

2021 SPECIAL REBATE APPLICATION

April 27, 2020

Summary Legal Application
Pro Formas



MANITOBA
PUBLIC INSURANCE

SUMMARY LEGAL APPLICATION

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Summary Legal Application

LA.1 Legal Application

1 This Special Rebate Application results from the April 23, 2020 announcement of the
2 Honourable Mr. Jeff Wharton, Minister of Crown Services, that Manitoba Public
3 Insurance (MPI) provide economic relief to its customers during the COVID-19
4 pandemic. MPI makes this Application in the midst of a Province-wide state of
5 emergency, declared pursuant to *The Emergency Measures Act*, C.C.S.M. c. E80 on
6 March 20, 2020. MPI respectfully submits that these extraordinary circumstances be
7 considered when assessing the nature and content of this Application.

8 MPI hereby applies to the Public Utilities Board of Manitoba (PUB), pursuant to section
9 44 of *The Public Utilities Board Act*, C.C.S.M. c. P280 and Rule 36 of the *PUB Rules of*
10 *Practice and Procedure*, for:

- 11 1. an Order dispensing with the requirement under Rule 36(3) that an application
12 for review and variance be made within 30 days of the order or decision;
- 13 2. a review and variation of the directives contained in Orders No. 159/18 and No.
14 176/19, to the extent that they do not require the issuance of rebates; and
- 15 3. a directive that MPI issue to ratepayers a percentage of their annualized
16 premiums in respect of universal compulsory automobile insurance policies in
17 force and earning premium on March 15, 2020, through a special rebate in an
18 amount equal to the approximate sum of \$58 million, by May 31, 2020 or as
19 soon thereafter as is reasonably practicable.

20 MPI respectfully submits that the COVID-19 pandemic presents a pressing and unique
21 situation that it could not have been reasonably anticipated within 30 days of Orders
22 No. 159/18 and No. 176/19. MPI further submits that, as a result of the COVID-19
23 pandemic, its financial position has significantly improved at a time when the financial
24 position of many of its ratepayers may have substantially declined, creating an urgent
25 need for support. In this circumstance, MPI submits that it is just and reasonable to
26 direct MPI to issue the special rebate requested herein.

LA.2 Financial Status of MPI

1 Throughout 2019, and in the months leading up to the COVID-19 pandemic, MPI
2 experienced favourable financial performance, led by lower than anticipated claims
3 experience as well as prudent management of investments and operating expenses.
4 Basic posted year-to-date Q3 net income of \$121.1 million, which exceeded the prior
5 year period by \$78.9 million. This trend continued into Q4 and, as a result, MPI
6 entered the COVID-19 pandemic on strong financial footing.

7 Due to the positive results in the 2018/19 and 2019/20 fiscal years, the capital
8 position of Basic grew at a rate faster than MPI anticipated as recently as twelve to
9 eighteen months ago. As a result, MPI is in a better position to withstand the
10 uncertainty accompanying the COVID-19 pandemic than it would have otherwise.

11 As the main source of the proposed rebate is the savings resulting from the estimated
12 reduction in claims costs for the period March 15 – May 15, 2020; all else equal, the
13 capital position of Basic (and its ability to pay future claims) should not deteriorate
14 significantly. Put another way, as premiums charged during the COVID-19 pandemic
15 are more than needed to cover the cost of claims – the excess would normally flow
16 back to rate payers in the form of future rate decreases through the Capital
17 Management Plan (CMP). The proposed rebate will, simply put, accelerate the rebate
18 to policyholders in the form of a one-time payment, instead of in the future via lower
19 rates. Due to the seriousness of the COVID-19 pandemic and the economic hardship
20 facing many Manitobans, these funds must be distributed to ratepayers in a
21 responsible, yet expeditious manner.

22 What follows is a discussion on the various relevant financial components to this
23 Application. Unless otherwise stated, all 2019/20 figures are shown as the last 12
24 months to maintain comparability, as opposed to the actual 13 months that MPI will
25 produce in its statutory reporting due to the change in year-end from February to
26 March. Additionally, 2019/20 figures are best estimates and are subject to the
27 finalization of the year-end process and external audit.

LA.2.1 Total Earned Revenues - Basic

- 1 The following figure assumes 0% rate change in 2021/22 and thereafter:

Figure 1 Total Earned Revenues – Basic

Line No.	Fiscal Year	2019/20	2020/21	2021/22	2022/23	2023/24
2	(\$000)					
3	Current Forecast	1,116,063	1,164,380	1,201,342	1,243,667	1,288,164
4	Compliance Forecast	1,115,126	1,169,091	1,213,206	1,261,832	1,312,606
5	Change	937	(4,711)	(11,864)	(18,165)	(24,442)

- 2 MPI projects its 2019/20 Basic Total Earned Revenues at \$1.116 billion, which is
3 essentially equal to the 2020 GRA compliance forecast. For 2020/21 and thereafter,
4 the reduced revenue forecast reflects revised volume and upgrade projections, which
5 MPI will include in the 2021 GRA.

- 6 Regarding the COVID-19 pandemic, MPI has not reduced the 2020/21 revenue
7 projections for changes in customer behaviour (i.e. canceling insurance, switching to
8 layup (comprehensive) coverage). Although MPI anticipates changes in need and
9 behaviour as a result of the COVID-19 pandemic, these changes are difficult to
10 predict. As shown in *Figure 2* below, customers to-date have cancelled or reduced
11 coverage on less policies than they did during the weeks of mid-March to mid-April,
12 2019. Also, as described elsewhere herein, MPI can absorb some reduction in premium
13 revenue, should this occur.

Figure 2 Cancellation and Layup Transactions by Calendar Week

Line No.	Week	Cancellations		Layups	
		2019	2020	2019	2020
1	Week 12	3,057	3,250	1,036	1,194
2	Week 13	2,713	3,401	1,356	1,033
2	Week 14	3,141	3,613	1,782	1,144
3	Week 15	3,191	2,489	1,778	929
4	Week 16	3,586	2,351	2,052	945

April 27, 2020
revised April 30, 2020

BLACKLINE

2021 SPECIAL REBATE APPLICATION
Summary Legal Application – Blackline

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Line No.	Week	Cancellations				Layups			
		2019	2020	2019	2020	2019	2020	2019	2020
1	Week 12	3,057	3,297	3,250	3,252	1,036	2,103	1,194	2,620
2	Week 13	2,713	3,460	3,401	3,443	1,356	2,746	1,033	3,671
2	Week 14	3,141	3,454	3,613	3,704	1,782	3,514	1,144	4,372
3	Week 15	3,191	3,394	2,489	2,513	1,778	3,671	929	3,701
4	Week 16	3,586	3,198	2,351	3,123	2,052	4,521	945	4,632

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4	Week 16	3,198	3,123	4,521	4,632

LA.2.2 Claims Incurred Before Provisions

Figure 3 Claims Incurred before Provisions – Basic

Line No.	Fiscal Year	2019/20	2020/21	2021/22	2022/23	2023/24
2	<i>(\$000)</i>					
3	Current Forecast	789,795	830,781	919,797	955,453	992,327
4	Compliance Forecast	822,574	927,907	965,979	1,009,297	1,055,926
5	Change	(32,779)	(97,126)	(46,182)	(53,844)	(63,599)

1 Relative to the compliance filing from the 2020 GRA, MPI is forecasting in the fiscal
 2 year 2019/20 a \$32.8 million improvement in claims incurred before provisions (i.e.
 3 before interest rate impacts and DPAC adjustments), mainly due to a \$38.9 million
 4 improvement in the Personal Injury Protection Plan (PIPP) forecast since the filing of
 5 the compliance forecast.

6 In the fiscal year 2020/21, the current Basic forecast improved by \$97 million, which
 7 amount is comprised of:

- 8 1. a \$39 million reduction from favourable claims results in 2019/2020; and
- 9 2. a \$58 million reduction from the impact of the COVID-19 pandemic.

