So, tying it back to MPI's corporate strategy,
4 which is that -- the -- the key issue we're talking
5 about here, in our clients' view, the closure of the
6 Physical Damage Research Center and the move away from
7 proactive research is one example where MPI has not
8 adequately assessed how it can influence the areas of
9 focus through the levers it controls. And has not
10 asked itself what capabilities are required to be
11 successful and what management systems are needed to
12 implement its strategy.

13 On page 52, we note that MPI's
14 Corporate Strategic Plan appears to be more of an
15 operational plan. And as we saw previously in the
16 effective elements of a strategic -- of a corporate
17 strategy, the corp -- the strategy should be developed
18 first and then an operational or action plan is
19 developed.

20 So, this leads the Consumers Coalition
21 to wonder if MPI has, if I can put it this way, put
22 the cart before the horse. In other words, has MPI
23 prepared an operational plan without first
24 establishing a focused corporate strategy?

25 So, beyond the optics of MPI's new

1 corporate strategy, our clients are very concerned
2 that MPI's Corporate Strategic Plan is at risk of not
3 delivering long lasting value for ratepayers.

4 This is in light of the signs that
5 MPI's Corporate Strategic Plan is not -- does not
6 appear to be aligned with the elements of an effective
7 strategy. And so, they would submit it's highly
8 uncertain, at this point in time, whether MPI's
9 Corporate Strategic Plan will deliver tangible
10 outcomes.

11 They note that even measuring outcomes
12 will be difficult as MPI has not yet implemented an
13 affordability metric. And we heard that there's no
14 guarantee the affordability metric will be ready in
15 the 2027 GRA. Although we did hear that that would be
16 the goal, let alone that a -- a target for
17 affordability would be established at that time. But
18 MPI did commit to reporting back on the status of that
19 affordability metric and we're certainly grateful and
20 interested in that ongoing dialogue.

21 But in terms of measuring outcomes from
22 the Corporate Strategic Plan and, of course, the
23 projects and initiatives that MPI will be undertaking
24 as part of this strategy. And recognizing that MPI's
25 establishment of an affordability metric is still

1 ongoing, that leads our clients to ask, well, how will
2 the PUB and stakeholders assess the reasonableness of
3 corporate strategic plan costs and whether MPI is
4 adequately addressing threats to affordability on
5 behalf of ratepayers.

6 In our clients' view, unless MPI can
7 demonstrate how its Corporate Strategic Plan is
8 aligned with the elements of an effective strategy,
9 certain costs could be found not to be prudent and
10 necessary in future GRAs.

11 We do note that there's still
12 opportunity for PUB and stakeholder feedback to
13 provide the necessary direction as MPI matures in its
14 corporate strategy. I won't go through these points
15 in detail, but we heard multiple times, in written
16 evidence and in testimony, that the strategic plan
17 will continue to evolve and will continue to be
18 refined to respond to external threats. So, there's
19 still opportunities to help to influence where MPI
20 goes in terms of its strategy.

21 And so, on page 55, our clients provide
22 some recommendations to help to -- to help provide
23 that direction and focus. They recommend that in
24 light of the external threats to affordability and
25 rising claims costs and giving the importance of

1 affordability for Manitobans, and that MPI must
2 demonstrate that its costs are prudent and necessary,
3 it should be directed to report back on how its
4 Corporate Strategic Plan aligns with the elements of
5 an effective strategy.

6 It should be directed to bring forward
7 an integrated strategic approach to managing external
8 threats and containing increases in claims and other
9 costs that uses all the levers at its disposal. And
10 we've -- we've listed some of the levers we understand
11 MPI to be using, or could be using, but there may be
12 others.

13 And, finally, that MPI should be
14 directed to report back on progress relating to
15 measuring and setting targets for the affordability of
16 Manitoba ratepayers.

17 So, moving on to information
18 technology. Again, as we've noted before, only
19 necessary and prudent costs are to be included in
20 rates. And that was confirmed -- of course, that's
21 confirmed by the PUB, which has stated that part of
22 setting rates for Basic is ensuring that actual and
23 projected costs incurred are necessary and prudent.

24 And that includes examining costs
25 relating to information technology as this -- as this

1 Board has done in the past. As a result of this,
2 spending that was imprudent or unnecessary should not
3 be borne by ratepayers.

4 Going to the next page, we'll talk a
5 bit about Project NOVA. While the PUB and
6 stakeholders have frequently warned in the past that
7 Project NOVA had many risks, we've seen in the 2026
8 GRA and, in particular, the NOVA Closeout Report, that
9 Project NOVA exhibited significant governance and
10 colossal management failures.

11 These significant failures in
12 governance and project management were acknowledged by
13 MPI, especially in the Project NOVA Closeout Report
14 and we would summarize them as challenges with MPI's
15 organizational capacity and capability and ineffective
16 governance structure, overly aggressive timelines and
17 underestimation of complexity in the knowledge
18 required and, of course, MPI's mistakes increased the
19 timelines and the costs for the project.

20 And this resulted in failure to deliver
21 value for money. It has been clear in this hearing as
22 we say -- as we point to, at the bottom of this page,
23 that not all of the spending under Project NOVA has
24 resulted in systems or tools that MPI can use going
25 forward.

1 In our clients' submission, this
2 evidence should lead to a finding by this Board that a
3 considerable portion of NOVA spending should be
4 characterized as imprudent and/or unnecessary.

5 In our clients' view, the PUB should
6 decline to reflect these amounts and rates; that would
7 be their starting position. However, much of NOVA
8 expenses have already been expensed and recognized in
9 rates.

10 Some of the expenses were deferred
11 through the initiative expenses in the regulatory
12 deferral account, which include both NOVA and other
13 initiatives.

14 Going on to the next page, what we
15 heard from MPI is that in order to -- pardon me, we
16 heard from MPI that transfers from Extension, the
17 Extension line of business to the Basic Rate
18 Stabilization Reserve, have paid for the deferred
19 initiative expenses, either in whole or in part.

20 We confirmed and it's evident on the
21 record that the purpose of the Basic Rate
22 Stabilization Reserve is to protect motorists from
23 rate increases that would otherwise have been
24 necessary due to unexpected variances from forecasted
25 results, due to events and losses arising from non-

1 recurring events or factors.

2 In our clients' view and, of course,
3 this was confirmed by MPI's witnesses, the purpose of
4 the Rate Stabilization Reserve is not to protect
5 ratepayers from imprudent management actions or from
6 unnecessary costs incurred by the Corporation.

7 But in reality -- if we go to the next
8 page -- MPI has no other option to cover these basic
9 expenses. Really, the only other alternative to
10 including expenses in rates is to draw initiative
11 spending out of reserves, which is what MPI has done.
12 And from our clients' perspective, optically, this is
13 less impactful on consumers in a monopoly environment.

14 And so, MPI's proposed treatment of
15 some of the Project NOVA expenses in the regulatory
16 deferral account would confirm that Extension
17 transfers have paid for -- for the expenses. And some
18 of those expenses would not then be put into rates.

19 And we confirm this -- or rather MPI's
20 evidence shows -- confirmed that transfers of excess
21 capital from the Extension line of business to the
22 Basic line of business has offset and/or subsidized
23 the rate deficiency created by the regulatory deferral
24 account. And we did confirm that, by doing this, it
25 has effectively reduced any capital rebate that would

1 have been available to ratepayers from the Basic RSR.

2 So, the result is that even though many
3 NOVA expenses in our clients' view were neither
4 prudent nor necessary, ratepayers will still have to
5 pay for Project NOVA expenses, either through rates or
6 through lower, or the absence, of capital rebates.
7 There are just no other options. So, that's the
8 Project NOVA issue.

9 Moving on though, of course, we heard
10 in testimony that MPI has made a lot of changes to the
11 way that it approaches its IT portfolio, including
12 through its IT Strategy Roadmap and major programs.

13 We heard that improved processes are
14 being implemented but, in our clients' view, it's too
15 early to see tangible outcomes yet. From their
16 perspective, while evidence of improved processes are
17 welcome changes, given that no tangible results have
18 been shown yet because it's too early, these processes
19 will need to be tested in the next GRA, or even
20 earlier, to avoid future IT failures burdening
21 ratepayers.

22 On behalf of ratepayers, strong
23 regulatory oversight is required to avoid the failures
24 of Project NOVA, which has cost ratepayers millions of
25 dollars.

1 The IT Strategy Roadmap and major
2 programs approach may, in the future, effectively
3 mitigate risks if the governance structure proves
4 effective. But at this time, it's too early to have
5 confidence that -- that it will do so.

6 And, if we go to page 62, in addition
7 to it being too early to tell if tangible outcomes
8 will materialize, in our clients' view, the evidence
9 in this hearing showed that there are still many red
10 flags in MPI's IT portfolio, which adds to the
11 recommendation that strong oversight will be required.

12 We heard and saw that the major
13 programs consist largely of NOVA projects and more
14 presented, essentially, in smaller packages while
15 MPI's approach to delivering on these projects and
16 initiative may have changed, the activities, projects
17 and expenses are largely the same, recognizing MPI's
18 stated technology debt.

19 There's a continued caution and
20 reliance on external labour, which brings many
21 acknowledged risks. We saw that IT risk and, in
22 particular, failure to successfully plan and deliver
23 change from major programs remains a top risk and has
24 subsumed the NOVA risk.

25 We've seen no changes to staffing as a

1 result of the closure of Project NOVA. So, no
2 significant savings for ratepayers.

3 We continue to see negative Net Present
4 Value or NPVs for all major programs. And of course,
5 our clients understand that's not the only
6 consideration for Legacy systems modernization, but
7 negative NPVs ma -- mean that these projects do not
8 recover their costs and, therefore, reflect conscious
9 choices by MPI to invest in IT over alternative
10 corporate priorities, including potential rate relief;
11 and as such, there must be close examination.

12 Detailed consideration of alternatives
13 is necessary to ensure prudent decision-making. And
14 for this point, in particular, we would refer the
15 Board to our confidential closing submissions, where
16 we provide more information on this particular point.
17 And that's Exhibit No. CC-CI-5.

18 And finally, there's -- lack of
19 resource capacity remains a risk. And we heard there
20 is still work to do in centralized resource management
21 tool for capacity planning.

22 So, in light of all of these, what we
23 would call red flags, and that it's too early to see
24 tangible out -- outcomes, our clients suggest that
25 continued oversight is necessary.

1 The regulator must continue robust
2 examination of MPI's approach to IT modernization to
3 protect ratepayers and avoid the challenges and
4 ultimate failure of projects such as NOVA.

5 So, we note on this page that
6 collaboration with other Crown insurers could help
7 relating to the approach to IT modernization. We know
8 that MPI collaborates with SGI in Saskatchewan, and
9 ICBC in British Columbia on financial- and claims-
10 related matters. And so perhaps, a dialogue with SGI
11 and ICBC relating to approaches to -- to modernization
12 of Legacy systems, digital strategies and
13 infrastructure could assist the Corporation, and this
14 Board, in examining the prudence and reasonableness of
15 MPI's approach and expenses.

16 And so, on page 64, that leads us to
17 our recommendations on Project NOVA and information
18 technology, our clients' recommend the PUB find that
19 many Project NOVA expenses were neither prudent nor
20 reasonable, and recognizing that these expenses will
21 still need to be paid for by ratepayers in some way or
22 another, we would propose that 44.3 million in the
23 regulatory deferral account should not be recovered in
24 Basic rates.

25 Our clients recommend that MPI be

1 directed to report back on progress of implementation
2 of the IT strategy, roadmap and major programs
3 approach, and how these items are delivering tangible
4 outcomes for Manitobans. And this could include, of
5 course, in next year's GRA, but could also include an
6 IT information session, or technical conference, in
7 the spring of 2026, recognizing the transition of MPI
8 from Project NOVA to its new approaches.

9 To assist the PUB in examining the
10 prudence and reasonableness of MPI's IT approach, MPI
11 should be directed to undertake a dialogue with SGI
12 and ICBC to compare digital strategies and
13 infrastructure, including challenges, costs and
14 mitigation strategies in recent years and future
15 plans. And that MPI should report back to the PUB on
16 its progress.

17 Finally, the PUB should continue to
18 closely monitor the development of MPI's five-year IT
19 roadmap, it's major programs, governance structure,
20 and its ongoing portfolio of proposed investments.

21 Moving on to page 65, please, thank
22 you. So, the next two (2) sections of our
23 presentation will focus on MPI's operating budget
24 process and performance measurement systems which, in
25 our clients' view, are still works in progress and

1 we'll expand on that over the next few minutes.

2 We know that MPI has a responsibility
3 to Manitobans to manage all operating expenses in a
4 fiscally prudent manner. Despite significant cost
5 pressures and good intentions, MPI's operating budget
6 process and performance measurement systems are still
7 works in progress, lacking true cost control
8 interventions, at least in this GRA. And so, tangible
9 results for Manitobans, we would say, are lacking.

10 Going to page 66. In appearance, MPI's
11 operating budget process incorporates many elements of
12 leading practice for regulated entities, and MPI
13 recognized, because they can be controlled by
14 management operating expenses are subject to a
15 combined top-down and bottom-up approach to ensure
16 alignment.

17 And over the next few slides, we -- we
18 outline MPI's current process, which includes top-down
19 guidance from the executive com -- committee. So past
20 and current trending on expenditures is considered,
21 while evaluating potential improvements in process/new
22 capabilities to product and service levels. That's to
23 set the overall budget.

24 Then alignment at the EC level is
25 disseminated to individual business uses -- units as a

1 guardrail on department budget expectations. And we
2 confirmed that reference to guardrail would be meant
3 as a signal regarding an expectation that budgets may
4 need to increase or decrease based on trends and
5 potential improvements or capabilities. In our
6 clients' view, based on the evidence they saw and
7 heard, in reality, it's unclear what value the top-
8 down guidance provides.

9 We heard from Mr. Kolaski when we sent
10 the top-down guidance out, we did not know exactly
11 what the IT roadmap would look like. So, you have to
12 take it with a bit of a grain of salt. So, there is
13 top-down guidance; in our clients' view, it's unclear
14 what the value is of that top-down guidance to-date.

15 MPI then conducts a bottom-up exercise
16 where department operating and initiative plans,
17 budget and resource requirements are provided while
18 aligning to the guidance or constraints provided.
19 Then finally through the alignment process, the
20 business unit budgets are aggregated and presented to
21 the executive committee for final alignment, and
22 competing trade-offs for resources, if any, between
23 departments are resolved by the CEO.

24 And we confirm that trade-offs would
25 happen, for example, where department budgets are

1 higher than expected, and decisions need to be made
2 about where to allocate resources to keep that overall
3 operating budget within a certain level.

4 Okay. So, in practice, the next few
5 slides we'll go through what -- what our clients saw
6 in the evidence. We saw and heard that MPI's
7 operating budget process is still maturing. It was
8 fully operable for the 2026 GRA, which was different
9 than in the 2025 GRA, but the integration of the
10 strategic plan into the budgeting process will
11 continue to mature.

12 What they also saw is that the
13 operating budget process resulted in an unfavorable
14 outcome for ratepayers. The top-down guidance that
15 was provided by the executive committee was that top -
16 - total corporate operating expenses, including
17 initiatives, are expected to be at or under 394
18 million.

19 We confirmed that the 'at' or 'under'
20 would be meant as an upper threshold, of course, with
21 some caveats. The top-down guidance also instructed
22 divisions to fit new strategic efforts within existing
23 budgets, or to reprioritize in sunset lower-value work
24 to create space for initiatives that directly support
25 the strategic plan.

1 The final budget advanced after the
2 operating process -- the operating budget process for
3 2026/'27 was 425 million. And so, in terms of what
4 ratepayers are seeing, the final budget for '26/'27
5 was 31 million or 7.9 percent over the top-down upper
6 threshold; four (4) times the level of projected
7 inflation in Canada.

8 And so, in our clients' view, and we
9 submit is evident through this, MPI did not achieve
10 its top-down target. As compared to last year, the
11 425 million operating expense budget for '26/'27 is a
12 33 million increase or 8.4 percent increase over the
13 '25/'26 budgets submitted to Treasury Board
14 Secretariat of 392 million.

15 We also noted that despite the language
16 or in the top-down guidance of 'at' or 'under', the
17 394 million, when we dug through this in round 2 of
18 IRs, MPI appears to walk back from the language of
19 'at' or 'under' that we saw. The -- MPI stated that
20 top-down targets act as guardrails; as the business is
21 dynamic, certain operational expenditures are
22 essential, and cannot be fully predicted until the
23 bottom-up process is completed.

24 MPI stated it would be impossible for
25 the executive to provide a top-down target to match

1 the bottom-up proposed needs of the organization. And
2 so, we'll go through this in a couple of slides, but
3 to our clients, it leads them to question, well, what
4 is the value of that top-down guidance?

5 As part of its operating budget
6 process, MPI also conducts multi-year operating
7 expense budgets but it lacks firm budgeting targets.
8 And so, in our clients' view, this is unlikely to
9 result in tangible outcomes. And it certainly begs
10 the question for our clients of the value of the
11 multi-year operating budget -- operating expense
12 budgets.

13 Looking at that first sub-bullet, the
14 first white sub-bullet, our clients understand multi-
15 year budget views to presumably give notice to
16 departments of the targets that they can expect over
17 the short and medium term horizon, allowing
18 departments to identify efficiencies and improve
19 processes in order to -- to keep within the target.

20 And in appearance, it is an element of
21 leading practice for regulated entities to have these
22 longer-term budget views. And MPI does provide two-
23 year and five-year views to departments, but we heard
24 in evidence that the second year of the two-year view
25 is based on assumptions, and there are still room for

1 change in year two (2).

2 And for years, three (3) to five (5),
3 MPI essentially extrapolates to future years using
4 high level assumptions, such as inflation, and MPI
5 confirmed there's still much room for change in
6 response to changing circumstances to be more
7 consistent with actual outcomes, including due to
8 things that are beyond MPI's control. And so, it does
9 lead our clients to question, well, what is the value
10 of multi-year operating expense budgets if MPI
11 provides the signal that there's still much room for
12 change, including to be above these specific-forecast
13 budgets?

14 And so, to conclude on the operating
15 budget process, in our clients' view, the value of the
16 operating budget process for MPI, and for ratepayers,
17 remains highly uncertain. This is in light of the
18 lack of commitment by MPI to targets both in the
19 rating year and beyond. And its failure to deliver on
20 tangible results in the first fully operable year of
21 the process.

22 In our clients view, it's unclear if
23 the operating process -- operating budget process is
24 bringing that value to MPI, or how it will assist the
25 Corporation in its strategic approach to mitigating

1 the impacts of rising costs.

2 MPI's approach appears to be an
3 incremental operating expense budgeting approach with
4 last year's spending as the base, and adding general
5 wage increases, merit increases, strategic
6 initiatives, operating initiatives and other above CPI
7 cost pressures.