10 The \$58 million reduction from the COVID-19 pandemic is further comprised of:

- 11 1. an observed \$29 million reduction in claims costs from March 16 to April 15;
- 12 2. an assumed \$29 million reduction in claims costs from April 16 to May 15; and
- 13 3. no assumed impacts on claims costs from May 16, 2020 to March 31, 2021.

14 The figures below show the observed reduction in collision claims from March 16, 2020
 15 to April 15, 2020. As indicated, Basic collision claims was 63.5% and claims incurred
 16 was 56.6% under budget during this period. The favourable results saved MPI \$17.7
 17 million in Basic collision costs.

Figure 4 Basic Collision Claims Experience – March 16, 2020 to April 15, 2020

Line No.		<u>Actual</u>	<u>Budget</u>	<u>Difference</u>	<u>% Difference</u>
1	Incurred	\$13,512,047	\$31,169,310	(\$17,657,263)	-56.6%
2	Claim Counts	2,890	7,928	(5,038)	-63.5%
3	Severity	\$4,675	\$3,931	\$744	18.9%

1 MPI assumes a perfect correlation between collision, property damage (PD), and
 2 bodily injury (BI) claims in terms of frequency. In other words, PD and BI claims occur
 3 because of an associated collision claim, and since collision claims are down 63%, MPI
 4 assumes PD and BI claims counts will follow the same trend. MPI estimated these
 5 amounts owing to a lag in the reporting of these claims (especially injury claims).
 6 Based on these assumptions, the projected Basic claims savings from March 16, 2020
 7 through April 15, 2020 are as follows:

Figure 5 Forecasted Basic Claims Savings – March 16, 2020 to April 15, 2020

Line No.		<u>Incurred</u>	<u>Claim Counts</u>
1	PIPP	-\$9,331,095	-705
2	Basic Collision	-\$17,657,263	-5,038
3	Basic Property Damage	-\$2,083,620	-2,766
4	Basic Total	-\$29,071,978	-8,510

8 The \$29 million estimate in the above figure is the basis for this Application.

9 With the recent extension of public health orders and the provincial state of
 10 emergency until May 18, 2020, MPI is confident that it will continue to save amounts
 11 at the same proportion.

LA.2.2.1 Risks to MPI's Financial Condition

12 In terms of Claims Forecast, Figures DCAT-27 and DCAT-28 from the 2020 GRA
 13 illustrates what the impact of a 1-in-100 year adverse Loss Ratio scenario - a
 14 catastrophic winter experience would be. This would reduce MPI's Total Equity by \$158
 15 million, and its Minimum Capital Test (MCT) ratio by 39.8%, without management
 16 action.

As of February 29, 2020, forecasted Total Equity at the end of 2020/21 is \$531.7 million – please see PF 2 Statement of Financial Position: \$110M Rebate in 2020/21, No Rate changes. If a 1-in-100 loss ratio event were to occur, this would result in an estimated reduction of \$158 million, Basic Total Equity would be \$373.7 million, or at an MCT ratio of 91%.

1 Further, it is important to recall that MPI increased its catastrophic reinsurance
2 coverage in the 2019/20 fiscal year, which further mitigates the financial risk of a
3 major catastrophic event.

4 The Pro Forma statements attached to this Application contain comparatives of actual,
5 budgeted, and forecasted statements of operations as at February 28, 2020 versus
6 the Compliance Filing schedules, dated December 10, 2019.

LA.2.3 Investments

7 Following completion of the 2017 GRA, the PUB ordered MPI to conduct an Asset
8 Liability Management (ALM) study, which was completed by Mercer in November
9 2017. Implementation of the recommendations of the ALM study would see separation
10 of the commingled investment portfolio into five unique portfolios: Basic Claims, Basic
11 Rate Stabilization Reserve (RSR), Employee Future Benefits (EFB), Extension, and
12 Special Risk Extension (SRE).

13 The Basic Claims portfolio was fully implemented on March 1, 2019 and is comprised
14 entirely of fixed income assets which are dollar duration matched to the associated
15 liabilities. The portfolio acts as a hedge against the impact of interest rate changes on
16 the liabilities. The ALM strategy ensures that investment losses in the Basic Claims
17 portfolio are offset by the corresponding reduction of the Basic Claims liabilities, since
18 both are interest rate sensitive and have similar duration and size. And should the
19 value of the Basic Claims portfolio fall below the Basic Claims liabilities, funds will be
20 transferred from the RSR portfolio in order to ensure they again match.

21 An added benefit in the context of this rebate Application was the removal of growth
22 assets from the Basic Claims portfolio, with equities having sustained greater losses

1 than bonds during the course of the pandemic. For example, the RSR portfolio, with
2 total equities of approximately 35%, has shown a higher negative return than the
3 Basic Claims portfolio since the outset of the COVID-19 pandemic.

4 The performance of the MPI Investment Fund during these unprecedented times is
5 being closely monitored by MPI and its Board of Directors. The PUB and its advisors,
6 along with GRA Intervenors, are understandably enquiring about how the proposed
7 rebate of \$58 million will be sourced and what impact, if any, the rebate will have on
8 the Investment Fund.

9 MPI has significant cash and premium revenues which it can use to fund the rebate. At
10 the outset of the COVID-19 pandemic, MPI decided (somewhat fortuitously) to
11 maintain higher levels of cash than it would normally, as a contingency for the
12 unknown impacts of COVID-19. As a result, MPI held back \$85 million in cash that
13 would otherwise have been transferred to the Investment Fund. As such, the sale of
14 any invested assets will be minimized or not necessary at all, which means that
15 unrealized losses currently showing in the RSR portfolio will not be realized. MPI now
16 has operational cash of approximately \$165 million, of which approximately \$80
17 million can be used to fund the rebate (combined rebate of \$110 million between Basic
18 and Extension). The remaining \$30 million will be funded from revenues.

19 So while the performance of the various asset classes in each of the portfolios is not
20 impacted by the proposed rebate (and therefore of little relevance to this Application),
21 MPI nonetheless provides a snapshot of portfolio values as at March 31, 2020.

Figure 6 Investment Fund Preliminary Valuations

Line No.	Fiscal Year	January 31, 2020	February 29, 2020	March 31, 2020	Monthly Change Feb-Mar	Capital Return
1	(\$000)					
2	Basic	2,125.0	2,129.6	2,127.0	(2.6)	-0.1%
3	Extension	154.1	151.1	157.4	6.2	0.2% *
4	SRE	207.7	203.7	196.8	(7.0)	-3.4%
5	RSR	391.7	383.9	370.3	(13.6)	-3.5%
6	EFB	498.2	489.4	476.9	(12.4)	-2.5%
7	Total	3,376.7	3,357.7	3,328.4	(29.3)	-0.9%

8 * \$6 million of operational cash was deposited into global equities in late March

1 Since the end of December 2019, the equity portfolio is down approximately 14%, but
 2 other growth assets, namely, real estate and infrastructure, are up 1.6% and 1.3%
 3 respectively. Again, the removal of these asset classes from the investments backing
 4 the Basic Claims liabilities has positioned MPI well for this unforeseen pandemic. The
 5 Basic Claims portfolio was enhanced by the addition of a 20% allocation to corporate
 6 bonds, which are currently yielding 3.80% compared to just 2.30% for their
 7 counterpart bonds in government.

8 MPI will provide a robust analysis of its investments in the normal course with the
 9 filing of the 2021 GRA.

10 The PUB should have no concerns that the proposed rebate will have an adverse effect
 11 on the Investment Fund or ratepayers in the 2021 GRA and going forward.