8 And so, based on what our clients saw
9 this year in MPI's approach going forward, in our
10 clients' view, the PUB and stakeholders can, and
11 should expect, operating cost increases that continue
12 to reflect multiples over the rate of inflation in
13 future GRAs, if a strong regulatory signal is not sent
14 in this decision for the 2026 GRA.

15 Our clients submit that unless MPI can
16 demonstrate how its operating budget process will
17 deliver value for ratepayers, certain operating
18 expenses may be found not to be prudent and necessary
19 in future GRAs.

20 And so, in terms of recommendations on
21 the operating budget process, our clients recommend
22 that the PUB find that the 8.4 percent increase in
23 operating costs in 2026/'27 as compared to 2025/'26,
24 or four (4) times the level of inflation, will not be
25 sustainable in the future.

1 In order for the PUB to examine the
2 tangible outcomes of the operating budget process, our
3 clients recommend that, as a minimum filing
4 requirement, MPI should be directed to file financial
5 information on its top-down operating expense target,
6 bottom-up budgets and alignment process, and the
7 resulting operating cost budget, consistent with the
8 information contained in two (2) of the specific IRs
9 that we requested in this 2026 GRA.

10 Moving on to MPI's performance
11 measurement system, which our clients submit is still
12 a work in progress, MPI agrees that there are benefits
13 to measuring a corporation's performance in key areas,
14 and our clients would certainly agree with that. It
15 can guide decision-making across the organization. It
16 allows the organization to take corrective action,
17 when results deviate from targets or expected
18 outcomes. It can measure improvement in key areas
19 over time and it can encourage improvement through
20 goal and targets that the Corporation would aim to
21 achieve over time, including achieving efficiencies
22 within the Corporation, and increasing affordability
23 of products and services, which ultimately brings
24 value to ratepayers.

25 In our clients' view, there are warning

1 signs that MPI's performance measurement system will
2 not deliver outcomes. We've seen KPIs that are
3 fragmented between strategic operational and
4 financial. We've seen strategic KPIs that have not
5 been fully integrated, yet, into decision-making
6 processes. We've seen MPI only set a -- a target for
7 its MCT KPI and, in our clients' view, appears to be
8 reluctant to set other KPI targets that would
9 represent stretch targets in order to encourage
10 organizational improvements.

11 The outcome, in our clients' view, of
12 the operating budget process for 2026/'27 does not
13 seem to support the assertions that the performance
14 measurement system, and the KPIs, are meaningfully
15 guiding the planning and budgeting of MPI so far. MPI
16 did confirm it's still maturing in the area of
17 strategic KPIs and it's still early in formal KPI
18 based ex -- execution.

19 So given the outcomes in this
20 particular GRA and the fact that MPI is still maturing
21 and still early in its formal KPI based execution,
22 ratepayers have not yet seen value from strategic
23 KPIs, we would submit.

24 For the PUB's regulatory oversight of
25 MPI, key performance indicators take on an even --

1 even greater importance this year, and in future
2 years, because MPI has discontinued the Crown
3 benchmarking exercise due to confidentiality
4 restrictions from the data providers.

5 And MPI has even stated, rather than
6 viewing this change as a limitation, it's using the
7 opportunity to book -- to build a more mature,
8 internally driven performance system, anchored in
9 clear KPIs, integrated budgeting processes and
10 strategic discipline. And we certainly welcome this
11 from MPI.

12 For the PUB to assess the necessity and
13 prudence of costs, for purposes of rate setting for
14 MPI, the operating budget process and key performance
15 indicators will provide essential information.

16 And, in our clients' submission, unless
17 MPI can demonstrate tangible results from its
18 performance measurement system, it may be at risk of
19 certain expenses being found not to be prudent and
20 necessary in future GRAs.

21 And so, in terms of recommendations,
22 our clients suggest that MPI should be directed to
23 provide a comprehensive update on its performance
24 measurement system and key performance indicators,
25 including a detailed description of the overall status

1 of development and implementation of the performance
2 measurement system; including how strategic
3 operational and financial KPIs are all integrated for
4 decision-making purposes; including inf -- information
5 on the definition of each KPI, performance and a
6 description of how the target was set, or why it has
7 not yet been set. And finally, provide information
8 and examples of how KPIs have been used to inform
9 strategic initiative prioritization and trade-offs in
10 the operating budget process.

11 So again, going beyond the -- the
12 process on paper, our recommendations are aimed at --
13 at providing information for the PUB to examine
14 tangible results on behalf of ratepayers.

15 Madam Chair, we're moving into Section
16 7, which is the section about reasonable -- revenue
17 needs. Just noting the time and that -- just noting
18 the time, would the Board like to take a short break
19 at this point in time.

20 PANEL CHAIRPERSON: Thank you, Ms.
21 Diley. Yes, I think that this is a good time to do
22 that. Can we come back, please, at 20 to 11:00.

23

24 --- Upon recessing at 10:23 a.m.

25 --- Upon resuming at 10:42 a.m.

1

2

PANEL CHAIRPERSON: Thank you. Ms.

3

Dilay...?

4

MS. KATRINE DILAY: Thank you, Madam

5

Chair. Mr. Klassen will take over this portion of the

6

presentation.

7

PANEL CHAIRPERSON: Mr. Klassen...?

8

MR. CHRIS KLASSEN: Thank you, Madam

9

Chair. Carrying on from where we left off, we'll

10

begin a discussion about the next section of the

11

Board's test for just and reasonable rates, assessing

12

the -- the reasonable revenue needs of the Corporation

13

in the context of its overall general health. And our

14

first subsection in this category will be about MPI's

15

investments.

16

And as the Board will know, its

17

authority and jurisdiction with respect to MPI's

18

investments are -- is referred to as having an

19

oversight role in which the Board receives

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information, provides recommendation and direction,

21

but does not directly regulate MPI's management of its

22

investment portfolio.

23

And so, we provide these -- this

24

overview of the record and these recommendations with

25

that in mind. On to the next page, if you could, Ms.

1 Dweh.

2 It just indicates that we'll -- we'll
3 break our discussion up about investments into three
4 (3) categories: 1) discussing the next ALM study which
5 we heard from MPI, the work on which will begin in the
6 coming weeks.

7 From there, we'll move on to the
8 discussion about value-added and performance
9 attribution reporting with reference to the evidence
10 of Mr. Valter Viola.

11 And we'll conclude with a discussion
12 about what MPI described yesterday as a new
13 development with respect to its management of
14 investments, its plan to retain and work with an
15 external outsourced chief investment officer.

16 And our discussion about the ALM study
17 is based in what our clients see as longstanding
18 challenges in MPI's policy asset mix.

19 The Board will be familiar with MPI's
20 process of having periodic asset liability management
21 studies to guide the Corporation in the management of
22 its Basic claims and other portfolios to make sure
23 that its assets are correlated to its liabilities so
24 that over time, as interest rates go up or down as
25 MPI's long-term claims become more or less expensive,

1 the value of its -- of its assets and the investment
2 portfolio rise and fall in step. And so, this is
3 where we see MPI not focused primarily on returns, but
4 focused primarily on matching.

5 And we've seen MPI's choices in this
6 area over the last number of years following the last
7 number of ALM studies create challenges for
8 stakeholders and for this Board in providing oversight
9 and direction to MPI with respect to its management.

10 And the concerns raised about MPI's
11 ALM, or asset choice decisions, have arisen in a
12 number of areas. First on the list on the screen
13 before us is the shadow portfolios that the -- that
14 the Board has heard much about over the last five (5)
15 years, less so this year, less so last year.

16 But it's an important part of the
17 history of this issue because it's rooted in concerns
18 of the Board and concerns of stakeholders in MPI's
19 decisions following asset liability management
20 studies.

21 And it was an exercise by the Board in
22 providing a comparison to identify for the Board and
23 stakeholders MPI's -- the value of MPI's missed
24 opportunities as a result of its decisions following
25 an ALM study.

1 We've also seen comments from the Board
2 in -- in more recent orders about how MPI's asset
3 liability -- not quite moving on yet, Ms. Dweh. I'm
4 still here on slide 81. And I apologize for being
5 unclear. Thank you.

6 We see commentary from the Board in
7 2023 that issue persisted that the most recent ALM
8 study provided valuable insight into the impact of
9 MPI's choices and has demonstrated that there's room
10 for improvement, and still last year MPI's investment
11 portfolio with respect to the asset classes in the
12 portfolio was suboptimal as it was no longer on the
13 Efficient Frontier.

14 And a theme that we see through GRAs
15 since the beginning of the shadow portfolios in the
16 2018/'19 era is that MPI has miss -- missed
17 opportunities for greater returns at comparable levels
18 of risk.

19 And these missed opportunities are
20 costly, most importantly for MPI's customers, because
21 as we know well, there's a direct relationship between
22 MPI's investment portfolio and its rates because
23 investment returns reduce upward pressure on rates and
24 create opportunity for MPI's customers to save money,
25 but they're also costly for the PUB process.

1 Much ink has been spilled about shadow
2 portfolios over the last five (5) years. Much ink has
3 been spilled about MPI's failure to adequately
4 mitigate inflation risk. And all of these issues
5 could have been effectively addressed had MPI's ALM
6 studies been properly conducted in the first place and
7 had MPI engaged in principled evidence-based decision-
8 making following the conduct of those studies. We'll
9 move on to 82 now, Ms. Dweh. Thank you.

10 And of particular concern to our
11 clients, the Consumers Coalition, as well as the
12 Board, has been the -- the presence of inflation risk
13 in the Basic claims portfolio. And we unfortunately
14 see that risk persist.

15 We hear from MPI that they have a
16 degree of inflation protection in their portfolio.
17 And we -- we certainly accept that that's true. But
18 we emphasize the fact that there's only a degree of
19 inflation protection. And we saw that in my exchange
20 with Mr. Bunston in that the assets in the Basic
21 claims portfolio based on Mercer's updated capital
22 market assumptions are poorly correlated with the
23 assets in MPI's liability benchmark portfolio.

24 And that was of particular concern to
25 the Board and last year's GRA -- we'll go to the next

1 slide now, Ms. Dweh, thank you -- in which the Board
2 directed MPI to obtain third-party advice on
3 incorporating inflation protection into its investment
4 portfolio.

5 This follows a process by which MPI
6 experienced bad returns as a result of spikes in
7 inflation, took steps to mitigate its risk through
8 buying real return bonds through a bond overlay
9 strategy, promptly reversed course, and left the Board
10 wondering what it would do instead.

11 And so, MPI was sent away to get advice
12 on alternative options. And we see here for Mr.
13 Bunston confirming that the purpose of that directive
14 was for MPI to find interim solutions to mitigate and
15 address inflation risk in the portfolios while we
16 waited for the cycle for the next ALM study to be
17 completed.

18 And so MPI, to its credit, was already
19 doing that work with Mercer when we were here last
20 year. And we left this Hearing room about a year ago
21 expecting MPI to come back in early 2025 with advice.

22 And at that time, we hoped decisions to
23 mitigate risk on an interim basis while we waited for
24 the next ALM study to come around. Slide 84, please,
25 Ms. Dweh.

1 But that's not what we got. We see in
2 this quote from Mr. Bunston that MPI's direction to
3 Mercer was not quite what we understood following the
4 last GRA. We saw in the last slide Mr. Bunston
5 confirming that it was the Board's intention to
6 explore options for interim solutions to mitigate
7 risk.

8 But here we see that what MPI directed
9 Mercer to do was to compare its current portfolio with
10 the Efficient Frontiers developed in 2022, essentially
11 creating a hypothetical thought exercise that, you
12 know, if we had this asset class back in 2022, how
13 would it have performed.

14 And so, we see that there's no real new
15 news for Mercer -- Mercer's engagement because
16 Mercer's assessment and the results were not
17 applicable to today. And if we go to the next slide,
18 that's primarily due to the fact that Mercer was not
19 asked to update its capital market assumptions for the
20 new analysis.

21 And you'll see that as -- as a big
22 caveat early in the Mercer report, Mercer makes clear
23 that it did not update its capital Market assumptions.
24 And that's presented as a caution against relying on
25 this report for decision-making purposes.

1 And you'll recall -- the Board will
2 recall from my exchange with Mr. Bunston that if we go
3 back to the 2022 asset liability management study,
4 Mercer explained that its assessment was conducted in
5 December of 2021.

6 And there was enough volatility in the
7 market between December 2021 and March to 2022 that it
8 felt that it needed to verify -- to validate its
9 report based on updated capital market assumptions in
10 order to ensure that that report was reliable for
11 decision-making purposes.

12 MPI suggests to us today that those
13 same capital market assumptions now, more than three
14 (3) years later, are still reliable for -- for
15 decision-making purposes even though we know that --
16 that a three (3) month period was enough invite Mercer
17 to -- to have pause and validate its results before
18 moving forward.

19 And so, from our -- our clients'
20 perspective, the fact that Mercer's 2024/2025 analysis
21 identifying interim solutions for mitigation of
22 inflation risk did not update the capital market
23 assumptions means that it was not designed for and is
24 not reliable for decision-making today.

25 And that means that MPI's and Mercer's

1 results and response to Directive 24 flowing from the
2 last GRA should not be a comfort to the PUB with
3 respect to its concern about persistent inflation risk
4 and that that risk remains present and has not been
5 mitigated as a result of Mercer's work last year.

6 Another significant oversight related
7 to Mercer's response to MPI's engagement last year and
8 the Board's concern about persistent inflation risk is
9 that it specifically overlooked an obvious and
10 available tool to hedge inflation in addition to the
11 real return bond that has received so much attention
12 this year.

13 And our clients confirmed in
14 Information Requests with MPI that United States
15 Treasury Inflation Protected Securities, which are
16 essentially the United States equivalent of Canada's
17 Real Return Bond, were not considered in Mercer's
18 analysis.

19 And so, with respect to the Board's
20 intent in looking for alternatives on an interim basis
21 to mitigate against inflation risk while we wait for
22 the next ALM study, with -- because of the capital
23 market assumptions, the analysis is not fit for
24 decision-making today and because of its failure to
25 consider United States Treasury inflation protected

1 securities, did not consider readily available options
2 that could have provided that interim solution that
3 the Board was looking for, which brings us to the next
4 ALM study.

5 We heard in this Hearing that it will
6 be filed in the 2028 GRA and that work is beginning in
7 the coming weeks -- next slide, please, Ms. Dweh --
8 with a kickoff meeting shortly following MPI's
9 finalizing of its engagement with its outsourced chief
10 investment officer.

11 And our clients welcomed MPI's
12 suggestion of a technical conference to share results
13 with PUB and Interveners. And we assume, based on our
14 experience and participation in technical conferences
15 passed, that this would include an opportunity to
16 provide feedback, to receive clarification, and to
17 collaborate onto MPI's steps forward with respect to
18 its asset liability management.

19 However, the Consumers Coalition offers
20 a strong caution against MPI's proposed timing. The
21 Board will recall a number of the issues with asset
22 liability management and asset class selection that I
23 canvassed a few slides back. Those issues did not flow
24 from MPI's decision-making with respect to its
25 consultant's advice, but shadow portfolios and the

1 Board's concerns with respect to missed opportunities
2 flow more directly from MPI's constraints imposed on
3 the asset liability management studies.

4 And so, the appropriate time, the most
5 helpful time, for that collaboration to take place
6 would be for the Board and stakeholders to provide
7 input into the design of the study and on the
8 appropriateness of the constraints imposed on the
9 study rather than MPI's decision-making following this
10 study.

11 We've not seen MPI declining to accept
12 its consultant's advice. We have seen consultant's
13 advice being narrowly tailored and -- narrowly
14 tailored and narrowly scoped as a result of
15 constraints imposed by MPI.

16 And so, it's our clients' perspective
17 that a technical conference with respect to the next
18 ALM study would be a welcome addition to this process,
19 but that MPI's proposed timing will not achieve its
20 intended outcomes and will not help the Board avoid
21 the costly mistakes of the past.

22 We'll move on now from discussing what
23 Mr. Viola referred to as the primary risk to talking
24 about the secondary risk. And this is -- this
25 characterization is helpful because it reminds the

1 Board how these two (2) issues relate to one another
2 and why we spent so much time and why we've spent much
3 time over the last number of years talking about the
4 primary risk, which is MPI's asset mix.

5 These are just presented for
6 illustrative purposes. The -- the graph that you see
7 on the left of your screen is -- is an excerpt from
8 Mercer's 2022 ALM study. And you'll see the familiar
9 Efficient Frontiers compared to MPI's current asset
10 mix at the time and possible asset mixes all
11 represented by green dots.

12 And you'll note -- and it -- it's
13 obvious, but I'll make it clear for the record, that
14 neither of these graphs are presented for scale. But
15 Mr. Viola's point in referring to these as primary
16 risk and secondary risk is that there's considerable
17 opportunity for MPI to miss opportunity for more
18 returns at comparable levels of risk by choosing an
19 asset mix that is not on the Efficient Frontier.

20 And we see that in the distance between
21 the current and the other green dots on the Efficient
22 Frontier on the left. And that's why Mr. Viola has
23 spent much of his advice over the last number of years
24 for the Coalition and to the Board focusing on the
25 asset mix.

1 In this GRA, the Consumers Coalition
2 identified a narrow window of opportunity between ALM
3 studies to focus on something different, to continue
4 its path over -- of over ten (10) years spent
5 supporting MPI, guiding MPI toward best practice to
6 spend a little bit of time focused on the secondary
7 risk, which is related to risks associated with MPI's
8 active management in its portfolios.

9 And, again, not to scale, but you'll
10 see the considerably smaller difference -- distance
11 between the policy portfolio and the actual portfolio
12 on the right. And it's that distance that is the area
13 of focus with respect to MPI's active management
14 program.

15 And so, as Mr. Viola explained in his
16 evidence in his responses to Information Requests and
17 in his presentation to us the other day, both asset
18 mix and active management need to be considered
19 together. They can be considered separately, but they
20 should be considered together.

21 And in his response to the Board's
22 Information Request, when you're -- when MPI is
23 assessing its risk appetite in its investment
24 portfolio, it needs to understand how the risks
25 associated with his asset class selection and the

1 risks associated with its active management relate to
2 one another.

3 And so, we'll spend a few minutes going
4 over Mr. Viola's recommendations with respect to
5 active management and MPI's secondary risk here which
6 we see on the right. And so, moving on to the next
7 slide, Ms. Dweh.

8 We know that portions of MPI's asset
9 investment portfolio are actively managed, which means
10 that its portfolio managers are working hard to beat
11 the benchmark.

12 And Mr. Viola tells us that there --
13 that it is possible to identify the sources of their
14 success or their failure in greater detail than MPI is
15 presently using internally or as provided to this
16 Board.

17 And this information is important
18 because it allows MPI, it would allow the Board, and
19 it would allow other stakeholders to separately assess
20 MPI's skill in selecting its asset managers, the skill
21 of those managers in adding value before -- beyond
22 their benchmarks, as well as the results of MPI's
23 asset class rebalancing and, in particular, the extent
24 to which MPI engages in tactical asset allocation and,
25 if they do, their effectiveness in doing so.

1 And if MPI takes the steps that Mr.
2 Viola recommends, over time, it will be able to assess
3 with confidence whether it's managers are doing a good
4 job, whether it is good at selecting managers. And
5 importantly, it'll allow this Board over time to
6 assess at a high level whether MPI's approach to
7 investment management is prudent or whether it would
8 be lower risk for Manitobans for MPI to not engage in
9 active management at all and simply have a passively
10 managed indexed fund.

11 And Mr. Viola says that we don't have
12 the information to assess that today, but if his
13 recommendations are not adopted, we also won't have
14 that information in the future. And so, he's trying
15 to set the Board up and MPI up on a trajectory toward
16 better evidence based decision-making in the future.

17 And on the next slide, we see a concise
18 summary of his goal in the top box, that the purpose
19 of his paper was to illustrate a simple approach to
20 this reporting standard, not yet to assess past
21 performance, the active management program, but that
22 is the goal. And should MPI take steps to adopt more
23 robust reporting metrics, MPI and this Board would be
24 able to do so in the future.

25 And, again, at the bottom of the

1 screen, we see the visual for Mr. Viola's report,
2 which is what he describes as a simplified approach to
3 performance attribution reporting which simply allows
4 MPI and this Board to separate the effects of MPI's
5 security selection, which asks the question of MPI --
6 of whether MPI's managers are picking the right
7 stocks, picking the right bonds, and its asset
8 allocation effects which identifies the effects of
9 MPI's portfolio weights.

10 And so, rather than looking at the
11 performance of an asset class as a portion of the
12 whole, we can look deeper and ask -- and -- and answer
13 the questions of whether the performance of that class
14 are attributable to the actions of the manager or are
15 attributable to the actions of MPI with respect to
16 rebalancing.

17 And on to the next slide, we see
18 confirmed, as Mr. Viola did, that MPI's PFaroe
19 reporting system that it's currently using doesn't
20 allow us to answer those questions. And this was
21 confirmed by Mr. Bunston that MPI's PFaroe reporting
22 system does identify the extent to which each asset
23 class contributes to the overall portfolio return but
24 doesn't allow us to dig deeper.

25 In Mr. Viola's words, it doesn't

1 separate that result into the separate buckets of
2 security selection asset -- security selection
3 allocation effect or otherwise.

4 And Mr. Viola presents kind of a menu
5 of options for the Board. His approach, the approach
6 illustrated in his report, would certainly fall on the
7 left under the heading 'Simple, quick, and cheaper'.

8 And he readily acknowledges that there
9 are more robust methods out there and remains to be
10 seen exactly where the -- the software used by MPI's
11 outsourced chief investment officer might fall.

12 But the point is that regardless of
13 whether MPI ends up on the left or on the right, the
14 important thing is for the Board to be able to assess
15 on an ongoing basis into the future where MPI's
16 successes are coming from so that it can provide
17 better oversight and so that -- so that MPI can engage
18 in better informed principle decision-making.

19 It was a surprise to all of us to see
20 in MPI's slide presentation that it -- that it plans
21 to take steps toward engaging an outsourced chief
22 investment officer. Our clients accept and certainly
23 agree with the fact that Mr. Bunston leaves big shoes
24 to fill, but our clients do have concerns about this
25 proposed approach.

1 We see in a few excerpts from the
2 record on the Board -- on -- on the screens before us
3 that this is not presented as a cost savings approach,
4 that there is potential for higher returns, but our
5 clients' caution that that potential is speculative.

6 And we see at the bottom that MPI will
7 continue to hold final decision-making authority with
8 respect to selection of its managers. And so, to the
9 extent that MPI is or isn't doing a good job of
10 picking good managers today and to the extent that
11 that is driving MPI's results, that's not going to
12 change.

13 We see that MPI will be getting
14 different advice; remains to be seen whether it'll be
15 better advice. And so, our clients express caution to
16 the Board and to MPI that it's -- it's reasonable to
17 expect this to be an expensive path. And it remains
18 to be seen whether the hoped for greater returns will
19 materialize.

20 And so, recognizing where MPI is today
21 with respect to the management of its investments, the
22 Consumers Coalition's recommendations are as follows -
23 - on the next slide, please, Ms. Dweh -- that with
24 respect to pass -- past asset mixed decisions, the
25 Board confirm its past findings that MPI has missed

1 opportunities for greater expected returns at
2 comparable levels of risk and that on an ongoing
3 basis, and still today, MPI has failed to effectively
4 mitigate inflation risk.

5 We also think it's appropriate for the
6 Board to find that MPI's asset mix decisions have
7 caused significant costs to be incurred through
8 additional regulatory work with respect to shadow
9 portfolios, additional studies and otherwise, as well
10 as foregone returns which, as we know, directly impact
11 rates.

12 We also recommend that the Board take -
13 - recommend that measures be taken to ensure that the
14 next asset liability management study does not repeat
15 these mistakes, including by having MPI's proposed
16 technical conference held in the early stages of the
17 study rather than later so that MPI and its consultant
18 can receive feedback on the prudence of MPI's imposed
19 constraints and on the universe of asset classes to be
20 considered rather than only on how MPI's management
21 responds to the advice that it will have had a key
22 hand in tailoring.

23 We also urge the Board to ensure that
24 MPI provides information about the performance of its
25 outsource chief investment officer in a manner

1 consistent with the recommendations of Mr. Viola so
2 that on an ongoing basis moving forward, MPI can
3 assess the success of its outsource chief --
4 outsourced chief investment officer, as well as the
5 success and the sources of success of its managers, as
6 well as MPI's own skill in picking managers and in
7 driving the asset class rebalancing inside its
8 portfolio.

9 And lastly, we also recommend that this
10 Board keep a close eye on an ongoing basis on the
11 costs associated with MPI's transition to an
12 outsourced chief investment officer so that we can
13 know whether this will have been a prudent decision
14 and so that future decision-making in this regard can
15 be based on results.

16 Thank you for -- for the time, Madam
17 Chair. I'll invite Ms. Dilay to carry on.

18 MS. KATRINE DILAY: Thank you, Mr.
19 Klassen. This will be a very brief topic relating to
20 the regulatory deferral account.

21 Our clients do not take a very strong
22 position with respect to the regulatory deferral
23 account, rather emphasizing that we may need a
24 flexible approach toward achieving intergenerational
25 equity which, of course, is the objective of the

1 regulatory deferral account to ensure that customers
2 in a given period should only pay the costs that are
3 necessary to provide them with services in that
4 period.

5 Our clients do have concerns that the
6 current regulatory deferral account approach masks a
7 potential premium deficiency in rates going forward.
8 And we've seen that materialize in the sense that
9 Extension reserves have been used to pay for certain
10 initiative expenses.

11 We do note, of course, that MPI has
12 available to it capitalization of certain expenses
13 where they are eligible, which is one (1) tool to
14 effect intergenerational equity, but certain
15 initiative expenses are not available or eligible for
16 capitalization.

17 We do note that MPI's proposal in this
18 GRA to recover actual initiative expenses in the next
19 year's GRA effectively results in a one (1) to two (2)
20 year deferral of those expenses and may still lead to
21 a mismatch between the customers who pay for the
22 initiatives and those who ultimately benefit from it.

23 And so, that leaves our clients to
24 suggesting that a flexible approach may be needed to
25 achieve the objectives of intergenerational equity

1 while recognizing that a rate deficiency is not
2 desirable.

3 And so, I won't go through it in
4 detail, but on the next page, our clients recommend
5 what could -- Ms. Dweh, if we could go to the next
6 page, please. We see what our clients would recommend
7 in terms of a more flexible approach, including that
8 MPI reports a period of time that -- that it expects
9 customers will receive a benefit, that, of course,
10 expenses be capitalized where eligible, and that where
11 initiatives are not eligible but would -- but would
12 only provide a benefit to customers in the future, MPI
13 may need to provide a justification.

14 Then stakeholders in the PUB could
15 assess based on the evidence and determine a case-by-
16 case basis whether deferral may be necessary. And, of
17 course, we note that the Board will know this, that
18 the ultimate decision whether or not initiative
19 expenses are to be included in rates remains with the
20 PUB through the examination of prudence and necessity
21 of those expenses.

22 So, we'll move on to the next page
23 where we start section 8, are the proposed rates just-
24 and reasonable in accordance with statutory
25 objectives. We'll start this section with a

1 discussion of the Basic deductible increase, which of
2 course, has received a lot of attention in this
3 Hearing. And our clients we're very interested to
4 hear the evidence set from MPI.

5 As we all know, MPI is proposing to
6 raise the Basic deductible by 33 percent from seven
7 hundred and fifty dollars (\$750) to one thousand
8 dollars (\$1,000), which effectively lowers the Basic
9 rate indication from 5.01 percent to 2.07 percent, a
10 2.94 percent reduction.

11 Our clients certainly acknowledge that
12 there may be some advantage to this approach proposed
13 by MPI. As we saw, it lowers the rate indication for
14 the regulated line of business, Basic. It appears to
15 respond to inflationary and other pressures and
16 vehicle repair costs.

17 And it is true that customers will have
18 one (1) more choice in the levels of deductible
19 available through MPI's multiple lines of business.
20 But on the next two (2) slides, our clients submit
21 that there are much more nuanced implications from
22 this change which are less attractive than the three
23 (3) on the prior slide and warrant additional
24 consideration. And we'll go through those in the next
25 couple of slides.

1 The additional choice for consumers
2 results in the choice to pay 2.07 percent more but for
3 a lower level of coverage, a one thousand (1,000)
4 deductible, or to pay 5.01 percent more for the same
5 coverage they currently have, that seven hundred and
6 fifty dollar (\$750) deductible. So, either way, the
7 consumer does pay more.

8 We noted that MPI assumes less claims,
9 which is partly how it achieves that lower rate for
10 Basic by increasing the deductible, in particular,
11 where repairs due to collisions costs less than the
12 one thousand dollar (\$1,000) deductible -- so where
13 consumers would effectively refrain from making a
14 claim and just simply pay out of pocket.

15 In our clients' view, dissuading claims
16 is not proper cost control for a Crown monopoly. We
17 noted that this change results in reduced
18 profitability for Extension, which leads to a
19 reduction in net income for Extension, and which may
20 in turn reduce Extension reserves and lead to lower
21 capital transfers to Basic.

22 So, this would ultimately result in
23 less rebates or lower rebates for Basic customers.
24 So, it impacts rates, but also potential rebates.

25 We also noted that the Extension line

1 of business rates will likely go up by 2 percent next
2 year, subject to Board approval and more details on
3 pricing being established.

4 Going onto the next page, in our
5 clients' view, customers will have to make very
6 difficult decisions of either saving money while
7 taking more risk or paying more to lower the risks
8 that they and their families face. In our clients'
9 position, it was unclear whether MPI appropriately
10 recognizes how difficult this choice may be for
11 customers.

12 We also note in the next bullet -- and
13 I'll go through this, recognizing it's quite long --
14 currently we heard from MPI that not all MPI customers
15 choose to purchase Extension products. Approximately
16 6 percent of -- of customers do not purchase
17 Extension.

18 With the proposed change to the
19 deductible, MPI has assumed that a hundred percent of
20 customers will keep their current deductible. This is
21 not based on analysis. It's an assumption by MPI.
22 Customers will be mapped to their current level of
23 coverage, which means that those who are currently at
24 seven fifty (750) would remain at seven fifty (750),
25 but now under an Extension product.

1 And so effectively, MPI assumes that
2 100 percent of Manitobans will become Extension
3 customers. Of course, it's true this reality may not
4 transpire.

5 Some customers may choose to revert to
6 a one thousand dollar (\$1,000) deductible and just
7 keep a Basic product. But in our clients' view, this
8 change raises serious questions about the
9 competitiveness of the market in which Extension
10 operates in Manitoba.

11 And finally, we note at the bottom of
12 this page that the product change, we confirmed with
13 MPI, it is an MPI decision. This was not a decision
14 that was responding to customers who were clamouring
15 for more choice in levels of deductibles.

16 In our clients' view, the implications,
17 the nuanced implications that we just went through
18 over the last two (2) slides, of this product change
19 could have been more transparently communicated.

20 In the Consumers Coalition view, MPI's
21 message regarding the product change emphasized
22 affordability and more choice. And that was
23 disappointing and could have been more transparent in
24 terms of the hard choices that Manitobans will have to
25 make regarding their household finances in general,

1 and more specifically about the level of coverage they
2 can afford to protect themselves, their family, and
3 their property.

4 In light of this reality, the Consumers
5 Coalition would have expected the nuanced implications
6 of this product change to be more explicitly
7 acknowledged in MPI's materials and their testimony.

8 And so, on the next page, our clients'
9 recommendations relating to the Basic deductible
10 increase. With respect to the particular change, the
11 Consumers Coalition takes no position with respect to
12 the increase and recognizes that it is not up to the
13 PUB to make that final decision.

14 However, given the implications and the
15 results from this product change, and similar to other
16 recommendations made by the PUB in the past, our
17 clients would recommend that the PUB reiterate its
18 recommendation to government that the Extension line
19 of business should be regulated by the Public
20 Utilities Board. It is competitive only in name.

21 And finally, our recommendation on
22 behalf of our clients is that MPI should be directed
23 to provide actuarial and statistical evidence to
24 support future deductible increases.

25 We will next move on to the rate groups

1 issue. As we all know, MPI is proposing to increase
2 the rate groups to 45 from 41 and to increase the cap
3 on rate group movements to plus 5 from plus 1. This
4 approach would lower the overall rate indication by
5 3.1 percent

6 And we also accept and heard in
7 evidence that it will -- this move would lead to less
8 cross-subsidization by vehicles appropriately
9 classified in higher-risk categories of vehicles in
10 lower-risk categories, which in turn would promote
11 greater actuarial fairness and rate equity.

12 We did note from MPI's evidence that
13 some vehicles in the higher risk categories have been
14 -- I -- I think that should say 'underpaying' relative
15 to their risk for many years.

16 And so, in our clients' view, the rate
17 group expansion and rate groups in general are -- is
18 an important tool for MPI, and so it is not opposed to
19 the expansion of the rate groups. Rate groups are a
20 way to provide incentives in the form of lower
21 premiums to consumers who purchase vehicles that are
22 safer, less susceptible to damage, and/or more
23 resistant to theft.

24 It's a system that can assist in
25 lowering claims costs for insurers by encouraging rate

1 payers to these types of vehicles, assuming the
2 information is, of course, shared with consumers.

3 However, in terms of the implementation
4 of the rate group expansion, our clients note and want
5 to bring to the Board's attention that MPI's proposal
6 results in significant premium increases for over
7 three hundred thousand (300,000) vehicles; that is not
8 a small number of vehicles.

9 And what we see in significant premium
10 increases, which we break down on this page, over
11 three hundred thousand (300,000) vehicles would
12 experience premium increases for -- of over 5 percent
13 as a result of this change, specifically at the plus 5
14 cap on rate group movements.

15 And we've lifted there -- I won't go
16 through all of it, but just pointing out the first two
17 (2) white sub-bullets: close to or more than a
18 hundred and fifty thousand (150,000) vehicles would
19 experience premium increases in one year of 19 to 24
20 percent. That's a lot in our clients' view.

21 And we know that this is because
22 vehicles moving to the new rate groups 42 to 45 would
23 carry the entire burden of the 3.1 percent increase in
24 revenue that MPI gets from this -- this change. On
25 average, the close to two hundred thousand (200,000)

1 vehicles moving into the 42 through 45 rate groups
2 would have to pay an additional 11.02 percent.

3 And our clients were very grateful for
4 the evidence of Oliver Wyman on this issue, and Oliver
5 Wyman at the bottom of the page here, we've included
6 one quote which states that:

7 "Rate group movements place an
8 undue burden on consumers who do
9 not have control over their
10 vehicle rate group assignment."

11 It's important to note that the new
12 rate groups would include expensive vehicles, but
13 would also include less expensive, relatively common
14 vehicles.

15 So, vehicles that would move to rate
16 group 45 in particular do include expensive vehicles
17 to purchase such as, for example, Rolls-Royce and
18 Ferraris, but it also includes vehicles that are
19 generally just more expensive to fix, which may be in
20 part due to the complexity of repairs or the type of
21 parts needed. And it's not always correlated with the
22 price of purchase.

23 And we pointed out in cross-examination
24 that vehicles that will move to rate group 45 by
25 moving up five (5) rate groups include Ferrari and

1 Rolls-Royce, but also includes Honda Civics and Toyota
2 Camrys, which are less expensive and relatively common
3 vehicles.

4 And so, moving on to page 106, while a
5 more gradual approach may be preferable in order to
6 reduce some of those really high premium increases we
7 saw on the other slide, it is important to note that
8 any reduction to MPI's proposed rate group cap would
9 increase the overall rate indication for Basic.

10 And we saw this as we've pointed out in
11 footnote 220 and 221, the Information Request from the
12 PUB and our cross-examination where different
13 scenarios were explored. And so, for example, if the
14 cap on rate group movement became plus 2, this would
15 lower the overall rate indication for Basic by 1.4
16 percent as opposed to the 3.1 percent in MPI's
17 proposal.

18 So, recognizing all of these
19 considerations -- that it is an important tool, the
20 significant premium increases for about almost a third
21 of vehicles, and the impact on the rate indication --
22 our clients say that the decision regarding the rate
23 group expansion and the cap on rate group movement in
24 the 2026 GRA requires balancing.

25 It requires balancing affordability for

1 Basic rates generally. It includes balancing cross-
2 subsidization of lower rate groups by higher rate
3 groups with the significance of premium increases for
4 over three hundred thousand (300,000) vehicles in
5 MPI's proposal

6 And moving on to the next page, in our
7 clients' view, Oliver Wyman -- the independent experts
8 from Oliver Wyman provide insights into this necessary
9 balancing act and how it could be accomplished.

10 So of course they say:

11 "While we appreciate the balance
12 between rate adequacy and reducing
13 cross-subsidization, it would
14 likely be unfair and a shock to
15 Manitoba drivers to experience a
16 20 percent premium increase
17 without a change in vehicle or
18 significant change to risk
19 profiles, and of course
20 recognizing that consumers who
21 maybe bought a car last year and
22 the year before were not aware of
23 this potential change by MPI, so
24 had no control over the impact of
25 their decision."

1 That leads Oliver Wyman to find that
2 the rate group movement cap of plus 5 is excessive,
3 and they would recommend a phase in of the change in
4 maximum rate group movement to limit dislocation. And
5 we didn't include it here, but Oliver Wyman did agree
6 with the proposed expansion two forty-five (245).
7 It's really the -- the rate group movement that they
8 took issue with.

9 And so recognizing this needed a
10 balancing act, and this was a very difficult
11 recommendation for our clients on the next page, they
12 would recommend, in order to balance affordability
13 generally with the desire to reduce cross-
14 subsidization between rate groups and the significant
15 premium changes for over three hundred thousand
16 (300,000) vehicles in MPI's proposal, they recommend
17 that the rate group expansion of 45 be gradually
18 implemented, for example, through a cap on rate groups
19 of plus 3 for the 2026/'27 rating year. But they do
20 acknowledge that there may be other ways of doing that
21 gradual implementation.