LA.2.3.1 Investment Income Excluding Interest Rate Impacts

Figure 7 Investment Income Excluding Interest Rate Impacts

Line No.	Fiscal Year	2019/20	2020/21	2021/22	2022/23	2023/24
1	(\$000)					
2	Current Forecast	53,606	83,964	84,300	83,408	84,791
3	Compliance Forecast	78,170	72,953	72,957	72,428	75,054
4	Change	(24,564)	11,011	11,343	10,980	9,737

1 The investment portfolio of MPI experienced significant volatility in March 2020, which
2 contributed to the investment income (excluding interest rate impacts) to fall \$24.6
3 million relative to the compliance forecast. The main reason for this decline is that the
4 total equity portfolio declined by 9.1% in March and in total by 14.5% since December
5 31, which resulted in a \$33.3 million impairment of equities.

6 In 2020/21, the current investment income forecast (excluding interest rate impacts)
7 is expected to fall by approximately \$11 million per year.

8 MPI continues to use the following key assumptions for investment forecasts:

- 9 • naïve interest rates;
- 10 • equity returns based on 5th percentile 20-year Canadian equity return (i.e.
11 6.8% per year);
- 12 • infrastructure and real estate based on inflation + 5% and inflation + 4%
13 respectively; and
- 14 • investment allocations per the Investment Policy Statement.

LA.2.4 Net Interest Rate Impact

Figure 8 Net Interest Rate Impact

Line No.	Investment Income - Interest Rate Impact Fiscal Year	2019/20	2020/21	2021/22	2022/23	2023/24
1	(\$000)					
2	Current Forecast	80,528	1,824	1,062	281	(198)
3	Compliance Forecast	80,437	(95)	(153)	(239)	(62)
4	Change	91	1,919	1,215	520	(136)
6	Claims Incurred - Interest Rate Impact					
7	Fiscal Year	2019/20	2020/21	2021/22	2022/23	2023/24
8	(\$000)					
9	Current Forecast	59,785	15,499	16,933	15,411	12,800
10	Compliance Forecast	61,401	15,825	18,834	16,134	15,131
11	Change	(1,616)	(326)	(1,901)	(723)	(2,331)
12	Net Interest Rate Impact					
13	Fiscal Year	2019/20	2020/21	2021/22	2022/23	2023/24
14	(\$000)					
15	Current Forecast	20,743	(13,675)	(15,871)	(15,130)	(12,998)
16	Compliance Forecast	19,036	(15,920)	(18,987)	(16,373)	(15,193)
17	Change	1,707	2,245	3,116	1,243	2,195

1 MPI hedges its Basic claims portfolio for the impact of interest rates. As shown in the
2 above figure, the net impact of changes in interest rates on the fixed income portfolio
3 and claims liabilities remains stable, relative to the compliance forecast. This result
4 supports the effectiveness of the Basic claims ALM program and suggests that the
5 portfolio can withstand even the most significant shocks to interest rates.

6 The reason the net interest rate impact is not closer to zero in 2019/20 is because of
7 the implementation of the new investment portfolio; however, this impact was
8 forecasted in the compliance forecast. In 2021/22 and thereafter, the portfolio
9 experiences a net loss from interest rates, due to declining yield on non-marketable
10 bonds, which are not hedged.

LA.2.5 Net income

1 The following figure assumes 0% rate change for 2021/22 and thereafter:

Figure 9 Net Income – Basic

Line No.	Fiscal Year	2019/20	2020/21	2021/22	2022/23	2023/24
1	(\$000)					
2	Current Forecast	110,818	95,167	27,934	33,962	21,624
3	Compliance Forecast	108,392	(10,082)	(17,543)	(15,266)	(28,493)
4	Change	2,426	105,249	45,477	49,228	50,117

2 MPI’s 2019/20 net income forecast is estimated at \$110.8 million, relative to the
 3 \$108.4 million in the compliance forecast. As discussed above, relative to the
 4 compliance forecast expectations, better than expected claims results in the latter half
 5 of 2019/20 were offset by lower than anticipated investment income (mainly from the
 6 stock market crash in March 2020).

7 In 2020/21, net income is projected to rise to \$95.2 million, of which \$58 million is
 8 anticipated to come from the claims costs savings in the months of March through May
 9 2020. This anticipated \$58 million in net income forms the basis of this Application.

10 Although there are clearly risks to this forecast, including reductions in premium
 11 revenue, further declines in the stock market and winter storms, there is also potential
 12 for additional financial benefits including further claims reductions beyond May 2020.
 13 The forecasts would have to deteriorate a further \$37 million to arrive at a break-even
 14 net income position.

15 In 2021/22 and thereafter, the forecast assumes no rate changes. However, MPI will
 16 revise its forecasts later this year to reflect break-even rates in the 2021 GRA. The
 17 applied for rate indication should bring down the net income forecasts closer to zero.

LA.3 Capital Management Plan

1 The portion of the proposed rebate from Basic will not alter the ongoing mechanics of
2 the CMP in any meaningful way. Last year, as part of the 2020 GRA, MPI presented
3 the CMP to the PUB for approval, subsequently approved by PUB Order No. 176/19 for
4 a two-year trial period (including a Basic target capital level of 100% MCT).

5 The essence of the CMP is the transfer of capital from Extension to Basic should the
6 Extension MCT ratio of the Extension Reserve exceed 200% at fiscal year-end. If the
7 RSR is below 100% MCT, the monies transferred from Extension are then used to
8 bring the RSR closer to that target, and if these transfers are not sufficient to bring
9 the RSR to 100% MCT within 5 years, then MPI would apply for a capital build
10 provision. If the balance of the RSR level exceeds 100% MCT after the transfer from
11 Extension, the excess monies are used to reduce the Basic rate charged to customers
12 through a capital release provision.

13 When a capital release is triggered under the CMP (i.e. the balance of the RSR is
14 greater than 100% MCT on April 1 of any given year), the excess capital is released in
15 equal amounts over three 3 years, in the form of rate decreases. When a capital build
16 is triggered under the CMP (i.e. the balance of the RSR is less than 100% MCT on April
17 1 of any given year), the capital required to build the RSR is collected in equal
18 amounts over five 5 years in the form of rate increases.

19 The result is that MPI will require a capital build or release provision in each GRA,
20 unless forecasted capital transfers can build the RSR to the 100% MCT target in less
21 than five 5 years; or capital releases cause a decline in the RSR to the 100% MCT
22 target in less than three 3 years.

23 The proposed \$58 million rebate from Basic is, according to MPI's Chief Actuary, a
24 capital release of excess monies now being held in the RSR. As a result of the
25 significant reduction in claims costs beginning March 2020, coupled with Basic's strong
26 financial performance, the RSR balance has now exceeded its MCT ratio of 100%, all
27 without the benefit of the projected transfer of capital from Extension (\$75 million on
28 March 31, 2020).

1 The proposed rebate is tantamount to a capital release under the CMP, but rather than
2 have the capital released incrementally and in equal amounts over the 3-year time
3 horizon under the CMP, MPI proposes to release the additional capital from the
4 COVID-19 claims reductions all at once in the form of a rebate. Owing largely to
5 forecasted claims experience and expenses, both favourable, Basic will continue to be
6 at or near 100% MCT. And with a forecasted transfer of capital from Extension on
7 March 31, 2021 under the CMP, a capital release will be triggered under the CMP, but
8 this time in the form of a rate decrease as would occur in the normal course whenever
9 the RSR exceeds 100% MCT.

10 As previously indicated, MPI proposes to fund the balance of the total rebate (i.e. \$52
11 million) directly from Extension. As the CMP does not contemplate rebates, but rather
12 rate decreases when the RSR exceeds 100% MCT, there is no requirement under the
13 CMP to first transfer the excess Extension monies to Basic before same can be
14 released in the form of a rebate.