22 On page 110 -- and we're recognizing we
23 are moving quite quickly just in the interest of time
24 -- we're moving on to the issue of Driver Safety
25 Rating.

1 And so very briefly on this page, we
2 talk about the issue of a numerical versus categorical
3 variable. If we could go back to the previous page,
4 MPI currently treats the DSR levels as a numerical
5 variable rather than a categorical variable, which
6 results in the same absolute but not relative change
7 in relativity.

8 And as a result -- and we saw this in
9 one of the -- in MPI's Rate Application -- DSR levels
10 above 13 continue to be under predicted. According to
11 Oliver Wyman, treating DSR levels as a categorical
12 variable, then applying either manual smoothing or
13 what they refer to as a LOESS model would assist in
14 addressing the under prediction.

15 Going to the next slide, in terms of
16 Driver Safety Rating, our clients note the inherent
17 limits to achieving the objectives of the Driver
18 Safety Rating.

19 We know that the goals of the DSR
20 program are to strengthen the ability to reward the
21 safest drivers, to encourage poor drivers to improve
22 their driving behaviour, and to enhance the overall
23 understanding by driver -- drivers of how their
24 driving behavior can affect how much they pay for auto
25 insurance.

1 It's a really important tool for MPI.
2 The DSR uses a price signal to achieving its
3 objectives. And, of course, we confirmed in cross-
4 examination that in order for these incentives to
5 effectively change -- change behaviour of Manitoba
6 drivers, there needs to be a link between the price
7 signal and the driving behaviour.

8 MPI accomplishes this in the DSR by
9 having the rates and the discounts statistically
10 connected to a vehicle's risk. But, of course, we
11 know, and this Board has found, that there are
12 inherent limits in the current Driver Safety Rating
13 program because the rates and discounts are connected
14 to the vehicle's risk, and the registered owner may
15 not be the one primarily driving that vehicle.

16 Recognizing this reality, there's been
17 significant work in this hearing room since 2017
18 relating to the Basic insurance model, that registered
19 owner model.

20 The regulatory oversight work since
21 2017 has been toward better reflecting risk within the
22 Basic insurance model toward the goal of setting
23 vehicle premium discounts that are based on the
24 performance of the vehicle's actual driver, not -- not
25 just its owner.

1 The PUB has previously found that it is
2 a basic principle of insurance that the rating model
3 should reflect risk. The evidence produced by MPI in
4 this hearing room and previous hearings through its
5 chief actuaries show that the primary driver model is
6 more actuarially sound than the current registered
7 owner model.

8 And it was confirmed this year that
9 there's no evidence in the 2026 GRA that contradicts
10 prior evidence by MPI's actuaries. And we also note
11 at the bottom of this page that the Manitoba Court of
12 Appeal has confirmed the jurisdiction of the PUB over
13 rate-setting methodology, including any changes to the
14 Basic insurance model.

15 What we've also heard in this hearing
16 is that new legislation may scuttle regulatory work
17 over the last eight (8) or nine (9) years. This is --
18 so work towards what we would refer to as an evidence-
19 based decision regarding any changes in the Basic
20 insurance model may now be scuttled by legislation
21 which proposes to enshrine the registered owner model.

22 MPI has confirmed its position that if
23 this bill passes, it will no longer be required to
24 pursue the Basic insurance model project ordered by
25 this Board. We do note, though, that legislation has

1 not yet received Royal assent and has only gone
2 through first reading as of October 6th, 2025.

3 We also note on the next slide that, in
4 our clients' view, there's still work to do towards an
5 evidence-based decision on a Basic insurance model --
6 namely, MPI has not conducted a pricing study to
7 assess the impacts of a change to a primary driver
8 model.

9 So, in our clients' view, it's not
10 possible to know what the impacts to affordability and
11 to Manitoba households would be of a change. There's
12 also no credible and unbiased assessment of public
13 opinion with respect to a change in the Basic
14 insurance model.

15 Our clients were surprised to see the
16 legislature relying on what they referred to as -- as
17 public opinion, given the Board's finding last year
18 that it was placing little to no weight on Leger's
19 findings regarding customers' views of the current
20 rating model, satisfaction with the current rating
21 model, or any relative assessment comparing models.

22 The Board will recall that there were
23 serious questions raised in cross-examination last
24 year regarding the information shared with customers
25 who were being surveyed through this work.

1 And so, this leads our clients to
2 recommend on the next page that the DSR scale should
3 be expanded to plus 20, that MPI should be directed to
4 move one third toward the actuarially indicated
5 discounts, that MPI should be directed to consider DSR
6 levels as a categorical variable, that the PUB
7 recommend to government that PUB should retain
8 jurisdiction with respect to the Basic insurance
9 model, and that MPI should be enabled to conduct a
10 pricing study with respect to the primary driver
11 model.

12 And then, should PUB jurisdiction be
13 confirmed, MPI should be directed to continue the work
14 towards collecting the necessary data for a pricing
15 study for the primary driver model and to conduct
16 public engagement relating to the Basic insurance
17 model. And our clients would recommend seek --
18 stakeholder input regarding the methodology.

19 Madam Chair, I will not go through this
20 slide in detail given that it was a relatively small
21 issue of focus for our clients this year, but the
22 Board will have our written submissions on this issue
23 relating to driver premiums.

24 We heard from -- from MPI about some
25 difficulties in allocating the costs of driver

1 premiums to specific benefits.

2 And so, on the next page, I'll just
3 relay the recommendation from our clients, which is
4 that MPI should report back on the amount of PIPP
5 benefits that are not covered by vehicle premiums, and
6 the rate impact if these benefits were to be included
7 in vehicle premiums rather than covered by driver
8 premiums.

9 Similarly, I will not spend much time
10 on this issue on pages 117 and 118. Our clients did
11 explore public engagement with respect to the request
12 for proposals and the scope of work relating to
13 traumatic brain injuries, and recognizing that the
14 issue of diagnosis and benefits for traumatic brain
15 injuries came to the PUB through MPI customers and
16 PIPP claimants.

17 On the next page, our clients would
18 recommend the PUB should direct that public
19 consultations form part of the scope of work of the
20 vendor for this work once it is engaged.

21 And so, to end off this particular
22 section, our clients' recommendation relating to the
23 overall just and reasonable rates for Basic would
24 start with that 2.07 percent, then would subtract 1.8
25 percent to apply the 2025 GRA approach to mobility

1 parameter. It would then add 0.81 percent
2 approximately based on the Oliver Wyman
3 recommendations on loss trends.

4 It would then add approximately 2
5 percent for rate group movement capped at plus 3, and
6 would finally subtract 0.5 percent for the rate update
7 impact filed by MPI.

8 And so, recognizing that there -- there
9 would be interactions between a lot of moving pieces,
10 we've calculated that to be approximately a 2.58
11 percent rate increase.

12 And it's important for our clients to
13 note that the impact on consumers of this particular
14 rate increase for Basic would be in addition to the
15 impacts on consumers of the rate group expansion, the
16 impact of the Basic deductible increase, as well as
17 outstanding deferred initiative expenses which would
18 impact rates next year and into the future.

19 Madam Chair, we're moving into our last
20 two (2) sections which are much more brief than some
21 of our past sections. In section 9, we discussed
22 transparency and process.

23 In testimony -- or in cross-examination
24 rather -- we confirmed that MPI desires to be
25 accountable and transparent in the way that it spends

1 ratepayer funds, which includes being accountable for
2 transparent -- and transparent to Manitobans and to
3 the Public Utilities Board.

4 In our clients' view, there are
5 opportunities for increased transparency with respect
6 to the actions MPI takes which directly impact the
7 rate indication for Basic.

8 There's also opportunities for
9 increased transparency with respect to the impact on
10 particular groups of consumers and the impact on
11 Extension, the Extension line of business, recognizing
12 the interconnectedness of the two (2) lines of
13 business, and also that MPI holds the vast majority of
14 that market in Manitoba.

15 Opportunities for increased
16 transparency in rate applications is a common theme
17 for CAC in particular. CAC flagged a lack of
18 transparency in the 2025 GRA relating to proposed
19 increases to the driver premium and to Extension rates
20 and lack of -- or opportunities for improved
21 transparency were also flagged by independent experts
22 from Oliver Wyman this year.

23 And we think their -- their dialogue --
24 their discussion on this, both in their presentation,
25 their report, and their testimony was quite

1 compelling. So, we've included some of that on this
2 page, but I'll just point to the very last quote here.
3 What Mr. Chan said was:

4 "We're trying to achieve a better
5 outcome for here is better
6 transparency for the Board, better
7 transparency for the public, and
8 better transparency for everyone
9 involved in this process."

10 And that resonated a lot with our
11 clients. And so our clients' recommendation relating
12 to transparency in rate applications is that the PUB
13 should accept Oliver Wyman's recommendations and
14 direct MPI to file as a minimum filing requirement
15 rate indication which describes the total change in
16 required premium to achieve rate adequacy,
17 irrespective of proposed changes -- so having a clear
18 transparency about the actions it has taken to reduce
19 that rate indication all in one place rather than
20 throughout the application or in IRs and also
21 requested rate change which includes premium impacts
22 on consumers of all requested changes.

23 Madam Chair, we have -- the next two
24 (2) slides are about the rate update. In our clients'
25 view, this is again kind of a balancing act. It does

1 provide more recent information which is not
2 guaranteed in terms of actual results.

3 We do note from our clients'
4 perspective, the rate update does cause significant
5 work for all parties, very close to the start of the
6 GRA hearings.

7 We do note that there may be particular
8 circumstances where global or local events lead to
9 significant changes in assumptions and forecasts
10 between the rate filing and the start of the GRA
11 hearing. And so, flexibility may be required to
12 account for those changes.

13 And so, on the page -- on the next
14 page, our clients do not take a position with respect
15 to MPI's proposal to abandon the practice of filing a
16 rate update, but it does recommend that it be open to
17 the Board and Interveners to request updated
18 assumptions and associated proformas and implications
19 for rate indications, either in Information Requests
20 or pre-asks, where it is warranted in light of
21 particular circumstances.

22 And that brings us to our concluding
23 section, Section 10. Madam Chair, on behalf of our
24 clients we've attempted to demonstrate that tangible
25 results are lacking in MPI's 2026 GRA. And that there

1 are early warning signs that they may not materialize
2 in the future.

3 While aspirations and processes are
4 important, delivering outcomes for ratepayers is what
5 matters most to ratepayers. In the 2026 GRA, we have
6 seen a rate increase aligned with inflation, but which
7 masked the real costs to ratepayers.

8 MPI has talked a lot about the
9 importance of affordability but has passed on
10 additional costs to its customers over and above that
11 2.07 percent increase in other ways through the Basic
12 deductible change, the rate group changes and deferred
13 initiative expenses.

14 And as we've noted, these actions to
15 reduce the overall rate indication in the 2026 GRA
16 will not always be available in future years.
17 Combined with this, our clients have attempted to
18 point out early warning signs that MPI will not
19 deliver tangible outcomes in the future which, in our
20 clients' view, creates acute risks of future rate
21 increases that may be over and above the rate of
22 inflation.

23 And so that leads our clients to
24 conclude, on the next slide -- slide, that continued
25 oversight and direction from this PUB is required to

1 ensure MPI will deliver superior value to ratepayers
2 in the form of tangible outcomes on affordability,
3 accountability and transparency.

4 And we want to finish off our
5 presentation over the next three (3) slides with our
6 clients' view of the value of the regulatory oversight
7 -- of regulatory oversight, pardon me, which they see
8 as consumer protection and superior ratepayer value.

9 And our clients' view, the objective of
10 regulatory oversight is to hold MPI accountable, to
11 find efficiencies and improvements in processes and
12 capabilities in order to develop -- to deliver the
13 best product at the best price for all Manitobans.

14 In a competitive marketplace, MPI's
15 Basic line of business would otherwise feel this
16 pressure. It would have to compete in order to gain
17 customers. And so, PUB regulation and oversight acts
18 as a proxy to that competition and protects ratepayers
19 from unfair rates.

20 In our clients' view, even though MPI
21 operates in a monopoly for Basic, it must still earn
22 its customers' trust and, therefore, its customers'
23 business through its accountability and transparency
24 in PUB hearings, but also by delivering tangible
25 outcomes.

1 When customers and the regulator trust
2 MPI, the Corporation can focus on its core business
3 which is delivering the best product at the best value
4 for Manitobans.

5 We acknowledge that the regulatory
6 oversight and this hearing process asks tough
7 questions of MPI and our clients are extremely
8 grateful for the hard work of thousands of employees
9 on a daily basis of running the Corporation and, in
10 particular, in responding to the many questions
11 throughout this process.

12 Going to the next page, in our clients'
13 view, regulatory oversight by this Board is a
14 cornerstone of Manitoba's Public Insurance model. The
15 PUB's review ensures rates are fair, evidence-based
16 and aligned with public interest. It allows for
17 rigorous financial and actuarial analysis to MPI's
18 proposed rate changes ensuring it reflects cost
19 pressures, balanced with strategically balanced
20 mitigation strategies aligned with the core mandate of
21 the Corporation.

22 The PUB ensures that rate increases are
23 justified and are minimized balancing MPI's financial
24 sustainability with the affordability for drivers.

25 And in our clients' view, and I think

1 we can -- we can point to many examples in past PUB
2 Orders, that this process has often led to
3 recommendations or conditions that improve MPI's
4 internal practices, such as data transparency, risk
5 modeling or customer service standards. And,
6 importantly, it also allows for public input on
7 broader policy issues, like rebate programs,
8 investment strategies or emerging technologies in auto
9 insurance.

10 In our clients' view, the benefits of
11 regulatory oversight are evident and have been evident
12 in the past. The Consumers Coalition sees the benefit
13 of regulatory oversight as they are borne out in
14 customers' rates.

15 Manitoba has some of the lowest auto
16 insurance rates in the country and 73 percent of
17 Manitobans currently think rates are affordable. In
18 our clients' view, accountability drives prudence and
19 efficiency for the benefit of Manitoba ratepayers.

20 And the Consumers Coalition is proud to
21 assist the PUB in its oversight role, which brings
22 such value to us all, as Manitobans, including by
23 providing submissions and recommendations to assist
24 the Board in its decision-making process and to MPI
25 and its delivery of an essential service to

1 Manitobans.

2 And on the next page, subject to any
3 questions, Madam Chair, those will conclude the
4 submissions of the Consumers Coalition. Thank you.

5 PANEL CHAIRPERSON: Thank you very
6 much, Ms. Dilay. Mr. Ireland...?

7 BOARD MEMBER IRELAND: Hi, just a
8 little clarity, if you would.

9 On slides 48 through 51, you spoke
10 about the Physical Damage Research Center and RCAR.
11 And, just looking for clarity around your expectation,
12 or your clients' expectation, 'cause my understanding,
13 and correct me if I'm wrong, but my understanding of
14 RCAR is that there are no Canadian participants or
15 partners and only two (2) American partners; US
16 Highways, who's significantly larger than MPI and
17 State Farm, is the other one.

18 And you reference also that -- well, I
19 guess I'm wondering, is -- are you looking to have MPI
20 reopen the Physical Damage Center, 'cause it seems
21 that your client believes that they can influence
22 areas of focus with regards to claims.

23 And given the relative size of MPI, no
24 disrespect, but relative to other national Canadian
25 companies, and certainly American companies, MPI is a

1 very small player. And their ability to influence,
2 I'm not too sure about. That's not to say they
3 shouldn't participate with somebody like RCAR on an
4 information standpoint, but is that what you're
5 looking for, is participation with a company like that
6 and opening the Physical Damage Center?

7 MS. KATRINE DILAY: That's a very
8 important question and I'll just confer with Mr.
9 Klassen to make sure I touch upon all of our points.

10

11 (BRIEF PAUSE)

12

13 MS. KATRINE DILAY: Thank you, Mr.
14 Ireland.

15 And so, we were quite careful on slides
16 48 to 50 to say that this is a -- this is an example.
17 And in our recommendations, you will not see nor a
18 directive or recommendation that MPI be a member of
19 RCAR.

20 We provide this as an example where, in
21 our clients' view, where MPI may not be using all the
22 tools that could be at its disposal and certainly has
23 not provided an evaluation of tools, including their
24 costs and their benefits for Manitobans in a more
25 strategic and systematic approach to mitigating the

1 impacts of cost claims.

2 So, while this is an example where, in
3 our clients' view, it was unclear the justification
4 for leaving RCAR and the move away from some of that
5 proactive research, given what MPI attempts to do in
6 terms of being ready for what's ahead, in our clients'
7 view seemed incompatible. And in the evidence we saw,
8 we did not see that systematic approach to evaluating
9 the tools that are available to them.

10 And so that would be that the thrust of
11 that recommendations is a more robust evaluation of
12 those tools, so that this Board and stakeholders can
13 be assured that MPI is exploring all of those tools,
14 including potential innovative tools.

15 While, you know, participation in RCAR
16 may end up not being the right option for MPI, you
17 know, it -- it could be an example of -- of somewhere
18 where MPI could punch above its weight, recognizing
19 its relative size. But we're certainly not
20 recommending that they -- that they become a member
21 right away.

22 BOARD MEMBER IRELAND: Thank you.

23 PANEL CHAIRPERSON: Ms. Sharman...?

24 BOARD MEMBER SHARMAN: I have no
25 questions. Thank you.

1 PANEL CHAIRPERSON: Thank you. I have
2 a question related to the increase in the Basic
3 deductible to one thousand dollars (\$1,000).

4 Do your clients have a position with
5 regard to the negative marketing option that's being
6 presented?

7

8 (BRIEF PAUSE)

9

10 MS. KATRINE DILAY: Thank you for your
11 patience, Madam Chair.

12 It is certainly a consideration for our
13 clients when they deliberated on this particular
14 issue. However, they had to balance that -- what we
15 refer to as that negative option with the potential
16 impacts on consumers, if that did not exist.

17 So, if consumers, rather than being
18 mapped to their current level of coverage were mapped
19 to the Basic -- the new Basic level of coverage. And
20 for consumers who may be -- did not read very
21 carefully their materials, were moved to a one
22 thousand (1,000) level and then had to make a claim,
23 and then realized what their deductible amount was,
24 that could have a -- quite a significant impact on
25 consumers.

1 So, they see risks either way of this
2 approach. They did note that in -- when the product
3 last changed, the approach used by MPI was the one
4 that they are currently proposing and that consumers
5 appeared to -- to accept that process.

6 PANEL CHAIRPERSON: Thank you, Ms.
7 Dilay.

8 We're just past quarter to 12:00. Ms.
9 Meek, would you like to start now or start after
10 lunch?

11 MS. CHARLOTTE MEEK: At -- at the
12 discretion of the Board, Madam Chair. I'm -- I'm
13 ready to proceed now if you'd prefer. I think I'll
14 be, kind of, fifteen (15) to twenty (20) minutes. So,
15 I could -- I could fit it in before lunch, but I could
16 also start after the break.