LA.3.1 Total Equity and Minimum Capital Test Ratio

15 As per the *Reserves Regulation*, Man Reg. 76/2019, MPI must target a Basic MCT ratio
16 of 100%. This MCT target is achieved through execution of the CMP. As a result of the
17 COVID-19 pandemic, MPI is currently charging rates and making profits not
18 contemplated in the prior GRA hearings. MPI believes that, in these unique and
19 unforeseen circumstances, it is neither reasonable nor prudent to apply the strict
20 wording of the CMP (i.e. extend future rate reductions over a 3 year period). Rather,
21 MPI has applied for a rebate of the COVID-19 claims savings of \$58 million, which is
22 effectively the equivalent of reducing current rates by this same amount. The
23 Government of Manitoba has announced MPI is to rebate an additional \$52 million of
24 excess capital from Extension. The figure below shows how Basic Total Equity and the
25 MCT ratio are forecasted to be impacted by these rebates:

Figure 10 Total Equity and MCT

Line No.	Basic Total Equity					
	Fiscal Year	2019/20	2020/21	2021/22	2022/23	2023/24
1	Fiscal Year					
2	(\$000)					
3	Current Forecast	395,930	531,748	613,260	705,530	789,866
4	Compliance Forecast	390,090	427,639	456,472	496,709	525,595
5	Change	5,840	104,109	156,788	208,821	264,271
6	Transfer from Extension					
7	Fiscal Year	2019/20	2020/21	2021/22	2022/23	2023/24
8	(\$000)					
9	Current Forecast	-	68,622	47,345	50,366	53,739
10	Compliance Forecast	75,133	42,501	44,482	48,937	48,444
11	Change	(75,133)	26,121	2,863	1,429	5,295
12	Basic Rebate					
13	Fiscal Year	2019/20	2020/21	2021/22	2022/23	2023/24
14	(\$000)					
15	Current Forecast	-	(58,000)	-	-	-
16	Compliance Forecast	-	-	-	-	-
17	Change	-	(58,000)	-	-	-
18	MCT Ratio					
19	Fiscal Year	2019/20	2020/21	2021/22	2022/23	2023/24
20	Current Forecast	97.7%	130.1%	132.0%	144.9%	156.5%
21	Compliance Forecast	96.4%	98.7%	98.9%	95.2%	103.6%
22	Change	1.3%	31.4%	33.1%	49.6%	53.0%

1 As shown above, in 2019/20 MPI forecasts a Total Equity (\$395.9 million) and MCT
2 Ratio (97.7%) that are slightly higher than the compliance forecast. Although the
3 current forecast appears close to the compliance forecast in 2019/20, it was achieved
4 *despite* not transferring any capital from Extension at year end 2019/20 (a \$75.1
5 million capital transfer from Extension was assumed in the compliance forecast).
6 Rather than applying the Extension capital transfer, MPI has instead received
7 government approval to immediately rebate \$52 million from Extension in May 2020
8 (this is shown in the Extension section that follows).

1 In 2020/21, MPI's Basic Total Equity (\$531.7 million) and MCT Ratio (130.1%) are
2 anticipated to improve significantly. However, these improvements are not attributable
3 to the COVID-19 pandemic. Although MPI anticipates earning an additional \$58 million
4 due to the COVID-19 pandemic, it assumes that it will rebate an equivalent amount in
5 May 2020 and that this amount will therefore not form part of the 2020/21 Total Basic
6 Equity. The improvement in the Total Basic Equity results almost entirely from the
7 higher projected non-pandemic Basic net income of approximately \$46 million
8 (relative to the compliance forecast), along with the anticipated capital transfer from
9 Extension of \$68 million.

10 Based on the projected levels of Basic MCT in excess of 130% in 2020/21 and
11 thereafter, MPI will use the CMP in the 2021 GRA to distribute excess funds through
12 the capital release process. This will move the Basic MCT gradually back toward 100%
13 over the next 3 years.

14 The following figures depicts the total equity and MCT positions of Basic and Extension
15 at March 31, 2020 and May 31, 2020; after release of the proposed rebate:

Figure 11 Projected Total Equity & MCT - Before & After Rebate

Line No.	BASIC		EXTENSION		
	March, 2020	May, 2020	March, 2020	May, 2020	
1	<i>(C\$ 000s, rounding may affect totals)</i>				
2	Total Equity				
3	Retained Earnings				
4	Beginning Balance	319,914	430,732	104,984	145,741
5	Net Income (Loss) from annual operations	110,818	108,321	40,757	4,726
6	Surplus Distribution/Rebate	-	(58,000)	-	(52,000)
7	Transfer (to) / from Non-Basic Retained Earnings	-	-	-	-
8	Total Retained Earnings	430,732	481,053	145,741	98,467
9	Total Accumulated Other Comprehensive Income				
10	Beginning Balance	(48,956)	(34,802)	(3,966)	(2,996)
11	Other Comprehensive Income for the Year	14,154	-	970	-
12	Total Accumulated Other Comprehensive Income	(34,802)	(34,802)	(2,996)	(2,996)
13	Total Equity Balance	395,930	446,251	142,746	95,471
14	MINIMUM CAPITAL TEST (C\$ 000s)				
15	Total Equity Balance	395,930	446,251	142,746	95,471
16	Less: Assets Requiring 100% Capital	35,489	35,489	3,024	3,024
17	Capital Available	360,441	410,762	139,722	92,447
18	Minimum Capital Required (100% MCT)	368,892	371,408	37,665	35,301
19	MCT Ratio % (Line 17) / (Line 18)	97.7%	110.6%	371.0%	261.9%

1 *Figure 11* shows that both Basic and Extension are projected to remain above their
2 respective capital targets after payment of the special rebate. The months of April and
3 May are historically amongst the lowest claims months to begin with, while the
4 additional reduction in claims due to COVID-19 is offset by the rebate. The result for
5 Basic is an increase in MCT from 97.7% to 110.6%. Extension is also forecasted to
6 remain above its 200% target for this two month period. In the case of Extension, any
7 remaining excess capital will flow back to Basic as it normally would under the CMP.

8 Are there risks to MPI's forecast not being achieved? Basic has a 100% MCT capital
9 reserve target because each of its forecasts contains an element of risk. These risks
10 and their expected magnitude have been provided to the PUB in prior GRAs. Based on
11 the above forecasts, MPI anticipates that the RSR will exceed its 100% MCT target in
12 the near term. Under the CMP, MPI would have released excess capital over the 100%
13 MCT target. The issuance of this rebate simply expedites that process.

LA.3.2 Extension

14 As discussed above, the effect of this Application and the Government announcement
15 related to excess Extension reserves is a pause in the transfer component of the CMP
16 in 2019/20 in order to respond to the COVID-19 pandemic. As a result of forecast
17 volatility and contemplation of the special rebate, MPI has not transferred excess
18 Extension capital to Basic at the end of fiscal 2019/20. Instead, MPI will provide an
19 immediate rebate of \$52 million to policyholders in May, 2020.

20 At the end of 2020/21, Extension is forecasted to have \$68.6 million in excess capital
21 above the 200% MCT target, which MPI will transfer to Basic. In 2020/21 and
22 thereafter, MPI is forecasting to transfer all excess Extension capital to Basic such that
23 the Extension MCT ratio remains at 200% MCT, consistent with the compliance
24 forecast.

Figure 12 Extension Capital Transfers

Line No.	Extension Net Income					
	Fiscal Year	2019/20	2020/21	2021/22	2022/23	2023/24
1	Fiscal Year					
2	(\$000)					
3	Current Forecast	40,757	53,599	50,004	53,190	56,051
4	Compliance Forecast	55,706	45,181	47,559	50,905	52,772
5	Change	(14,949)	8,418	2,445	2,285	3,279
6	Extension MCT Ratio					
7	Fiscal Year	2019/20	2020/21	2021/22	2022/23	2023/24
8	(\$000)					
9	Current Forecast	371.0%	200.0%	200.0%	200.0%	200.0%
10	Compliance Forecast	200.0%	200.0%	200.0%	200.0%	200.0%
11	Change	170.9%	0.0%	0.0%	0.0%	0.0%
12	Extension Capital Transfers and Rebates					
13	Fiscal Year	2019/20	2020/21	2021/22	2022/23	2023/24
14	(\$000)					
15	Current Forecast					
16	Capital Transfer	-	(68,622)	(47,345)	(50,366)	(53,799)
17	Rebate	-	(52,000)	-	-	-
18	Total	-	(120,622)	(47,345)	(50,366)	(53,799)
19	Compliance Forecast	(75,133)	(42,501)	(44,482)	(48,937)	(48,444)
20	Change	75,133	(78,121)	(2,863)	(1,429)	(5,355)

LA.4 Rebate Rules

- 1 On April 23, 2020, the Honourable Mr. Wharton announced that MPI proposed to issue
- 2 to its customers a total rebate of approximately \$110 million. The government and
- 3 MPI worked collaboratively to determine that the proposed rebate should consist of a
- 4 \$52 million capital release from the excess maintained by MPI in its Extension
- 5 Reserve, coupled with a \$58 million reduction in Basic premiums (subject to PUB
- 6 approval).
- 7 On the Extension side, the \$52 million in excess represents earnings generated in the
- 8 fiscal year 2019/20. MPI will provide this portion of the total rebate to all Basic
- 9 policyholders, prorated on a percentage of their Basic vehicle premiums earned in the

1 fiscal year 2019/20. Purchase of Extension products will not be a condition precedent
2 for the receipt of this portion of the rebate. In other words, customers who only
3 purchased a Basic policy will also be entitled to share in the \$52 million release from
4 the Extension Reserve.

5 Pursuant to the CMP, MPI would be required to transfer the \$52 million in excess funds
6 in the Extension Reserve to Basic in order to reduce the overall rate indication sought
7 in the 2021 General Rate Application (GRA). Therefore, MPI submits that it is just and
8 reasonable that the release of the excess amounts in the Extension Reserve benefit all
9 customers with Basic policies, not just those who purchased that additional coverage.
10 Instead of seeking to return monies to customers through a reduction in rates for the
11 2021/22 insurance year, MPI wishes to provide them with a direct and immediate
12 benefit, as the current need is critical.

13 On the Basic side, the \$58 million portion of the total rebate represents a return to
14 those with Basic policies in effect on March 15, 2020, the savings generated as a
15 result of the provincial state of emergency and public health orders (i.e. a reduction in
16 claims costs). The rationale for the proposed rebate is that, given the reduced claims
17 costs, these customers would have paid significantly less in premiums to insure their
18 motor vehicles after March 15, 2020 had MPI calculated their premiums on a monthly
19 (as opposed to annual) basis. MPI estimates that Basic saved approximately \$29
20 million in claims costs between March 16 and April 15, 2020 and expects similar
21 savings over the next 30 days.

22 As a result, MPI proposes a rebate to Basic customers with a policy in effect and
23 earning premiums on March 15, 2020, a total of \$58 million from Basic. If the rebate
24 is approved, customers who meet the above criteria would receive a 5.63% rebate of
25 their Basic in-force premium on March 15, 2020. The reason MPI is proposing this
26 rebate only go to customers with policies *in force* and *earning* premium on March 15,
27 2020 is because the rebate is intended to provide relief to customers who overpaid for
28 insurance as a result of the COVID-19 pandemic. If a policy is not in-force on March
29 15, the customer pays no premium on it and no financial relief is justified. Similarly, if
30 a policy is not earning premium (i.e. motorcycles) the customer is similarly paying no
31 premium and no financial relief is justified.

1 MPI selected March 15, 2020 as the eligibility date because it is the first day of the
 2 week on which the Government of Manitoba declared a Province-wide state of
 3 emergency (officially declared Friday, March 20, 2020). Prior to March 20, customers
 4 would not have experienced economic hardship as result of that state of emergency.
 5 MPI submits that March 15 sets a fair baseline for the determination of entitlement to
 6 the proposed rebate.

7 MPI appreciates that some of its customers (approximately 700,000) will dislike the
 8 proposed rebate and the rules for determining rebate entitlement and amounts.
 9 However, MPI proposes a simple approach as a means to reduce costs and given the
 10 time required to complete the process.

LA.4.1 Illustrative examples for typical customer in each major class

11 The rebate of \$58 million from the Basic side is equal to a 5.63% reduction in
 12 premiums for *Highway Traffic Act* (HTA) vehicles in the private passenger, commercial
 13 and public major classes. The rebate is applied to the in-force premiums as of March
 14 15, 2020 for these vehicles. The figure below shows the average premium reduction
 15 by major class.

Figure 13 Average Dollar Rebate by Major Class

Line No.	Major Class	2021 Rate Model			2019 Average Rate	Avg Rate for Policies-in Force on Mar 15, 2020	Avg \$ Rebate for Policies-in Force on Mar 15, 2020
		Number of Vehicles	2020 Total Premiums	2020 Average Rate			
1	[1]	[2]	[3]	[4]	[5]	[6]	[7]
2	Private Passenger	812,577	962,170,215	1,184	1,195	1,194	67
3	Commercial	46,597	38,585,701	828	823	823	46
4	Public	12,562	26,896,699	2,141	1,940	1,949	110

5 [5] = [4] / (1 + Major Class average change from the 2020 GRA compliance filing)
 6 [6] = 11.5/12 * [5] + 0.5/12 * [4] based on the assumption of uniform renewals throughout the year
 7 [7] = [6] * 5.63%

LA.4.2 Motorcyclists

1 Motorcyclists will receive the same percentage of the rebate from Extension (i.e. \$52
2 million) as other qualifying customers. This roughly translates to 4.5% return on
3 premiums paid. However, motorcyclists will not receive a percentage of the rebate
4 from Basic (i.e. \$58 million) for the following reasons:

- 5 1. The Basic portion of the rebate assumes that motorcycles do not significantly
6 contribute to the lower claims frequency between March 15, 2020 and May 15,
7 2020. Although a few motorcyclists take to the road during this time period,
8 MPI defines the riding season in Manitoba (for the purposes of calculating
9 premiums) as running from May 1st to September 30th.
- 10 2. Motorcycle premiums are fully earned during the May 1st to September 30th
11 riding season, which means that MPI has yet to earn premiums for the period
12 in question (March 15, 2020 - May 15, 2020). As all premiums are earned
13 during the riding season, the type of payment plan has no impact on the rebate
14 availability (pay-in-full versus installments).

LA.5 Implementation Strategy

15 In considering the relief requested in this Application, the PUB must also decide
16 whether MPI presents a prudent strategy for the actual distribution of approved
17 rebates to customers. Below, MPI outlines its implementation strategy and discusses
18 how it plans to resolve any problems as they arise.

19 As indicated, MPI expects to issue rebates to customers totaling \$110 million.
20 Therefore, the first question relates to how MPI plans to source the \$110 million
21 required to issue the rebate cheques. As explained above, MPI held back \$85 million in
22 cash that would otherwise have been transferred to the Investment Fund, and it now
23 has \$165 million of operational cash, of which approximately \$80 million can be used
24 to fund the rebate. The remaining \$30 million is expected to be funded from revenues,
25 requiring little or no liquidation of any investment assets.

1 The next question is who will qualify for the rebate and the rules for establishing
 2 entitlement. As explained above, a policyholder is qualified to receive a rebate if they
 3 had a Basic policy in force and earning premiums on March 15, 2020. Using these
 4 rules, MPI expects that approximately 700,000 customers will qualify for a rebate.

5 Once qualified, MPI will calculate the amount of the rebate to which the customer is
 6 entitled. MPI will then distribute rebate cheques to qualified customers via regular mail
 7 to their last known address on file.