17 PANEL CHAIRPERSON: Okay. Well, let's
18 proceed and, please, Ms. Meek on behalf of the CMMG.

19

20 CLOSING COMMENTS BY CMMG:

21 MS. CHARLOTTE MEEK: Thank you, Madam
22 Chair, and good morning to the Panel, Board Counsel,
23 other Interveners and members of the public.

24 My name is Charlotte Meek and I'll be
25 providing closing submissions on behalf of the

1 Coalition of Manitoba Motorcycle Groups or CMMG.

2 CMMG has been intervening in the
3 General Rate Application for over thirty (30) years
4 and appreciates the opportunity to, again, provide
5 submissions for the 2026 GRA.

6 In the course of this hearing, CMMG
7 represents the interests of motorcyclists in the
8 Province of Manitoba and intends to provide insight to
9 the Board on how issues in this application affect
10 motorcyclists and are of particular interest to the
11 motorcycle class.

12 Before moving any further, I'd like to
13 file the closing submissions of CMMG as Exhibit 4.

14

15 --- EXHIBIT NO. CMMG-4: Closing Submissions of CMMG

16

17 MS. CHARLOTTE MEEK: And I'll provide
18 a -- just a quick summary. I'm going to touch on four
19 (4) major issues in my closing submissions today,
20 being ratemaking and the Basic deductible change. The
21 second being the discontinuation of the rate update.
22 The third being the DSR scale and Basic insurance
23 model, and finally investments.

24 So, starting with ratemaking and the
25 Basic deductible changes. In the 2026 General Rate

1 Application, the Corporation has applied for a
2 relatively minor overall rate increase, but is
3 concurrently seeking to make cost adjustments to other
4 products to fulfill revenue requirements.

5 The adjustment to increased deductible
6 amounts in this year's GR -- amounts in this GRA --
7 year's GRA comes just one year after the Corporation
8 sought and was granted a ten dollar (\$10) increase to
9 driver licensing premiums in the 2025 GRA.

10 In last year's application, CMMG raised
11 concerns with respect to transparency for customers
12 where a portion of the revenue requirement was
13 obtained by product changes to avoid a higher rate
14 increase. Again, in this application, the same
15 approach is being utilized.

16 The Corporation has proposed a
17 methodology whereby customers who are not currently
18 Extension customers, will be automatically
19 transitioned to Extension coverage, with a requirement
20 that they attend in-person to their insurance broker
21 to opt out of coverage.

22 While the CMMG does have concerns with
23 customers being automatically registered for MPI
24 Extension products, the alternative, where a customer
25 is involved in an accident and faces higher than

1 expected deductible is problematic. As a result, CMMG
2 is supportive of the process proposed by the
3 Corporation to automatically transition customers to
4 an Extension product that ensures the deductible
5 previously held by the customer remains consistent.

6 MPI has outlined that the changes in
7 the deductible amount will be clearly particularized
8 in the notices provided to customers prior to their
9 annual assessment. Despite this notification, CMMG
10 does continue to be concerned that customers may not
11 review their notices in detail enough to understand or
12 be aware of the adjustment; the result being, that
13 customers may be registered for a product that they
14 don't want.

15 CMMG is supportive of MPI's plan to
16 update customers through social media updates and
17 other publications. But CMMG notes, and cautions MPI,
18 that it's important that the messaging provided by the
19 Corporation is clear, and plainly states the customers
20 will be automatically registered for Extension product
21 and are required to opt-out to avoid fees associated
22 with that product.

23 Affordability has been a -- a major
24 subject throughout this Application. And I want to
25 have a brief discussion about the affordability and

1 how it impacts the motorcycle class, particularly.

2 The Basic deductible change has been
3 touted by the Corporation as an effort to promote
4 affordability for customers. By increasing the
5 deductible level, the Corporation has been able to
6 reduce the overall Basic rate ask by approximately 3
7 percent, from 5.01 percent to 2.07 percent.

8 When this is broken down by major
9 class, the evidence shows that the private passenger
10 class enjoys a rate reduction of 2.85 percent, whereas
11 the motorcycle major class experiences a rate
12 reduction of only 0.89 percent.

13 The motorcycle class does not enjoy the
14 same benefit as the private passenger class, as
15 motorcycle Basic insurance is limited to collision and
16 third-party liability only excluding comprehensive
17 coverage.

18 So, this deductible change advertised
19 as an affordability measure provides only limited
20 benefit to the motorcycle class in terms of
21 affordability, while at the same time, increasing
22 costs for motorcyclists who wish to retain the same
23 deductible level.

24 In his closing, Mr. Guerra, for MPI,
25 noted that levers were pulled by MPI in order to

1 assure ashore -- affordability in this General Rate
2 Application. As he then went on to note,
3 unfortunately, most of those levers pulled did not
4 provide significant benefits to the motorcycle class.

5 This also includes changes to the CLEAR
6 rate groups, which did not provide any benefit to the
7 motorcycle class either.

8 CMMG is concerned that given the -- the
9 small numbers of customers in the motorcycle major
10 class as compared to customers in the private
11 passenger class, the impact of proposed changes on the
12 motorcycle class are overlooked.

13 In my client's view, the interests of
14 motorcycles are also overlooked as it relates to
15 interest rate sensitivity. The motorcycle rate
16 indication continues to be heavily impacted by
17 fluctuations in investment return.

18 In this year's Application, the June
19 filing required a rate increase for motorcycles of 5.8
20 percent. By the time of the rate update, the rate
21 indication for motorcycles had shifted to 4.46
22 percent, although that adjustment is not being pursued
23 by the Corporation.

24 During the hearing, it was confirmed
25 that for every shift in New Money Yield of 10 basis

1 points, the motorcycle rate indication decreases or
2 increases by 0.5 percent. This is almost three (3)
3 times higher than the impact for the private passenger
4 class.

5 While the Board has previously noted a
6 concern with the sensitivity of motorcycle rates to
7 changes in interest rates, little action has been
8 taken by the Corporation to address this issue.
9 Evidence was presented by MPI that following the
10 previous ALM study, Mercer had provided some
11 examination as to the duration of motorcycle
12 liabilities.

13 Ultimately, Mercer opined that the
14 duration of motorcycle liabilities were not
15 sufficiently different from the analysis of the Basic
16 long portfolio to warrant any further examination.
17 Consequently, no further action was taken.

18 It is often repeated by the Corporation
19 that the motorcycle class benefits the most from
20 investment income, but the converse is also true. As
21 investment yields diminish, the required premium for
22 motorcycles increases more dramatically than other
23 classes. Motorcycle rates continue to experience a
24 high amount of volatility related to fluctuations in
25 interest rates.

1 CMMG makes the following
2 recommendation: that the Corporation be directed to
3 provide tangible solutions to address interest rate
4 sensitivity for the motorcycle class in the next GRA
5 being the 2027 GRA.

6 The next topic I'll briefly discuss is
7 the discontinuation of the rate update. So, as the
8 Board is aware, there's a proposal before this Board,
9 in this year's Application, to discontinue the
10 practice of requiring MPI to file a rate update in
11 future applications. MPI has also sought to set the
12 rate indication based on the June filing in this
13 year's Application, rather than the update filed on --
14 in September -- on September 25th.

15 So, my clients acknowledge the
16 significant effort that is taken by MPI staff in
17 preparing the rate update. The analysis provided by
18 MPI with respect to the accuracy of forecasts based on
19 the original filing, as compared to the rate update,
20 provided helpful information as to the necessity of
21 the process.

22 My clients were particularly persuaded
23 by the Corporation's evidence that the rate update has
24 been no more accurate than the initial filing. In
25 terms of the impact on the rate application process,

1 the filing of the rate update, late into the discovery
2 process, also demands increased hours for Interveners
3 to review and understand the implications of the
4 updated numbers.

5 The rate op -- update often makes
6 previous IRs irrelevant, as the rate update supersedes
7 the previous calculations, necessitating additional
8 questions, and demanding further responses from the
9 Corporation. CMMG, as a result, supports the request
10 by MPI to discontinue the requirement that a rate
11 update be filed in every application.

12 But CMMG also notes that there may be
13 facts scenarios, or world events, that make an update
14 to the forecast reasonable, or necessary for the
15 accuracy of rate setting.

16 CMMG proposes that the Board or
17 Interveners should have recourse to request a rate
18 update from MPI where the factual circumstances
19 warrant such an update. This may occur where there
20 have been significant changes in investment returns,
21 or claims data, or some other relevant consideration,
22 which would result in a substantially different rate
23 indication.

24 On this basis, CMMG makes the following
25 recommendation: that the Corporation's request to

1 discontinue the use of the rate update be approved,
2 with a caveat that rate updates may be required by the
3 Board in future applications where the circumstances
4 warrant it.

5 The next area is the DSR scale, and the
6 Basic insurance model. The DSR scale has continued to
7 be adjusted in accordance with previous directives
8 from the PUB Board, and pl -- CMMG is pleased to see
9 these adjustments, but remains concerned that as
10 discounts for rates for high DSR drivers climb, the
11 incentive for motorists to register their vehicle with
12 someone who is not the primary driver would also
13 increase.

14 The Corporation has reported that, in
15 this year's Application, that 34 percent of collisions
16 are caused by motorists who are not the registered
17 owner of the vehicle, which is comparable to the
18 figures provided in the 2022 GRA.

19 CMMG intends to continue to monitor
20 this data in future applications to examine whether a
21 -- a change occurs with the adjustment of DSR levels
22 moving forward.

23 In this GRA, no fut -- further progress
24 was made with respect to a transition to the primary
25 driver model. The Corporation continued to assert the

1 position that it's unable to collect data from
2 customers without legislative change. And as we're
3 all aware, shortly before the commencement of the
4 hearing, government introduced legislation seeking to
5 enshrine the registered owner model into law.

6 Given this proposed legi -- legislative
7 change, it appears that the jurisdiction of this Board
8 to facilitate a change to a more actuarially sound
9 system will be undercut. My client's view the PUB
10 provides an essential role in ensuring automotive
11 rates for Manitobans are just and reasonable.

12 As confirmed in the Court of Appeal
13 decision from the 2022, the PUB was determined to have
14 jurisdiction -- to order a change in the DSR model.
15 CMMG is concerned with the apparent removal of that
16 jurisdiction dictated by the proposed legislative
17 change.

18 As a result, my clients provide the
19 following recommendations: that the PUB approve the
20 applied for adjustments to the DSR scale; that the PUB
21 make a directive that MPI continue to transition DSR
22 levels to more actuarially indicated discounts, in the
23 2027 GRA; and, that the PUB issue a recommendation to
24 the Government of Manitoba to retract the proposed
25 legislative scheme to enshrine the registered on a

1 model into legislation.

2 A final issue that I'll -- I'll touch
3 on today is the issue of investments. So, I first
4 want to talk about some of the -- some of the history
5 in terms of the ALM studies that have happened. So,
6 there've been several ALM studies that have been
7 completed in previous years. There was an ayon -- ALM
8 study filed in the 2020 -- 2016 GRA, and following the
9 completion of that study, there were a significant
10 number of recommendations that were made, resulting in
11 a directive for an updated study to be filed in the
12 2019 GRA. As well, there was also an order for a
13 technical conference to be held on that new study.

14 More recently Mercer has been -- Mercer
15 completed a study in the 2022 GRA, which was filed --
16 or pardon me, completed a study in 2022, filed as part
17 of the 2023 GRA.

18 And, following that study, certain
19 recommendations were not implemented by MPI,
20 specifically, as it relates to real return bonds.
21 Resulting from that pivot, the Corporation then re-
22 engaged Mercer for an analysis of the Basic claims --
23 Basic portfolio, and whether it was on the Efficient
24 Frontier.

25 So, my clients submit that there's a --

1 a pattern following previous ALM study processes that
2 demonstrates that Interveners have provided insightful
3 feedback as to the methodology, assumptions and
4 constraints within the studies that have been
5 completed.

6 Intervener feeda -- feedback has led to
7 this Board ordering the Corporation to facilitate
8 updates to the study to consider the recommendations
9 from interveners. To promote efficiency and
10 proportionality, consultation with Interveners and the
11 Board should occur prior to the commencement of a new
12 study, or in the early stages to allow feedback with
13 respect to the methodology undertaken by the external
14 consultant.

15 I now want to talk a little bit about
16 compliance with a directive arising from last year's
17 General Rate Application. So, following the order
18 arising from the 2025 General Rate Application, the
19 Corporation sought to vary, with respect to the filing
20 of ALM study, as particularized in Directive 26 of
21 Board Order 2/'25.

22 So, as the Board will recall, the
23 directive was varied in Board Order 29/'25 to allow
24 the Corporation to present the ALM study in the 2028
25 GRA, with a further stipulation, that MPI may not

1 implement a new investment strategy prior to
2 examination of the ALM study by Board and Interveners.

3 During the hearing, MPI floated a
4 potential arrangement where a technical conference on
5 the ALM study could be held in the summer of 2026,
6 potentially in August. During cross-examination, Ms.
7 Jatana confirmed that it's anticipated that approval
8 of changes to the asset mix by the investment
9 committee could potentially occur between November of
10 2026 and February of 2027, with implementation to then
11 follow shortly thereafter.

12 Mr. Scarfone confirmed that the opinion
13 of the Corporation was that where a technical
14 conference was held in the summer of 2026, allowing
15 review of the ALM study, the Corporation would then be
16 in compliance with directive 26.

17 CMMG respectfully disagrees with the
18 opinion of the Corporation in that regard. While a
19 technical conference provides the opportunity for
20 stakeholders, including Interveners and PUB Counsel to
21 learn, ask questions and provide feedback on specific
22 issues, the PUB Board panel has not historically
23 attended these conferences.

24 Without the opportunity for the Board
25 to examine the ALM study, MPI will not be in

1 compliance with directive 26. Further, it's notable
2 that a technical conference does not provide the
3 opportunity for cross-examination of witnesses and
4 does not result in directives being issued.

5 As a result, a technical conference
6 provides an information sharing, and roundtable
7 discussion that's not supported by directives to the
8 Corporation. As a result, it's the position of CMMG
9 that before implementation of a new asset mix by the
10 Corporation, that the ALM study must be examined in
11 the course of a General Rate Application.

12 Notwithstanding those comments with
13 respect to compliance of Directive 20-26, CMMG is open
14 to the -- to a technical conference being held on the
15 ALM study. A technical conference on the issue will
16 assist stakeholders in gaining a deeper understanding
17 of the study outside of the pressures of the rate
18 application process.

19 MPI's proposed timeline for the
20 technical conference to occur in August of 2026
21 appears to be scheduled in consideration of the
22 presentation to the investment committee for approval
23 of asset mixes between November 2026 and February of
24 2027. Whether or not a technical conference occurs
25 during the proposed time, a fulsome examination of the

1 ALM study will not have been facilitated before this
2 Board before the potential presentation to the
3 investment committee in early '26 -- or sorry, late
4 '26 or early '27.

5 In CMMG's view, it was the intention of
6 Directive 26 of Board Order 2/'25, to ensure that a
7 fulsome examination of the upcoming ALM study had been
8 completed before a final decision is made by MPI with
9 respect to asset mixes. Where asset mix decisions
10 have been finalized by the investment committee before
11 review of the ALM study in the 2028 GRA, this Board
12 will be in a position to only retroacti --
13 retroactively review and comment on the ALM study, and
14 the decisions of the investment committee rather than
15 being able to provide recommendations to MPI as it
16 relates to the asset mix decisions.

17 The proposed schedule from MPI for a
18 technical conference in August of 2026 would also
19 interfere with the R -- IR process for the 2027
20 General Rate Application. To allow reasonable
21 opportunities for all parties to prepare for such a
22 conference, a timeline that does not conflict with the
23 2027 GRA, in my client's view, is better suited.

24 A technical conference instead, held in
25 February or March of 2027, would allow all parties to

1 fully participate, and the results of the conference
2 would then be available for the filing of the 2028
3 GRA.

4 I want to briefly discuss the shadow
5 portfolios that the Board will be fairly familiar
6 with, which have been discussed over the last several
7 General Rate Applications. The shadow portfolios were
8 developed after the completion of the 2018 Mercer ALM
9 study, and after asset selections were made by the
10 Corporation following that study.

11 Following presentation of that revised
12 ALM study in the 2019 GRA, the Board noted that the
13 Corporation may have forgone an opportunity to hedge
14 against long-term risks by rejecting RRBs and reducing
15 real assets. To examine this possibility, the Board
16 directed the Corporation to develop shadow portfolios,
17 the results of which, were expected to assist in
18 determining whether the portfolio selection by the
19 Corporation provided optimal returns. Through the
20 shadow portfolios, the Board intended to create a test
21 to evaluate the wisdom, or lack of wisdom, of the
22 Corporation's selected asset mix. The shadow
23 portfolios were developed in 2020.

24 And since that development, the
25 Corporation has been forced to acknowledge that the

1 policy portfolio has underperformed as compared to
2 both shadow portfolio 1 and 2. To be more specific,
3 shadow portfolio 2 took comparable risk to the policy
4 portfolio, while generating higher returns, and shadow
5 portfolio 1 took on less risk, while generating
6 comparable returns to the policy portfolio.

7 The Corporation's statement at the
8 commencement of this hearing that the ALM study has
9 been highly effective, fails to consider the
10 opportunity cost resulting from the self -- self-
11 imposed constraints on the Basic portfolio.

12 And I just want to note, that during
13 the closing submissions yesterday by Mr. Scarfone, he
14 referenced that, historically, CMMG has advocated for
15 the inclusion of equities into the Basic claims
16 portfolio. And he talked about how, for MPI, the
17 management of the portfolio is focused on a balancing
18 between backing liabilities or outperforming the
19 benchmark.

20 In CMMG's view, it doesn't have to be
21 either/or. Mr. Scarfone gave a hypothetical example
22 where MPI moved from a 90 percent allocation of fixed
23 income assets to a 50 percent allocation, and -- and
24 what the effect on rates may be in that case.

25 And in my client's view such an extreme

1 example is not what CMMG has been advocating for in
2 past GRAs. CMMG instead has been advocating for an
3 allocation -- or small allocation of equities, as well
4 as other assets, to create a more balanced portfolio.
5 And so, it's to have discussions like this and provide
6 feedback like this as to why CMMG is seeking to be
7 involved in the methodology for the next ALM study, as
8 previously discussed.

9 So, finally, on the shadow portfolios,
10 this test case initiated by the Board in 2019 has
11 provided some helpful insights into the asset mix
12 decisions made by the Corporation in recent years.

13 And these results, in my client's view,
14 should be carefully considered by this Board as we
15 move on to an examination of the next ALM study.

16 And finally, briefly, CMMG filed a
17 joint report with the Consumers Coalition this year,
18 authored by Mr. Viola in this hearing. The report and
19 Mr. Viola's testimony examined the issues of
20 performance attribution at the total portfolio level
21 as distinct from manager levels.

22 My colleagues at the Consumers
23 Coalition have already provided a summary of Mr.
24 Viola's evidence. And so, CMMG supports the
25 recommendations made by Mr. Viola in respect to

1 performance attribution reporting to be conducted by
2 the outsourced chief investments officer.

3 So, the final recommendations made by
4 CMMG in this year's hearing are as follows: a finding
5 that MPI's asset mixed decisions have foregone the
6 opportunity for greater returns, while being exposed
7 to the same level of risk;

8 that MPI be directed to facilitate an
9 information session to allow for input from
10 Interveners on the methodology of the ALM study, in
11 the early stages of development of the study;

12 that MPI be directed to allow
13 examination of the ALM study by the Board and
14 Interveners prior to determination being made with
15 respect to asset mixed decisions by the investment
16 committee;

17 and finally, a directive that the OCIO,
18 engaged by MPI, proform -- provide performance
19 attribution reporting consistent with the
20 recommendations of Mr. Viola at the total portfolio
21 level.

22 So, before concluding my submissions
23 today, I'd like to just take a brief opportunity to,
24 again, thank Mr. Glenn Bunston for his work in the
25 hearing over the years, and wish him well in his

1 retirement.

2 As well, my clients wish to thank Mr.
3 Guerra for his work through the last several GRAs and
4 wish him the best in his future endeavors as he
5 departs MPI.

6 So that concludes the submissions of
7 CMMG, subject to any questions from the Board.

8 PANEL CHAIRPERSON: Thank you, Ms.
9 Meek. Mr. Ireland...? Ms. Sharman...?

10 BOARD MEMBER SHARMAN: No questions,
11 thank you.

12 PANEL CHAIRPERSON: Thank you very
13 much. We'll break for lunch now and come back at 10
14 after 1:00 with Taxi Coalition, please.

15

16 --- Upon recessing at 12:11 p.m.

17 --- Upon resuming at 1:10 p.m.

18

19 PANEL CHAIRPERSON: Thank you. Ms.
20 Kotyk...?

21

22 CLOSING COMMENTS BY TAXI COALITION:

23 MS. ALISEN KOTYK: Good afternoon,
24 Madam Chair, PUB members, PUB Counsel, counsel for the
25 Interveners, and MPI. My name is Alisen Kotyk. And

1 I'm appearing on behalf of the Taxi Coalition. Not
2 appearing with me today is my co-counsel, Karen
3 Wittman.

4 Ms. Schubert...? Oh. June 25th,
5 2025, Manitoba Public Insurance filed its 2026 General
6 Rate Application with the Public Utilities Board for
7 premiums to be charged with respect to compulsory
8 vehicle insurance of the upcoming insurance year.

9 The Taxi Coalition was granted
10 Intervener status on a limited basis to address issues
11 and make submissions related to a prospective Vehicle
12 for Hire framework, the timelines for bringing forward
13 a new Vehicle for Hire framework, and a timeline for
14 status updates and the completion of the telematics
15 project.

16 The Taxi Coalition very much
17 appreciates the opportunity to be able to participate
18 in the GRA and to be able to continue to advocate for
19 the development of a new or revised Vehicle for Hire
20 framework that is fair and equitable to all.

21 The Taxi Coalition also very much
22 appreciates the opportunity to be able to ask
23 questions and explore alternative options through the
24 Information Request process and to participate in the
25 oral hearing which the Taxi Coalition has kept

1 relatively limited given its limited Intervener
2 status. The Taxi Coalition will similarly keep its
3 closing remarks relatively brief.

4 The main reason for the Taxi
5 Coalition's intervention in this year's GRA is the
6 ongoing absence of a revised Vehicle for Hire
7 framework. The Taxi Coalition seeks the Board's
8 assistance in regard -- in this regard in order to
9 ensure that progress is made.

10 Since the initial introduction of
11 Transportation Network Companies, or TNCs, back in
12 2018, there has been a steady increase in passenger
13 VFH, Vehicle for Hire, insured vehicles year after
14 year.

15 As of last year, the number of
16 passenger Vehicle for Hire were estimated to have
17 almost quadrupled since their initial introduction.
18 Taxi Vehicle for Hire numbers in the meantime, have
19 not shown a similar increase and have instead remained
20 relatively consistent. Taxis also continue to have
21 among the highest premium burdens of any use class.

22 In light of the changing Vehicle for
23 Hire landscape and steady increase in the size of the
24 passenger Vehicle for Hire industry, the Taxi
25 Coalition has remained focused on ensuring that

1 premiums charged and insurance products offered are
2 fair, transparent, accurate, and cost-based so as to
3 promote a level playing field within the industry.

4 This is important not only for taxi
5 Vehicle for Hire, but also for the Vehicle for Hire
6 industry generally and is in the interest of the
7 public at large.

8 With this objective in mind, the Taxi
9 Coalition has intervened in the GRA for the past
10 number of years. Many of the issues raised by the
11 Taxi Coalition, including, for example, inequities as
12 between territories within Manitoba, inequities, and
13 premiums across the Vehicle for Hire industry, and
14 MPI's approach to serious loss loading, among other
15 issues, have been addressed in past GRAs.

16 One (1) issue that remains outstanding,
17 however, is the development of a Vehicle for Hire
18 framework that is fair and equitable and takes into
19 consideration the interest of affected stakeholders,
20 including the Taxi Coalition.

21 The current Vehicle for Hire framework
22 was introduced by MPI in 2022 and is known as the time
23 band model. Under the time band model, four (4)
24 separate time bands are created that correspond to
25 certain hours of the day.

1 Vehicle for Hire operators have the
2 option of choosing up to four (4) time bans and the
3 charged correspond to the number of time bans selected
4 by the Vehicle for Hire operator.

5 Since it was introduced in 2022,
6 Vehicle for Hire customers have indicated general
7 dissatisfaction with the time band model which is seen
8 as both ineffective and unpopular for a variety of
9 reasons, a sentiment which has been acknowledged by
10 MPI in past GRAs.

11 MPI has also acknowledged in the past
12 GRAs that the time band model required revision and
13 committed to completing a robust review of its Vehicle
14 for Hire framework and developing a new framework. As
15 part of the proposed revised framework, MPI initially
16 indicated that it would be providing a blanket policy.

17 At the time that a blanket policy was
18 first raised by MPI, MPI assured the Board and
19 Interveners that the blanket policy would not involve
20 cross-subsidization and the technology necessary to
21 participate in the blanket policy would be available
22 to all Vehicle for Hire operators.

23 Although a new Vehicle for Hire
24 framework was introduced at the 2024 GRA which
25 would've involved eliminating the time band model and

1 replacing it with new Vehicle for Hire insurance
2 products, the proposal was ultimately rejected by the
3 Board as a result of the unwillingness of one (1) of
4 the TNCs to share that the TNC deemed confidential,
5 but which data was used to derive the rate upon which
6 the pricing of the entire proposed TNC blanket policy
7 was based.

8 The new blanket policy was also not
9 available to all Vehicle for Hire operators but would
10 have been restricted to TNCs only. As a result of the
11 rejection of the proposed blanket policy at the 2024
12 GRA, the time band model remained in place by default.

13 In the 2025 Gra, MPI did not file a
14 revised Vehicle for Hire framework for approval but
15 indicated an -- an intention to continue to work with
16 Vehicle for Hire stakeholders, including the Taxi
17 Coalition, on developing a future model for the 2026
18 GRA. In the meantime, the time band model remained in
19 place by default.

20 In the 2026 GRA, MPI has not presented
21 a new Vehicle for Hire framework or model and has not
22 proposed any changes to the existing Vehicle for Hire
23 insurance model. Consequently, the time band model
24 continues in place by default.

25 As the Taxi Coalition understands MPI's

1 position, it intends to leave the ball in the Taxi
2 Coalition's court so to speak and does not intend to
3 pursue the development of a new model or a placement
4 by the time band model -- for the time band model at
5 any point in the near future.

6 Although MPI has opined in this year's
7 GRA that its customers are at present content with the
8 time band model, the Taxi Coalition disagrees. The
9 Taxi Coalition further notes that as MPI currently
10 offers no alternative, it is somewhat disingenuous to
11 suggest that customers are content with the time band
12 model.

13 The issue from the Taxi Coalition's
14 perspective is whether the lack of a suitable Vehicle
15 for Hire insurance model is fair and reasonable for
16 all Vehicle for Hire stakeholders and whether MPI
17 should be directed to assume a more active role in the
18 creation of a revised Vehicle for Hire framework that
19 is responsive to its customer's needs.

20 Although MPI maintains that it is
21 willing to work with Vehicle for Hire stakeholders and
22 is committed to continuing to work with them to
23 develop a product that meets their needs, there are to
24 date very little in the way of tangible results, at
25 least with respect to the development of a new Vehicle

1 for Hire insurance model or framework.

2 The Taxi Coalition very much wishes to
3 continue to work cooperatively with MPI with respect
4 to the development of a new Vehicle for Hire
5 framework. In this regard, the Taxi Coalition also
6 acknowledges and wishes to explicitly recognize the
7 steps taken by MPI within the Vehicle for Hire
8 industry, particularly with respect to the telematics
9 initiative and discussions with the Taxi Coalition
10 that have taken place to date with respect to a new
11 Vehicle for Hire framework.

12 As the Board may recall, the telematics
13 initiative is an initiative that was developed with
14 the intention of gathering data on the driving
15 behavior of taxi vehicles and providing
16 recommendations for improvements to reduce claims
17 frequency in the taxi fleet.

18 Although first introduced over two (2)
19 years ago, the telematics initiative remains stalled
20 until this year. The Taxi Coalition is pleased to
21 confirm that the results of the telematics initiative
22 have finally -- have now finally been compiled and
23 were provided to the Taxi Coalition on October 3rd of
24 2025.

25 Although the results were not compiled

1 in time to be fully reviewed prior to the start of
2 this year's GRA application Hearing, the Taxi
3 Coalition is in the process of reviewing the results
4 with its members and with external consultants.

5 The Taxi Coalition wants to take this
6 opportunity to recognize and thank MPI for its work on
7 this initiative and welcome similar opportunities to
8 collaborate in the future.

9 The Taxi Coalition also hopes that it
10 will be able working in collaboration with MPI to use
11 some of the information and data gathered by the
12 telematics initiative to move forward in developing
13 viable alternatives and options to the status quo.

14 In the meantime, however, and while MPI
15 has indicated a willingness to continue to work with
16 stakeholders, including the Taxi Coalition, on
17 developing a future Vehicle for Hire insurance model,
18 the Taxi Coalition is concerned that without a
19 directive or deadline of some sort being imposed by
20 the Board, the development of a new Vehicle for Hire
21 insurance model or framework will fall by the wayside
22 and/or remain stalled indefinitely with the result
23 that the time band model for which virtually all
24 stakeholders have expressed dissatisfaction will
25 remain in place by default.

1 The Taxi Coalition submits that if MPI
2 is committed to designing a product or products that
3 meet the needs of all Vehicle for Hire stakeholders,
4 it should demonstrate that commitment by agreeing to
5 some timelines to bring forward or propose a new
6 Vehicle for Hire model and to commit to working with
7 the Taxi Coalition, among others, in the development
8 of a new framework or model.

9 To this end, and in conclusion, the
10 Taxi Coalition, therefore, recommends that the Board
11 direct MPI to continue to work with current Vehicle
12 for Hire stakeholders, including the Taxi Coalition,
13 with the goal of developing a new Vehicle for Hire
14 framework or insurance model to be introduced at the
15 2027 GRA or, in the alternative and at a minimum, that
16 MPI be directed to put forward a timeline and steps it
17 plans to adopt for the completion of the development
18 of a new Vehicle for Hire framework or insurance
19 model.

20 Subject to any questions the Board may
21 have, those are my submissions.

22 PANEL CHAIRPERSON: Thank you, Ms.
23 Kotyk. Mr. Ireland...? Ms. Sharman...?

24 BOARD MEMBER SHARMAN: No questions.

25 PANEL CHAIRPERSON: Thank you. Excuse

1 me. For one...

2

3

(BRIEF PAUSE)

4

5

PANEL CHAIRPERSON: Mr. Guerra...?

6

7 REPLY BY MPI:

8

MR. ANTHONY GUERRA: Thank you, Madam

9 Chair. I do have some -- some items to discuss in

10 reply, and so I will address them in the order in

11 which they were received, starting with the

12 recommendations from our friends over at the Consumers

13 Coalition.

14

And so, Ms. Dweh, if I can ask you to

15 bring up CC Exhibit 12, please, the closing submission

16 from Consumers Coalition, please. Thank you. And if

17 we can go to page 41, please.

18

And so, in regards to the -- the first

19 tranche of recommendations in the presentation, I

20 would draw the attention of the -- the Board to

21 recommendation number 2, which states:

22

"MPI should be directed to provide

23

justification to deviate from

24

using the same period for

25

frequency and severity. MPI

1 should also note events affecting
2 claims if they contribute to the
3 decision to exclude data points.

4 And so, the response from MPI on this
5 is hopefully captured in the closing, which was to say
6 it's -- it's not -- it hasn't been the practice of
7 this Board up until this date to treat the use of the
8 same time periods as the default with a justification
9 from departing from that to be the standard.

10 And so, based on this recommendation,
11 if this Board were to adopt it, you would be adopting
12 a new approach to how these claims would be -- would
13 be reported or would be looked at in the future. And
14 -- and MPI's position on that is just that it's just
15 not necessarily the -- the threshold that needs to be
16 adopted in this particular case.

17 They would also point out that the
18 justification is by selecting models that are
19 statistically significant. And so, what you've seen
20 in the materials that have been filed by MPI to this
21 date is that the models are selecting the time periods
22 for frequency and severity that result in the most
23 statistically relevant or, in some cases, the -- the
24 strongest statistical fit that they can possibly have.

25 And if they are departing from that,

1 they are stating why they're departing from that. And
2 so, I think this -- there's not necessarily a
3 directive here that would be of benefit to MPI and
4 certainly to this Board. The practice that MPI has
5 adopted over the last couple of years and this Board
6 has -- has approved is -- is working well.

7 And so, I would just caution about
8 setting the precedent here, that the same period for
9 frequency and severity needs to be the default.

10 In terms of the third recommendation,
11 that the Board find that MPI has reduced its efforts
12 to mitigate the impacts of rising claim costs,
13 example, leaving our RCAR, winding down the work of
14 the fiscal damage centre.

15 The -- the issue for MPI in this
16 particular case is the use of the word 'reduced'
17 versus 'changed' because I think what you've seen here
18 in this rate Application is that MPI is always looking
19 for opportunities to better understand claims trends
20 and better understand the way to address those trends.

21 And so, Mr. Bowering, for example,
22 highlighted the data that was showing perhaps larger
23 numbers of glass replace claims versus glass repair
24 claims. And you've heard in this rate Application
25 that as a result of that study, the glass repair first

1 policy has been introduced and is going to be
2 implemented very soon.

3 And so, there are steps, obviously,
4 that are being taken within the organization to adapt
5 to new trends that are being observed in the industry
6 specifically that impact MPI.

7 And so, just because a practice is
8 abandoned or no longer preferred does not necessarily
9 mean that there's been a reduction in efforts to
10 mitigate the impacts. They're going to change over
11 time. And so, one (1) thing I'm going to ask Ms. Dweh
12 to -- to do is to bring up the October 21st transcript
13 rather. If we can go to page 1184 of the transcript.
14 Thank you.

15 And so, there's a discussion between my
16 friends at the Consumers Coalition and Mr. Masud and
17 Mr. Bowering about staying informed on broader trends
18 in vehicle repairs. Mr. -- Mr. Masud rather says
19 that, Yes, that's -- that's important, and then goes
20 on to say:

21 "In which turn, helps MPI identify
22 tools that could assist in
23 mitigating the impact of increases
24 in claims costs."

25 And Mr. Bowering says:

1 "I guess I see what you're saying,
2 but I don't know if I would -- I
3 would phrase it that way. Much of
4 how we repair vehicles and proper
5 repairs dictated is provided by
6 the original equipment
7 manufacturers. So, as vehicles
8 have become more complicated over
9 the years, it's less about the --
10 about a smart mechanic, figuring
11 it out. And now they have
12 computers at their workstations
13 that tell them, this is how you
14 fix the damage and this is what
15 you need to do. These are --
16 these are the parts you need to
17 pull off."

18 And so, he's saying it's less about MPI
19 doing research on how to repair vehicles because it
20 doesn't really make sense in the way the world has
21 gone over the past few years.

22 And so, I think that's exactly what the
23 point is, is that vehicles are changing. And so, the
24 way in which we understand how they're to be repaired
25 and the best ways and all that is -- is changing as

1 well.

2 And so, moving away from the physical
3 damage centre research facility and -- and being parts
4 of -- of organizations like RCAR for MPI no longer
5 makes sense as we -- we've seen over the last number
6 of years that the way in which vehicles are being
7 manufactured and now repaired is -- is a very
8 different world and it's becoming less about the
9 physical components and -- and more about the
10 technical components.

11 And so, I would caution this Board to,
12 you know, not make that finding and not issue any
13 directives in regards to those efforts because I think
14 on the one hand, you've seen evidence that MPI is
15 continuously changing and looking at new ways to
16 understand the impact and mitigate the impacts and
17 will continue to do that.

18 But pointing out things like RCAR and
19 the physical damage research centre in this particular
20 context is -- is just really underlining the point
21 that looking at past ways of doing things and being
22 held to those is -- isn't necessarily always the right
23 way to respond. We -- we do need to keep up with the
24 times and the times are very -- are changing very
25 dramatically.

1 On the recommendation number 4, that in
2 each GRA, MPI should be directed -- I'm sorry, I'm
3 going to go back to page 41 of -- of CC Exhibit 12
4 now.

5 So, recommendation number 4, that in
6 each GRA, MPI should be directed to report back on
7 research relating to trends in vehicle repair costs
8 both in Manitoba and nationally and internationally,
9 including how such research is incorporated into MPI's
10 claims processing -- forecasting process rather.

11 Again, I would mention the response
12 that we provided to the third recommendation and just
13 also note that in this rate Application MPI did
14 introduce a number of claims, key performance
15 indicators, and has provided targets with respect to
16 those and is reporting on those.

17 And so, I think what you're seeing is
18 the -- the response to the need to always address the
19 -- the change and rise in claims costs. And if we
20 continue to measure the results as opposed to looking
21 at is MPI turning over every stone and flipping over
22 every rock and trying to find research that might --
23 that might end up being a significant impact, then we
24 could have one of those situations where MPI is not
25 being focused and not looking at the right things.

1 And we certainly don't want a situation
2 where we're being asked to -- to chase every shiny
3 object. And I would just note that if we go to slide
4 57 of the presentation -- so, I appreciate that we're
5 talking about Project NOVA on this slide, but let's
6 take a look at some of the significant failures of the
7 Project that were recognized in this rate Application,
8 MPI's organizational capacity and capability, overly
9 aggressive timelines, underestimation of complexity
10 and knowledge required, and mistakes.