8 MPI anticipates that the total cost of issuing the rebates will be approximately
 9 \$973,000, itemized as follows (assuming 700,000 different recipients):

Figure 14 Rebates Cost

Line No.	Description	Cost
1	Cost of Purchasing and Printing Cheques	300,000
2	Postage	623,000
3	Administrative Costs (effort)	50,000
4	Total Cost	973,000

10 While it is impossible to foresee all of the problems that could potentially arise during
 11 the implementation phase of the rebate initiative, the following list identifies the
 12 problems MPI expects and the manner in which it proposes to respond to each:

	Problem	Solution
1.	Customer reports not receiving rebate cheque.	Upon confirming initial cheque has not been cashed, a replacement cheque will be issued subject to proper identification verification.

Problem	Solution
2. Customer disputes non-entitlement or amount of entitlement.	<p>Inserts are prepared that clearly explain each rebate in understandable terms.</p> <p>In prior years, a description of the rebate was printed on the back of the premium rebate cheque stock.</p> <p>Scripts are prepared for CCO to address concerns - plan for routing escalation once script exhausted.</p>
3. Increase in calls to Contact Centre.	Add additional employees (CCAs) to the Contact Centre.
4. Increase in volume of customer reports not receiving rebate cheque.	<p>Add 2 Rebate Clerks in Banking to accommodate cheque inquiries and returned cheques.</p> <p>Media announcement is made in advance to advise customers to update their current address if they have moved (in prior years customers were directed to brokers who receive a commission for this).</p> <p>Customers asked to wait a specified period before inquiring.</p>
5. Increase in volume of replacement cheques.	Secure additional stock of replacement cheques.
6. Increase in volume of cheques returned "Return to Sender".	Secure additional on-site storage containers in Banking and meeting rooms for 3 months.
7. Specific customer groups require special handling.	If printing is outsourced, hold back customer groups, such as Fleets, if necessary to print internally.
8. Canada Post capacity issues.	Need to coordinate testing and delivery with Canada Post. If MPI outsources the printing and mailing, it will need to coordinate with Canada Post for testing the mail content and delivery plan - especially if occurring in another city.

	Problem	Solution
9.	Inputs/Stock not received when required.	Monitor. Communicate. (depending on solution, there are several inputs required to adhere to schedule.)
10.	Concerns about applicability of garnishment orders on premium rebate.	Banking to confirm that garnishment orders do not attach to premium rebate

LA.5.1 Communication Strategy

1 Developing an effective communication strategy requires an understanding of the
2 information customers need and the most effective ways to distribute same. It also
3 involves balancing the direction to issue rebates to customers in an expeditious
4 manner with the desire to fully educate and be responsive to concerns.

5 MPI anticipates that its customers will have the following questions about the rebates:

- 6 1. when will MPI issue rebates?
- 7 2. will I be entitled to a rebate?
- 8 3. if so, how much of a rebate will I be entitled to?
- 9 4. how will I be notified of my entitlement to a rebate?
- 10 5. how will I receive my rebate?
- 11 6. when will I receive my rebate?
- 12 7. what can I do if I don't receive my rebate or have other questions?
- 13 8. can MPI afford to issue rebates?

14 The communication strategy MPI expects to employ will have 2 phases:

15 **PHASE 1:** This phase has already begun and will continue until no longer required. It
16 involves the distribution of general information to the public to assist in setting up
17 expectations for the rebate. MPI will share this information to the public on its
18 website, via social media and through media releases as it becomes available.

- 1 **PHASE 2:** This phase involves the distribution of specific information to customers
- 2 receiving the rebate and includes the method MPI used to calculate their entitlement
- 3 and how to contact MPI regarding inquiries related to their rebate. MPI will include this
- 4 information in a standard form letter that will accompany each rebate cheque.

Figure 1 - Investment Portfolios Preliminary Valuations

Line No.	Fiscal Year	January 31, 2020	February 29, 2020	March 31, 2020	Monthly Change Feb-Mar	Capital Return
1	<i>(\$000)</i>					
2	Basic	2,125.0	2,129.6	2,127.0	(2.6)	-0.1%
3	Extension	154.1	151.1	157.4	6.2	0.2% *
4	SRE	207.7	203.7	196.8	(7.0)	-3.4%
5	RSR	391.7	383.9	370.3	(13.6)	-3.5%
6	EFB	498.2	489.4	476.9	(12.4)	-2.5%
7	Total	3,376.7	3,357.7	3,328.4	(29.3)	-0.9%
8	<i>* \$6 million of operational cash was deposited into global equities in late March</i>					

Figure 2 - Basic Portfolio

Line No.	Fiscal Year	January 31, 2020	February 29, 2020	March 31, 2020	Monthly Change Feb-Mar 2020	Capital Return
1	(\$000)					
2	Provincial Bonds	1,098.2	1,100.1	1,093.1 *	(7.0)	
3	Corporate Bonds	423.5	424.1	424.1	-	
4	MUSH Bonds	538.5	536.5	534.0 **	(2.5) ***	
5	Cash	54.7	58.9	66.0	7.0	
6	Floating Rate Notes	10.1	10.0	9.9	(0.1)	
7	Total	2,125.0	2,129.6	2,127.0	(2.6)	-0.1%

8 * Assumed that \$7M of Provincial bonds were sold, which is what increased cash by \$7M

9 ** Feb 28, 2020 adjusted for average decline in last 2 months.

10 *** Change due to maturities of MUSH bonds

Figure 3 - Extension Portfolio

Line No.	Fiscal Year	January 31, 2020	February 29, 2020	March 31, 2020	Monthly Change Feb-Mar 2020	Capital Return
1	(\$000)					
2	Fixed Income	49.6	52.1	57.3	5.2	
3	Provincial Bonds	31.9	32.1	32.1	-	
4	Corporate Bonds	14.8	14.9	14.9	-	
5	Private Debt - Mid-Term	2.9	5.2	10.4	5.2 *	
6	Public Equities	52.4	49.0	49.6	0.6	-11.0% **
7	Alternatives	38.4	38.5	38.9	0.4	
8	Real Estate	27.1	27.1	27.3	0.2	
9	Infrastructure	11.3	11.5	11.7	0.2	
10	Cash	3.5	1.2	6.3	5.1	
11	Floating Rate Notes	10.3	10.3	5.3	(5.0) ***	
12	Total	154.1	151.1	157.4	6.2	0.2% ****
13	* \$5.25 million new investment in Private Debt in March					
14	** \$6 million adjusted for deposit of operational cash was deposited into global equities in late March					
15	*** FRNs were sold to fund private debt drawdown					
16	**** adjusted for deposit					

Figure 4 - SRE Portfolio

Line No.	Fiscal Year	January 31, 2020	February 29, 2020	March 31, 2020	Monthly Change Feb-Mar 2020	Capital Return
1	(\$000)					
2	Fixed Income	63.4	66.6	73.5	6.9	
3	Provincial Bonds	39.8	39.8	39.9	0.0	
4	Corporate Bonds	19.8	19.9	19.9	-	
5	Private Debt - Mid-Term	3.8	6.8	13.7	6.9 *	
6	Public Equities	70.3	65.8	58.3	(7.4)	-11.3%
7	Private Equities	0.4	0.4	0.4	-	
8	Alternatives	51.5	51.7	52.2	0.5	
9	Real Estate	36.4	36.3	36.6	0.3	
10	Infrastructure	15.1	15.4	15.7	0.3	
11	Cash	6.8	4.0	4.0	0.1	
12	Floating Rate Notes	15.4	15.3	8.3	(7.1) **	
13	Total	207.7	203.7	195.3	(7.0)	-3.4%
14	*\$6.9 million new investment in Private Debt in March					
15	**FRNs were sold to fund private debt drawdown					

Figure 5 - RSR Portfolio

Line No.	Fiscal Year	January 31, 2020	February 29, 2020	March 31, 2020	Monthly Change Feb-Mar 2020	Capital Return
1	(\$000)					
2	Fixed Income	121.3	125.8	135.1	9.2	
3	Provincial Bonds	75.6	76.0	76.0	-	
4	Corporate Bonds	38.0	38.2	38.2	-	
5	Private Debt - Mid-Term	7.7	11.7	20.9	9.2 *	
6	Public Equities	134.2	125.6	111.7	(13.9)	-11.1%
8	Alternatives	67.7	68.0	68.7	0.7	
9	Real Estate	47.8	47.8	48.1	0.3	
10	Infrastructure	19.9	20.2	20.6	0.4	
11	Cash	1.7	1.0	1.9	0.9	
12	Floating Rate Notes	66.8	63.5	53.0	(10.5) **	
13	Total	391.7	383.9	370.3	(136.0)	-3.5%
14	*\$9.2 million new investment in Private Debt in March					
15	**FRNs were sold to fund private debt drawdown					

Figure 6 - EFB Portfolio

Line No.	Fiscal Year	January 31, 2020	February 29, 2020	March 31, 2020	Monthly Change Feb-Mar 2020	Capital Return
1	(\$000)					
2	Fixed Income	181.7	182.4	182.4	-	
3	Corporate Bonds	99.5	94.5	94.5	-	
4	Private Debt - Long-Term	82.2	87.9	87.9	-	
5	Public Equities	168.4	157.8	142.5	(15.4)	-9.7%
6	Alternatives	147.6	148.7	151.4	2.8	
7	Real Estate	74.9	74.7	76.1	1.4	
8	Infrastructure	72.7	73.9	75.3	1.4	
9	Cash	0.5	0.4	0.6	0.2	
10	Floating Rate Notes	-	-	-	-	
11	Total	498.2	489.4	476.9	(12.4)	2.5%

SUMMARY APPLICATION PRO FORMAS

2021 SPECIAL REBATE APPLICATION
April 27, 2020



MANITOBA
PUBLIC INSURANCE

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Pro Formas

PF- 1 Statement of Operations: \$110M Rebate in 2020/21,
No Rate changes

Line No.	(C\$ 000s, rounding may affect totals)	For the Years Ended March 31,					
		2020P	2021B	2022F	2023F	2024F	2025F
1							
2	BASIC	*2019/20P	2020/21B	2021/22F	2022/23F	2023/24F	2024/25F
3	Motor Vehicles	1,062,979	1,095,558	1,134,516	1,175,389	1,217,905	1,261,372
4	Drivers	67,421	67,980	68,381	69,034	69,856	71,225
5	Reinsurance Ceded	(14,182)	(13,608)	(13,879)	(14,158)	(14,441)	(14,729)
6	Total Net Premiums Written	1,116,218	1,149,930	1,189,018	1,230,265	1,273,320	1,317,868
7	Net Premiums Earned						
8	Motor Vehicles	1,035,999	1,081,546	1,116,481	1,156,467	1,198,223	1,241,250
9	Drivers	67,064	67,787	68,179	68,706	69,443	70,537
10	Reinsurance Ceded	(14,182)	(13,607)	(13,880)	(14,158)	(14,440)	(14,730)
11	Total Net Premiums Earned	1,088,881	1,135,726	1,170,780	1,211,015	1,253,226	1,297,057
12	Service Fees & Other Revenues	27,182	28,654	30,562	32,652	34,938	37,427
13	Total Earned Revenues	1,116,063	1,164,380	1,201,342	1,243,667	1,288,164	1,334,484
14	Claims Incurred	789,795	830,781	919,797	955,453	992,327	1,029,221
15	DPAC \ Premium Deficiency Adjustment	(1,801)	(8,353)	11,031	(3,090)	3,778	2,538
16	(a) Claims Incurred - Interest Rate Impact	59,785	15,499	16,933	15,411	12,800	6,555
17	Total Claims Incurred	847,779	837,927	947,761	967,774	1,008,905	1,038,314
18	Claims Expense	131,025	146,830	143,978	146,524	155,258	154,855
19	Road Safety/Loss Prevention	11,222	14,004	13,705	13,598	13,839	13,641
20	Total Claims Costs	990,026	998,761	1,105,444	1,127,896	1,178,002	1,206,810
21	Expenses						
22	Operating	69,636	74,207	73,042	76,388	81,008	81,108
23	Commissions	42,475	44,171	45,581	47,154	48,798	50,510
24	Premium Taxes	33,092	32,740	35,540	36,755	38,030	39,354
25	Regulatory/Appeal	4,150	5,122	5,160	5,201	5,295	5,389
26	Total Expenses	149,353	156,240	159,323	165,498	173,131	176,361
27	Underwriting Income (Loss)	(23,316)	9,379	(63,425)	(49,727)	(62,969)	(48,687)
28	Investment Income	53,606	83,964	84,300	83,408	84,791	88,042
29	(b) Investment Income - Interest Rate Impact	80,528	1,824	1,062	281	(198)	(248)
30	Net Investment Income	134,134	85,788	85,362	83,689	84,593	87,794
31	Gain (Loss) on Sale of Property	-	-	5,997	-	-	-
32	Net Income (Loss) from Annual Operations	110,818	95,167	27,934	33,962	21,624	39,107
33	Surplus Distribution	-	(58,000)	-	-	-	-
34	Net Income (Loss) after Surplus Distribution	110,818	37,167	27,934	33,962	21,624	39,107

35 *2019/20 is projected for 12 months ending March 31, 2020

PF- 2 Statement of Financial Position: \$110M Rebate in 2020/21,
No Rate changes

Multi-year - Statement of Financial Position

Line No.		For the Years Ended March 31,					
		2020P	2021B	2022F	2023F	2024F	2025F
1	(C\$ 000s, rounding may affect totals)						
2	BASIC	*2019/20P	2020/21B	2021/22F	2022/23F	2023/24F	2024/25F
3	Assets						
4	Cash and cash equivalents	204,688	100,000	100,000	100,000	100,000	100,000
5	Investments	2,679,060	3,008,511	3,189,222	3,375,465	3,574,505	3,793,092
6	Investment property	17,516	17,373	17,198	16,787	16,790	16,507
7	Due from other insurance companies	310	-	-	-	-	-
8	Accounts receivable	422,493	420,252	433,843	447,992	462,796	478,132
9	Deferred policy acquisition costs	9,367	14,003	4,101	8,376	5,831	4,553
11	Reinsurers' share of unearned premiums	-	1	-	-	1	-
12	Reinsurers' share of unpaid claims	6,109	-	-	-	-	-
13	Property and equipment	88,502	93,360	96,798	99,240	97,101	91,170
14	Deferred development costs	35,489	40,264	63,064	71,025	67,489	53,512
15		3,463,534	3,693,764	3,904,226	4,118,885	4,324,513	4,536,966
16	Liabilities						
17	Due to other insurance companies	658	601	601	601	601	601
18	Accounts payable and accrued liabilities	67,214	72,327	71,351	73,513	78,299	77,728
19	Financing lease obligation	5,476	5,370	5,255	5,132	5,010	4,887
20	Unearned premiums and fees	571,032	589,781	611,939	635,432	660,117	685,893
21	Provision for employee current benefits	17,633	18,323	19,021	19,762	20,512	21,273
22	Provision for employee future benefits	332,046	343,671	355,928	368,066	380,298	392,930
23	Provision for unpaid claims	2,073,545	2,131,942	2,226,870	2,310,850	2,389,811	2,459,160
24		3,067,604	3,162,015	3,290,965	3,413,356	3,534,648	3,642,472
25	Equity						
26	Retained Earnings	430,732	536,522	611,801	696,129	771,491	866,760
27	Accumulated Other Comprehensive Income	(34,802)	(4,774)	1,459	9,401	18,375	27,735
28	Total Equity	395,930	531,748	613,260	705,530	789,866	894,495
29	Total Liabilities & Equity	3,463,534	3,693,763	3,904,225	4,118,886	4,324,514	4,536,967
30	*2019/20 is projected for 12 months ending March 31, 2020						