11 And so, I would submit that if one
12 takes a look at things like the approach to mitigation
13 of claims costs and saying MPI should be doing every
14 single possible thing it can do to -- to investigate,
15 to research, to -- to look at opening up its own claim
16 centres, to joining a number of different
17 organizations that may or may not be of benefit,
18 you're going to have these problems. We're going to
19 strain organizational capacity. We're going to have
20 overly aggressive timelines. These things do take
21 some time.

22 And so, I would just caution this Board
23 that we -- we need to measure progress incrementally.
24 And what you heard last year was, you know, MPI's not
25 -- doesn't have the KPIs, you need to present the

1 KPIs. And so, now we're presenting the KPIs. And now
2 it's, Well, the KPIs, you know, aren't -- don't have
3 the proper targets or the proper measures or, you
4 know, you're -- you're not doing the other things that
5 you need to do in addition to the KPIs.

6 And we appreciate it. We have to
7 continue to move the needle forward. However, it
8 doesn't get done overnight and perfection isn't
9 achieved in one (1), you know, six (6) month period or
10 one (1) one (1) year period.

11 And so, there has to be a little bit of
12 grace in terms of understanding that it does take time
13 to -- to put down this foundation. It does take time
14 to -- to measure and report against it. And we would
15 submit that the progress that was presented in this
16 rate Application I think suggests a significant effort
17 to -- to really move the needle in the right
18 direction.

19 We hear some inconsistent messaging
20 from our friends. On the one hand, don't do it all,
21 you know, focus your strategy, right. You have
22 capacity constraints. You have other constraints.
23 You do not want to be chasing those shiny objects and
24 your -- your strategy should be telling you exactly
25 what you need to be doing.

1 But on the other hand, do it all. Do
2 it all. Do everything you can possibly do because you
3 have to keep those costs down.

4 And so, we understand that there is a
5 need to control costs and to keep rates affordable,
6 but doing everything and looking at every possible
7 solution is going to get us into the same problems
8 that we got into Project NOVA.

9 And so, we -- we say that a measured
10 approach that balances the -- the recognition of
11 affordability with the realities of running an
12 organization with our constraints is -- is the best
13 approach.

14 If we can now go to slide 55, please.
15 And so here we have -- yeah, sorry, 55 has the -- oh,
16 my apologies. Yes, that's right -- has the
17 recommendations regarding the strategy and in
18 particular 5, the first bullet point reads:

19 "MPI should be directed to report
20 back on how its Corporate
21 Strategic Plan aligns with the
22 elements of an effective strategy,
23 including tangible affordability
24 outcomes for consumers arising out
25 of the Corporate Strategic Plan."

1 And so I think the response that MPI
2 would provide to this recommendation is to say, you
3 know, you heard very extensively from MPI in this Rate
4 Application throughout the entire process, having an
5 entire chapter dedicated to corporate strategy, having
6 an extensive, you know, discussion, and -- and an
7 entire panel dedicated towards corporate strategy
8 about how MPI methodically took a look at not only
9 just development of the strategy, but also the
10 governance around the strategy, the communication
11 around the strategy, and the reporting and -- and
12 monitoring of the outcomes of the strategy so that we
13 do believe that those elements are effectively already
14 baked in.

15 The -- the promise is to continue to
16 report on the KPIs, and that's what this Board should
17 expect, but to come here and say that we haven't
18 provided elements of an effective strategy or we
19 haven't already shown the homework I think misses, you
20 know, the point of all of the-- the work that has been
21 done to date.

22 And -- and, so again, we would
23 encourage the Board to just be mindful of the fact
24 that this strategy is only six (6) months old and that
25 it needs some time to -- to work itself through. And

1 we need some time to be able to go through reporting
2 quarters and to see what's working, what's not
3 working, and refining.

4 This -- this isn't going to be perfect
5 overnight. There shouldn't be an expectation --
6 expectation of -- of perfection, but for next year,
7 there should certainly be an expectation of progress,
8 incremental progress.

9 So absolutely hold us to being able to
10 produce tangible results. Completely understand and
11 completely get that. But to -- to come here and say,
12 you know, your strategy doesn't have the elements of
13 an effective strategy I think is -- is a little too
14 premature.

15 If we can go to slide 64, please. And
16 I'd like to draw the Board's attention in this case to
17 recommendation 7, which reads:

18 "MPI should be directed to report
19 back on progress of implementation
20 of its IT strategy, roadmap, and
21 major programs approach and how
22 these items are delivering
23 tangible outcomes from Manitobans,
24 including an IT information
25 session or technical conference in

1 the spring of 2026 and in the 2027
2 GRA."

3 The only thing I would mention here is
4 that if you review the closing submission, which is
5 MPI Exhibit number 68, you'll see at page 82 of the
6 closing argument that MPI is asking -- and perhaps you
7 can bring this up, if we can go to Exhibit number 68,
8 please, and page 82, first tab, 82. Thank you.

9 Oh, wait. Sorry. Perhaps this is 114.
10 Can we go to 114? Maybe you were -- you were on the
11 ball more than I was. That's not it either. I will -
12 - sorry. I will encourage you to go back to the
13 exhibit, though.

14 What we had said was that there
15 actually may be a benefit of moving up the IT summit
16 to earlier in the year, perhaps quarter 4 of -- of
17 this fiscal year, which would be between January and
18 March, to look at that roadmap as it is still
19 continued to be refined and to provide some additional
20 insights as well.

21 So, there may be an opportunity for us
22 to have an earlier conversation about that similar to
23 how MPI would've approached the situation last year
24 with a special sitting, maybe not a special sitting,
25 but another session to -- to be able to have a

1 discussion with the -- the Board on the -- the IT
2 roadmap as it -- as it continues to be developed and
3 refined.

4 And certainly, MPI is not opposed to --
5 to having further discussions through an IT summit or
6 otherwise. I just note that the IT summit typically
7 happens in around May, and we think that that might be
8 too late in the day to have a meaningful discussion
9 and review any updates to the IT roadmap. So that's
10 all we would say on that point.

11 f we can go to slide 74, please.

12 Recommendation number 10 is that:

13 "The PUB find that the 8.4 percent
14 increase in operating costs in
15 '26/'27 as compared to '25/'26, or
16 four (4) times the level
17 inflation, is not sustainable for
18 the future."

19 We would respond by saying that the PUB
20 ultimately should be concerned about whether or not
21 the Rate Application, the rates requested in a
22 particular year, are just and reasonable.

23 It is -- you know, it would be I think
24 a value to -- to everyone to understand where things
25 are going and the trends. And certainly, that's

1 something that MPI monitors, but we would caution
2 against -- and I don't think the request here is for a
3 directive, but more of a finding.

4 And -- and I would say that it would be
5 more of perhaps a caution that -- you know, that
6 operating costs may be trending in the wrong direction
7 'cause as you know, they're reviewed every year and
8 adjusted every year.

9 And so certainly MPI takes any of the -
10 - the statements in the orders to heart and takes them
11 seriously. But again, I would caution about turning
12 any of these into a directive or a finding that --
13 that a current pattern will continue in the future
14 'cause I don't think that is precisely what has been
15 established that, you know, next year we'll be coming
16 back and it'll be exactly that.

17 I think there'll be some adjustments
18 that will have to be made. Certainly, that's
19 something that MPI will be continuing to monitor.

20 And as it pertains to the -- the last
21 recommendation on this page 11:

22 "As a Minimum Filing Requirement,
23 MPI should be directed to file
24 financial information on its top-
25 down operating expenses target."

1 I won't finish the rest of that. All
2 that is to say that typically the MFRs or Minimum
3 Filing Requirements are defined that are -- using a
4 process that has active Intervener participation.

5 I would remark that, in this particular
6 GRA, the Minimum Filing Requirement process was quite
7 extensively used and involved the representatives of
8 all of the Interveners from the last GRA.

9 And so, we would say this doesn't need
10 to be a directive. This is just how things are -- are
11 being done, and we welcome that process to continue to
12 refine the Minimum Filing Requirements as -- as needed
13 with input from the -- the stakeholders.

14 If we can go now to slide 78, please.
15 And so, this particular case, the recommendation is:

16 "As a Minimum Filing Requirement,
17 MPI should be directed to provide
18 a comprehensive update on this
19 performance measurement system and
20 key performance indicators,
21 including..."

22 And I just look at the third bullet
23 point which read:

24 "...information on the definition
25 of each KPI, actual performance of

1 each KPI for last three (3) fiscal
2 years, and a description of how
3 the targets -- target was set for
4 each KPI or why the target has not
5 been set for the KPI."

6 And I just would caution here we -- we
7 certainly want to be able to provide information where
8 possible, but where MPI, you know, perhaps pushes back
9 is on these directives that require certainty with
10 certain things.

11 And what we've seen is that sometimes
12 KPIs are -- are created only to be refined later on
13 when it's discovered that the information isn't
14 available over that period of time or that the KPI
15 itself needs to be refined as it's not measuring what
16 the Corporation would want it to measure.

17 And so, if we are so specific about a
18 specific timeframe, then what we could have is a
19 situation where MPI is just not able to comply because
20 a particular data set isn't available for that fiscal
21 year period of three (3) years or -- or whatever the
22 case is.

23 And so, I think there just needs to be
24 baked into some of these -- these directives, if
25 directives are issued, some flexibility to be able to

1 adjust a KPI for historical reporting based upon
2 information available.

3 It may even be as simple as adding to a
4 recommendation like this, you know, provided the
5 information is available or if the information is
6 available, because we certainly don't want to position
7 the Corporation to be in non-compliance with the
8 directive by no fault of its own.

9 If we go down to the next set of
10 recommendations, which is on slide 93, please. And
11 so, in particular, I'm looking at Recommendation
12 number 15, which is that:

13 "The PUB recommend that measures
14 be taken to ensure that the next
15 asset liability study does not
16 repeat these mistakes, including
17 by holding MPI's proposed
18 technical conference in the early
19 stages of the study rather than
20 later so that MPI and its asset
21 liability consultant can receive
22 feedback on prudence of MPI's
23 imposed constraints and the
24 universe of asset classes to be
25 considered -- example, US

1 Treasury, inflation protection,
2 securities, or TIPS."

3 And again, in this particular case, if
4 we can go back to MPI Exhibit number 68, and in this
5 case, page one 14, I think. Yes, we do have this one
6 correct.

7 So, this is the timeline that we
8 provided for the proposed way in which information
9 would be imparted and shared with and feedback would
10 be obtained from the stakeholders as this process is
11 going forward.

12 And so, the timing that was selected by
13 MPI in this case to consult with or to -- to work with
14 stakeholders on this and provide some information was
15 the -- the technical conference in the second quarter
16 of '26/'27.

17 And so that time is -- was set out for
18 a specific reason because we think that does provide
19 an opportunity for the PUB to -- to actually take a
20 look at the feedback that gets received.

21 As you know, in the past, specifically,
22 let's say, for example, with the Road Safety Technical
23 Conference, is that a report is prepared from that
24 conference, and that report is shared in the -- in the
25 GRA process proper.

1 And there -- there can be some
2 questions asked of the -- of the -- the mediator or
3 the -- the moderator I should say of those -- of those
4 technical conferences.

5 And there certainly is an opportunity
6 at that point in time for -- for individuals to make
7 representations based upon what came out of the
8 technical conference and opportunity for the Board
9 itself to be able to make certain either findings or -
10 - or propose recommendations.

11 And if you look at the timeline, that
12 would still allow for this Board to be able to receive
13 that information, issue an order in December, for
14 example, and then have that information available
15 before the investment committee in quarter 4 of
16 '26/'27.

17 So, we do think that this timeline does
18 actually work out quite nicely. And I think this
19 would also be a response to one of the recommendations
20 that was put forth by Our Friends over at the
21 Coalition of Manitoba Motorcycle Groups.

22 And so again, I just would want us to
23 take a look at the timeline that's being proposed
24 here.

25 We did put some thought into the

1 process to -- to make sure this would work, and we do
2 think that the technical conference process and
3 specifically in this point in time would allow for the
4 -- the stakeholders and in fact the PUB as well to be
5 able to take a look at the findings and -- and have
6 some comments before the investment committee makes a
7 decision in quarter 4 of '26/'27.

8 So that would be my comments there.
9 And then again, just a couple of points that I note
10 here for -- if we can go back to slide 93 from CC
11 Exhibit 12, please.

12 And so, I think, you know, quite
13 correctly, My Friends have indicated in both
14 recommendations 15 and 16 that the PUB issue
15 recommendations.

16 And -- and My Friend was quite -- you
17 know, was quite correct in saying that the
18 jurisdiction of the PUB is -- is limited in the case
19 of being able to direct how MPI is managing its
20 investments. And so, the recommendations here
21 certainly make more sense than the directive, and this
22 is how I would defer.

23 If we take a look at the -- at the
24 recommendations from Our Friends at the Motorcycle
25 Coalition Group, those are directives. And we would

1 say those -- those are a step too far. At most in
2 these particular cases, we'd be looking at
3 recommendations. And so that's where MPI would depart
4 on some of those findings from Our Friends at the
5 Coalition of Manitoba Motorcycle Groups.

6 If we go down to the next page, which
7 is page 95, and then we have recommendation 18. And I
8 won't go through all of them, but to say that one of
9 the concerns that we'd have, let's say, for example,
10 with 18A where:

11 "MPI should be directed to report
12 on the period of time it expects
13 customers will receive a benefit
14 from the initiative."

15 I think the -- the issue here is that
16 there -- there could be some debate upon when
17 customers receive a benefit. And so that -- that
18 certainly would be something that would have to be,
19 you know, looked at and -- and perhaps some type of
20 framework or analysis or agreement on what that
21 actually means because you've heard from Mr. Kolaski
22 in the course of these hearings that -- that there are
23 benefits to -- to ratepayers in the lead-up to an
24 initiative going live, in some cases.

25 And so, we certainly wouldn't want to

1 be operating on a definition of a period of time in
2 which benefits are -- are being -- are being actually
3 acknowledged or recognized if that is a departure from
4 the definition that might be applied by -- by others,
5 including this Board.

6 So, just a caution there because of the
7 -- that could create some disconnect between MPI and
8 others as to what expectations are.

9 And then the other thing, just in terms
10 of this approach, MPI would say that it doesn't
11 necessarily address the concerns that were raised by
12 MPI and why MPI proposed the alternative process here.
13 MPI submits and resubmits, in this particular case,
14 that its -- that its process of applying for the
15 actual initiatives incurred in the fiscal year
16 immediately prior to the filing of the GRA.

17 It's a simple, consistent approach and
18 I would caution this Board in favoring the
19 Intergenerational Equity Regulatory Principle over
20 every other regulatory principle. As you know, some
21 of these regulatory principles can conflict with each
22 other. And -- and, you know, our submission would be
23 that this Board has an obligation to -- to balance
24 those regulatory principles that it applies in this
25 case.

1 And so, we would suggest that whatever
2 solution is ultimately adopted by this Board, that it
3 has recognition of the fact that MPI does also need to
4 be mindful of rate stability and predictability. And
5 we certainly don't want a process whereby we are
6 creating an unmanageable regulatory deferral account,
7 if that is, in fact, what this proposal might set up.
8 And we certainly would have some concerns that that
9 would be the case, especially if there isn't a -- a --
10 an agreement on a definition of when benefits are
11 being recognized. Page 101, please.

12 And so, in this particular case, we
13 look at Recommendation 21 that MPI should be directed
14 to provide actuarial and statistical evidence to
15 support future deductible increases.

16 And so, this is an interesting
17 recommendation because, you know, it is in recognition
18 of the fact that this Board doesn't make
19 determinations about deductibles, right? This is a
20 decision that is made, ultimately, by government
21 through -- through requests by MPI to change
22 regulations.

23 And so, the -- the need to talk about
24 why a -- a specific deductible change was made, we
25 would argue is really of no moment to this Board. And

1 really provides no value in determining the specific
2 issue before it, which is the appropriateness of the
3 rate request in a particular year.

4 So, you know, hopefully, this is not a
5 situation where, you know, there's going to be a
6 request for a deductible change next year or the year
7 after that or the year after that, but that will
8 happen in some -- in some time. And we would just
9 caution that, in that particular case, the -- the
10 approach should be to proceed as we have in this
11 particular rate application and as we did in the 2021
12 rate application.

13 And that is that deductible changes are
14 going to happen and if government is permitted to --
15 is -- is permitting them to happen, then -- then they
16 will happen.

17 And there will be, obviously, an
18 analysis of what the impacts are going to be. But
19 looking at a justification for those changes, I -- I
20 don't think is something that -- that this Board
21 should be looking at. And, certainly, we would have
22 some questions about whether or not that's a -- a
23 proper use of our time. If we look at page 108,
24 please.

25 And so, in this particular case, the

1 recommendation is that, you know, perhaps the -- the
2 rate group cap be something other than the plus 5 that
3 -- that MPI is proposing.

4 We do acknowledge that, in this
5 particular case, it -- it does appear that there is a
6 -- an agreement between MPI and Consumers Coalition
7 that the plus 1 rating cap no longer makes sense for
8 this particular rating year. And so, that -- that is
9 something that is very helpful to understand because
10 as this Board will probably note, that this is a
11 difficult situation. It was a difficult situation for
12 MPI. Obviously, our friends at the Consumers
13 Coalition also had a difficult time reconciling the
14 best approach going forward.

15 And so, we -- we -- we think we know --
16 find some common ground here on the fact that
17 situation is such that more needs to be done. We need
18 to get to that point where people are paying the right
19 premium a little bit sooner than what otherwise would
20 be the case. So that's important to recognize.

21 The -- the rate group 3, that's not
22 established in evidence in terms of what that scenario
23 might look like. I -- I understand there's -- there's
24 like a -- a, you know, a hypothetical idea of what
25 that might look like. But we just note that there

1 isn't any specific evidence about that, so it's in --
2 in terms of being able to calculate the rate
3 indication, it might be difficult to do that.

4 However, you know, we say that in terms of the -- the
5 need for expanding the rate groups beyond the plus 1,
6 we certainly support the Consumer's Coalition
7 recognition of that. If we go to slide number 114,
8 please. Slide 114. Thank you, yeah. Yes, thank you.

9 If we can go down to Recommendation 25,
10 it says:

11 "MPI should be directed to
12 consider DSR levels as a
13 categorical variable."

14 And I think the evidence that you heard
15 in this rate Application is that this will hopefully
16 be addressed through the transition to GLM. So, this
17 could even be addressed as early as next year. We
18 don't think this is actually a directive that needs to
19 be put into any Order because MPI certainly expects to
20 be in that place at some point in time.

21 And -- and currently under its -- its
22 current situation, it doesn't make sense. But all
23 that is to say, once the transition is to GLM is
24 complete, this should be addressed. And, hopefully,
25 we won't need to have a further discussion about it.

1 In terms of the Recommendation 27, that
2 PV jurisdiction be confirmed. And, sorry, so
3 Recommendation 27 flows from 26, and so 27 presupposes
4 that there isn't any legislative changes, and kind of
5 like the status quo, that we currently have, continues
6 to exist with jurisdiction over the -- the Basic
7 insurance model remaining with the Public Utilities
8 Board. And that certainly is something that -- that
9 could happen.

10 The -- the issue for MPI would be, is
11 this the time to look at a direction of this sort?
12 And it's not clear to me if -- if that would be what
13 this Board might be asked to do this year, is to kind
14 of say, we are going to issue a direction that is
15 conditional upon there being no changes to the
16 legislative landscape. In other words, you know, if
17 we continue to have jurisdiction, we would expect to
18 see in the 2027 GRA, you coming back with, you know,
19 with -- with progress reports on this.

20 And I would just say that, you know, we
21 don't know what the next few months are going to look
22 like. And it may be that jurisdiction continues to be
23 confirmed, it may not.

24 And so, what we would submit, in this
25 case, be the best approach is to hold off, come back

1 in the 2027 GRA to see what the landscape is and if it
2 continues to be that jurisdiction is confirmed, then I
3 think, at that point in time, recommendations like
4 this probably make more sense. But until such time,
5 this is a premature request. We can go to page 116,
6 please.

7 Recommendation here is that MPI report
8 back on the amounts of PIPP benefits that are not
9 covered by vehicle premiums, and the rate impacts that
10 these benefits were to be included in vehicle
11 premiums.

12 And so, if we can go, Ms. Dweh, to the
13 transcript of October 22nd, please. And if we can go
14 to page 1429, please.

15

16 (BRIEF PAUSE)

17

18 MR. ANTHONY GUERRA: Thank you. And
19 so, what Ms. Low is saying here, when she says:

20 "It's impossible to determine which
21 PIPP claims are attached to driver
22 premium or vehicle premium. So,
23 the data we know who is on a PIPP
24 claim and who gets coverage through
25 the PIPP benefits, but we can

1 assign it to a driver premium
2 versus vehicle premium."

3 That is consistent with what you've
4 heard in the rate application proper, as we went
5 through that -- that item in quite a lot of detail,
6 which is, we have done all that we can do at this
7 point in terms of being able to provide additional
8 information on -- on -- on making driver premiums
9 actuarially sound. That's just not how they've been
10 designed, and -- and have been used over the entirety
11 of MPI's existence.

12 And, this is not something that the
13 actuarial team is going to be able to achieve. And
14 so, when it comes to directives that this Board
15 issues, we certainly don't want to be in a situation
16 of immediate, you know, non-compliance and the
17 evidence before this Board, at this point in time, is
18 this is just not something that's possible to do.

19 And I'd also encourage if we can go
20 down to -- actually up to page 1426. At lines 4, we
21 see My Friend over at the Consumers Coalition asking
22 you confirm that, you believe, just alluded to this, a
23 Manitoban who does not have a driver's license, and
24 who gets hit by a car and gets injured, would also
25 have access to PIPP benefits in the event of an

1 injury. Correct? And Ms. Low says, correct. And
2 then Ms. Diley says, you'll agree that PIPP benefits
3 are only available for injuries where an automobile is
4 involved.

5 And then if we go down, I believe it's
6 Mr. Scarfone says, Ms. Dilay, that is generally
7 correct, but of course it -- it's -- it is the use of
8 a vehicle or an automobile that will be interpreted in
9 different ways in different scenarios. So that
10 constitutes the use of, or an automobile will
11 determine coverage.

12 And so, what we see here is a situation
13 where it's not always entirely clear what the
14 situation will result in a PIPP benefit entitlement
15 and, you know, through the Automobile Injury
16 Compensation Appeal Commission, those issues about
17 whether or not an automobile caused an injury is -- is
18 constantly being refined and being discussed.

19 And so, it would be very difficult for
20 us, we would say, to -- to be able to complete this
21 task. And again, I think it's not for a lack of a
22 desire, it's just an inability for MPI to -- to comply
23 with this. And we believe that we've reached the end
24 of the road, proverbial road rather, on the -- the
25 ability to -- to look at the driver premiums in -- in

1 a -- in a more comprehensive way.

2 On slide 118. Sorry, going back to CC
3 Exhibit 12, please. Slide 118, thank you.

4 Directive 29 is that the PUB should
5 direct that public consultations form part of the
6 scope of the vendor once engaged. And this, of
7 course, relates to the traumatic brain injuries
8 vendor.

9 And so, the only cautions that we have
10 here is that MPI is --is trying to be very strategic
11 here in terms of not -- not directing the way in which
12 the scope of the work of the vendor is being done and
13 allowing the vendor, themselves, to determine how best
14 to answer the questions that were posed by this Board
15 last year.

16 And so, we would -- we would caution
17 that -- that the -- the vendor should certainly be the
18 person directed or at least tasked with determining
19 whether or not that's the best way to approach the
20 situation, as opposed to directing MPI to direct the
21 vendor to conduct their work in a specific way.

22 The other thing that we would point out
23 is that that would certainly appear to lengthen the
24 timeline for the completion of work and could expand
25 the scope of the work to be done, which would make it

1 impossible, or potentially impossible, for that vendor
2 or vendors -- because we did hear in this particular
3 case there may be multiple vendors engaged to complete
4 this work -- for them to be able to complete their
5 work in time for review in the context of the 2027
6 General Rate Application.

7 So, while we appreciate the sentiment
8 here and not to say that these public consultations
9 won't happen, we have to be very careful in terms of a
10 direction in this case, specifically, if the -- if
11 there is an expectation that this will be part of the
12 2027 General Rate Application because that -- that
13 might put that at risk.

14 At most, maybe a recommendation that
15 public consultations occur would be appropriate. And
16 that would be certainly taken to the vendor, and the
17 vendor would make the determination as to whether or
18 not that would be best suited to complete their
19 objectives. If we go to slide 123, please.

20 And this Recommendation number 31
21 relates to the way in which the rate application is
22 represented. And, as we know, we did talk extensively
23 about that in MPI's closing. And so, I don't want to
24 spend too much more time about that, other than to
25 say, you know, it isn't clear to MPI specifically,

1 what is being recommended there in terms of does 31(a)
2 refer to that chart that we did mention, and actually
3 put into MPI's closing that we would say, doesn't
4 actually achieve the objective of being relatable for
5 the every-day Manitoban who is not an actuary.

6 However, if it's not that, and it's
7 something more of a one percentage rate, for example,
8 that the difference we talked about between the 6.63,
9 which is the aggregate combination of everything that
10 you would need, and the 2.07, again, now we're talking
11 about multiple numbers here, and we certainly don't
12 want to confuse Manitobans about what we're actually
13 asking to -- to a -- to increase rates by in -- in the
14 next year.

15 So again, we caution around these
16 recommendations, in the sense that, we want to make
17 sure that whatever approach is being used as something
18 that is not adding to the confusion. And so MPI's
19 position on that would be to simply say, you know,
20 let's take a look at this in a more holistic way and
21 ask the questions of -- are we moving the needle in
22 the right direction towards making things clearer for
23 Manitobans? Or are we doing the exact opposite?
24 Because we certainly don't want to be doing that.
25 We can look at slide number 125, please.

1 And so, this relates to the rate
2 update, and the Recommendation number 33 is really
3 what stands out for MPI, in this particular case.
4 Certainly, we don't take any position with no one else
5 taking a position, or even supporting the abandonment
6 of the rate update process. We think that makes a lot
7 of sense.

8 But, we did hear from both our friends
9 at the Consumers Coalition and at the motorcycle group
10 coalition as well that -- that, you know, maybe we
11 should have the door left open for those instances
12 where it makes sense to -- to maybe go back in -- in a
13 GRA or -- or so to -- to the rate update process.

14 And so, we -- we would caution about
15 how this might actually work, and would encourage this
16 Board, when it's looking at issuing directives or
17 findings or recommendations, that it actually think
18 about what this might do, practically, and how this
19 might be incorporated into the process.

20 And so, what I mean about that is that,
21 you know, right now what happens is, we set the
22 schedule for the entire hearing, already assuming that
23 the rate update will take place. And so, we set a
24 date for that. We work around schedules around that
25 and we make sure that it follows so that the teams who

1 are working on the Information Request rounds, then
2 have time to finish the rate update process while
3 they're working on their presentations for the October
4 -- October hearing, and we're conducting mock cross
5 examinations with them. Like, our September is very
6 busy on that front.

7 And so, we -- we methodically set all
8 this up, you know, when we're setting our schedules
9 and we do work with the Public Utilities Board, you
10 know, as early as April, and sometimes about setting,
11 you know, what does the schedule look like before we
12 come to this Board in July to set the procedural
13 order?

14 And so -- and then we also work on top
15 of that with aligning it with our board of directors
16 meetings and, you know, other -- other meetings that
17 we have within the organization to -- to do the actual
18 day-to-day work.

19 And so, our fear would be that, you
20 know, we would have one year, a request from one of
21 the Interveners to say, you know what, this is the
22 year that we should have an -- a rate update. And so,
23 Information Request No. 1, provide us with a rate
24 update. And then all of a sudden, everyone is
25 scrambling because it wasn't expected. It wasn't

1 planned for. And now, all of a sudden, you know, it
2 doesn't really meld well with the existing schedule
3 that's been provided.

4 So, if the Board were to go down that
5 path and say, well, there may be instances where it
6 makes sense to have a rate update. I'm not going to
7 sit here and say that that would never be the case. I
8 think that would be foolish of me to do that, but
9 let's think practically about how that might work,
10 because we certainly don't want to be putting all of
11 us in a position where now all of a sudden we're
12 scrambling and unable to meet what are already
13 difficult timelines to meet.

14 And so, my recommendation for
15 consideration on this recommendation would be to say,
16 if that is the case, if somebody is reading the rate
17 application and saying, wow, this, you know, from what
18 I'm reading here, and what I'm seeing here in, you
19 know, in the external factors, is telling us that this
20 is one of those years that a rate update really makes
21 sense. Then we should probably know that at the time,
22 that the person, the -- the -- the stakeholder, in
23 that particular case, is applying for Intervener
24 status or hearing it from the PUB early on.

25 And so, that -- that could be included

1 in any procedural order so that we have clarity about
2 what the next weeks look like so that we're not
3 expecting it, you know, by surprise, or taken by
4 surprise, when it's included in a second round
5 Information Request and now, all of a sudden, there's
6 no way to really adjust for that.

7 I would also point out that there are
8 opportunities, for example, when the circumstances are
9 extreme, to consider things like a rebate application,
10 or to -- to address things in another way. So, I
11 would hope that this would be a limited situation but,
12 again, I would just caution us that we would want to
13 make sure, that whatever process that we use, doesn't
14 exacerbate the problems that we've come to you this
15 year to say we need to address.

16 So that would be my response to the
17 Consumers Coalition.

18 Just in terms of what we heard from our
19 friends over at the Coalition Manitoba Motorcycle
20 Groups, I think I've addressed both of those issues
21 already. I just want to make sure that I have. Yes.
22 I think I -- I have addressed both of the Consumers
23 Coalition and Motorcycle group's comments there.

24 So, I'll move on to now the Taxi
25 Coalition. And so, if we can bring up the Taxi

1 Coalition's -- do you have the closing for Taxi
2 Coalition handy, by any chance, Ms. Dweh? Right,
3 thank you. If we can go to page 5, please. And at
4 the top of that page, there is the -- yep, that
5 paragraph there. And I'm going to read just a portion
6 of it that's -- just a bit interesting for MPI.

7 Although MPI has opined in this year's,
8 GRA that its customers are, at present, content with
9 the Time Band Model. The TC disagrees. TC further
10 notes, that:

11 "As MPI currently offers no
12 alternative, it is somewhat
13 disingenuous to suggest that
14 customers are content with the Time
15 Band Model."

16 And so, Ms. Dweh, we can go to the
17 October 16th transcript, please; in particular, it's
18 page 785.

19 And so, at this point there's a
20 discussion between Ms. Kotyk and Mr. Smithson, and
21 he's asked, you see at the top of the page, we're
22 talking about the time band options and effective,
23 unpopular. And he says, "yes, I see that." And he's
24 asked, "MPI's aware that the Time Band Model is not
25 popular with customers, and that customers consider

1 the Time Band Model ineffective. Correct?" And he
2 responds:

3 "I believe that's what it says
4 there, however, the Taxi Coalition
5 has expressed to us a desire to
6 remain with the current Time Band
7 Model, when they -- when they
8 presented with -- when they
9 presented with alternative
10 options."

11 And so, the response to that was, if we
12 continue down the page, is it still MPI's -- still
13 MPI's view that the Time Band Model remains
14 ineffective? And then he goes on to say,

15 "Sorry about that. So, we've
16 evaluated this with the Taxi
17 Coalition working with them --
18 work with them rather, presenting
19 them with variations of it.
20 And I would say that right now,
21 this option, the Time Band Model,
22 is meeting their needs and the
23 needs of our customers. So, would
24 be considered ineffective or
25 unpopular, not at this time."

1 And then the response was,
2 "Can you repeat that last one?
3 Well, we would still continue to
4 consider it ineffective or
5 unpopular based off the Taxi
6 Coalition statement that they want
7 to remain with the current Time
8 Band Model. I'd probably say that
9 that would be untrue today."

10 And so, here's a situation whereby the
11 evidence before this commission -- sorry this Board
12 rather, is that there aren't a lot of opportunities
13 left for discussions between MPI and Taxi Coalition on
14 -- on changes to the Vehicle For Hire framework.

15 You've -- you've seen in this material
16 that the -- the Time Band Model, although is -- is not
17 -- is not the preferred model, we appreciate that. It
18 seems to be the preferred model when the alternatives
19 are put forth.

20 The part-time taxi model that was --
21 was requested a few years ago, no longer acceptable to
22 the Taxi Coalition. The -- the blanket policy that
23 was, again, talked about last time, is no longer
24 acceptable. We've -- we are receiving some suggestion
25 here that maybe there would be a blanket policy for

1 physical damage only. You'll see that here in this
2 response, and MPI said, no, that's certainly not
3 something that we'd be prepared to look at.

4 And so, when it comes to looking at a
5 model or framework for Taxi Coalition for taxi
6 vehicles, it really is, as -- as they mentioned, the
7 balls in the court of the Taxi Coalition to really
8 come up and say, okay, well, then what -- what does
9 work for the Taxi Coalition, because we really are out
10 of ideas.

11 And the other thing that I would
12 suggest that be mindful of is that reason why the --
13 the blanket policy for the transport network
14 companies, so the Ubers, the Lyfts of the world, when
15 -- when that -- that didn't work out, in part, because
16 this Board said in the 2024 GRA, you are coming to the
17 table requesting changes to the framework for -- for
18 the TNCs or the Transport Network Companies and you're
19 not coming here with a comparable product, or a
20 comparable solution for the -- the Taxi Coalition.

21 And so, that -- that was something that
22 this Board, I think probably quite rightly, said was
23 not something that they want to entertain because then
24 you're starting to kind of pick winners and losers in
25 the market. And that's not something that either the

1 Board or MPI would really would want to do.

2 And so that's, I think, what we're
3 being asked to do at this point in time, is come back
4 in the 2027 GRA, force MPI to come to the table with a
5 solution for -- for the taxis. But really, we -- we
6 don't have a hol -- a holistic solution for -- for any
7 of the parties at this time, except for the Time Band
8 Model.

9 The ironic thing about this is that it
10 seems to work for everybody to the extent that it
11 doesn't work for anybody. And so really, at this
12 point in time, unfortunately, it does appear that the
13 Time Band Model is the most effective way in which to
14 address the concerns of the entire Vehicle For Hire
15 marketplace.

16 And so, that is why MPI is saying at
17 this point in time, it doesn't make sense to direct
18 MPI to do anything. However, certainly if there is a
19 -- an opportunity to look at rate design for Vehicle
20 For Hire in the future, MPI would certainly be coming
21 back here with that. We certainly -- certainly don't
22 want to be -- be directed to do something that would -
23 - would not have any -- any value in this rate
24 application.

25 And -- and I also would mention that,

1 yes, My Friend did talk about the time band -- sorry,
2 the telematics report, but you are not being asked to
3 issue any directives on the telematics report and we
4 certainly -- we certainly would find that of interest
5 as to why that's not the case.

6 Any -- any questions, certainly, I
7 would be happy to answer those, but those are my
8 submissions in reply.

9 PANEL CHAIRPERSON: Thank you, Mr.
10 Guerra. Mr. Ireland...? Ms. Sharman...?

11 BOARD MEMBER SHARMAN: No questions.

12 PANEL CHAIRPERSON: So, thank you very
13 much everyone. This is the end of the Public Utility
14 Board's oral hearing of the 2026 General Rate
15 Application filed by Manitoba Public Insurance
16 Corporation.

17 I would very much like to thank the
18 executive of the Corporation for their testimony here,
19 and also like to thank Ms. Jatana for her attendance
20 throughout, as well as the legions of staff who are
21 involved in preparing this application for
22 consideration by the Board.

23 I would also like to thank Mr. Guerra,
24 Mr. Scarfone, Mr. Wishnowski and Mr. Meira for their
25 support throughout. I'd like to thank the Interveners

1 in this process: The Consumers Coalition -- Coalition
2 represented by the Public Interest Law Center counsel
3 Katrine Dilay and Chris Klassen; the Coalition of
4 Manitoba Motorcycle Groups counsel Ms. Meek; the Taxi
5 Coalition counsel Ms. Whitman and Ms. Kotyk.

6 I would like to thank our advisors, our
7 counsel, Mr. Andres, Ms. Moore and Mr. Yakimchuk, Mr.
8 Cathcart, Mr. Gandhi, Mr. Caron, Mr. Bridgehall and
9 Mr. Manktelow.

10 I would also like to thank our Board
11 staff: Dr. Christle, Ms. Dubois, Ms. Schubert and Ms.
12 Dweh.

13 And I would now, also like to just
14 circle back to Mr. Guerra. We understand that this is
15 your last GRA and last appearance before this Board.
16 I would like to thank you for your very able counsel
17 on behalf of your -- counsel of your client and on
18 behalf of my fellow panel members and other Board
19 members who have had the opportunity to witness you in
20 action.

21 We really appreciate the
22 professionalism and the depth to which you have
23 brought information and -- and consideration to the
24 questions before this Board. So, we certainly wish
25 you very well for the future. And I don't know, I

1 expect we will not cross paths again, certainly in
2 this hearing room, but all the best, Anthony, and hope
3 that everything works out really well for you.

4 Thank you very much, everyone. And
5 that's the end of the day.

6 Mr. Gabor, do you want to make some
7 comments? No, but I noticed he came in. Thanks very
8 much.

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10 --- Upon adjourning at 2:19 p.m.

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13 Certified Correct,

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Wendy Woodworth, Ms.

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