PF- 3 Statement of Changes in Equity: \$110M Rebate in 2020/21,
No Rate changes

Multi-year - Statement of Changes in Equity

Line No.		For the Years Ended March 31,					
		2020P	2021B	2022F	2023F	2024F	2025F
1	(C\$ 000s, rounding may affect totals)						
2	BASIC	*2019/20P	2020/21B	2021/22F	2022/23F	2023/24F	2024/25F
3	Total Equity						
4	Retained Earnings						
5	Beginning Balance	319,914	430,732	536,522	611,801	696,129	771,491
6	Net Income (Loss) from annual operations	110,818	95,168	27,933	33,962	21,624	39,106
	Surplus Distribution/Rebate	-	(58,000)	-	-	-	-
7	Transfer (to) / from Non-Basic Retained Earnings	-	68,622	47,345	50,366	53,739	56,163
8	Total Retained Earnings	430,732	536,522	611,801	696,129	771,491	866,760
9	Total Accumulated Other Comprehensive Income						
10	Beginning Balance	(48,956)	(34,802)	(4,774)	1,459	9,401	18,375
11	Other Comprehensive Income for the Year	14,154	30,028	6,234	7,942	8,974	9,360
12	Total Accumulated Other Comprehensive Income	(34,802)	(4,774)	1,459	9,401	18,375	27,735
13	Total Equity Balance	395,930	531,748	613,260	705,530	789,866	894,495
14	MINIMUM CAPITAL TEST (C\$ 000s)						
15	Total Equity Balance	395,930	531,748	613,260	705,530	789,866	894,495
16	Less: Assets Requiring 100% Capital	35,489	40,264	63,064	71,025	67,489	53,512
17	Capital Available	360,441	491,484	550,196	634,505	722,377	840,983
18	Minimum Capital Required (100% MCT)	368,892	377,832	416,822	437,960	461,539	486,600
19	MCT Ratio % (Line 17) / (Line 18)	97.7%	130.1%	132.0%	144.9%	156.5%	172.8%
20	*2019/20 is projected for 12 months ending March 31, 2020						

PF- 4 Statement of Operations - 2019/20 Comparative

Line No.		2020 GRA 2019-20FB	2021 GRA 2019-20P	Inc (dec)	Ref.	Increase / (Decrease) %
1	(C\$ 000s, except where noted)	\$	\$	\$		
2	Net Premiums Written					
3	Motor Vehicles	1,057,941	1,062,979	5,038		0.48
4	Drivers	70,267	67,421	(2,846)		(4.05)
5	Reinsurance Ceded	(14,888)	(14,182)	706		(4.74)
6	Total Net Premiums Written	1,113,320	1,116,218	2,898	(1)	0.26
7	Net Premiums Earned					
8	Motor Vehicles	1,034,264	1,035,999	1,735		0.17
9	Drivers	68,568	67,064	(1,504)		(2.19)
10	Reinsurance Ceded	(14,217)	(14,182)	35		(0.25)
11	Total Net Premiums Earned	1,088,615	1,088,881	266		0.02
12	Service Fees & Other Revenues	26,511	27,182	671		2.53
13	Total Earned Revenues	1,115,126	1,116,063	937		0.08
14	Net Claims Incurred	822,574	789,795	(32,779)		(3.98)
15	DPAC \ Premium Deficiency Adjustment	(17,630)	(1,801)	15,829		(89.79)
16	(a) Claims Incurred - Interest rate impact	61,401	59,785	(1,616)		(2.63)
17	Total Claims Incurred	866,345	847,779	(18,566)	(2)	(2.14)
18	Claims Expense	134,257	131,025	(3,232)	(4)	(2.41)
19	Road Safety/Loss Prevention	12,329	11,222	(1,107)	(4)	(8.98)
20	Total Claims Costs	1,012,931	990,026	(22,905)		(2.26)
21	Expenses					
22	Operating	72,200	69,636	(2,564)	(4)	(3.55)
23	Commissions	42,454	42,475	21		0.05
24	Premium Taxes	33,085	33,092	7		0.02
25	Regulatory/Appeal	4,671	4,150	(521)	(4)	(11.15)
26	Total Expenses	152,410	149,353	(3,057)		(2.01)
27	Underwriting Income (Loss)	(50,215)	(23,316)	26,899		(53.57)
28	Investment Income	78,170	53,606	(24,564)		(31.42)
29	(b) Investment Income - Interest rate impact	80,437	80,528	91		0.11
30	Total Investment Income	158,607	134,134	(24,473)	(3)	(15.43)
31	Gain (Loss) on Sale of Property	-	-	-		-
32	Net Income (Loss)	108,392	110,818	2,426		2.24
33	Allocated Corporate Expenses					
34	Claims Expense	134,257	131,025	(3,232)		(2.41)
35	Road Safety/Loss Prevention	12,329	11,222	(1,107)		(8.98)
36	Operating	72,200	69,636	(2,564)		(3.55)
37	Regulatory/Appeal	4,671	4,150	(521)		(11.15)
38	Total Allocated Corporate Expenses	223,457	216,033	(7,424)		(3.32)
39	Allocated Corporate Expenses					
40	Normal Operations	225,855	213,866	(11,989)	(4)	(5.31)
41	Initiatives Implementation	3,673	4,982	1,309	(4)	35.64
42	Initiatives Ongoing	-	-	-		-
43	Total Allocated Corporate Expenses	229,528	218,848	(10,680)		(4.65)
44	*Total net positive impact due to interest rates	19,036	20,743	1,707		8.97

Explanation of Significant Variances - 2019/20 Comparative

Line No.	Ref.	Category	(C\$ 000s)	Explanation
1	(1)	Net Premiums Written	1,113,320	2020 GRA
2			5,038	Higher than expected premium related to upgrade, fleets etc
3			(2,846)	Lower driver premiums primarily related to volume and DSR discount
4			706	Lower than expected reinsurance premiums
5			1,116,218	2021 GRA
6	(2)	Net Claims Incurred	866,345	2020 GRA
7			(38,861)	Decreased PIPP and Liability claims
8			(5,528)	Decreased Collision claims
9			(4,918)	Decreased Property Damage Claims
10			(1,616)	Decreased Interest Rate Impact
11			(1,385)	Other Impacts
12			15,829	Increased Write Down DPAC
13			11,961	Increased Comprehensive claims
14			5,951	Increased ILAE
15			847,779	2021 GRA
17	(3)	Investment Income	158,607	2020 GRA
18			2,227	Higher than expected interest income and gains/loss on alternative invest
19			6,612	Higher than expected net pension income
20			(33,312)	Impairment of Equity Investments
21			134,134	2021 GRA*
22	(4)	Allocated Corporate Expenses	223,457	2020 GRA
24			(7,424)	Due to items including salarie, initiatives, data processing etc
26			216,033	2021 GRA*

* Detail not readily available for 2019/20 due to amounts based on projections

PF- 5 Statement of Operations: 2020/21 Comparative

Line No.		2020 GRA 2020-21F	2021 GRA 2020-21B	Inc (dec)	Ref.	Increase / (Decrease) %
1	(C\$ 000s, except where noted)	\$	\$	\$		
2	Net Premiums Written					
3	Motor Vehicles	1,101,066	1,095,558	(5,508)		(0.50)
4	Drivers	72,280	67,980	(4,300)		(5.95)
5	Reinsurance Ceded	(14,433)	(13,608)	825		(5.72)
6	Total Net Premiums Written	1,158,913	1,149,930	(8,983)	(1)	(0.78)
7	Net Premiums Earned					
8	Motor Vehicles	1,084,045	1,081,546	(2,499)		(0.23)
9	Drivers	71,268	67,787	(3,481)		(4.88)
10	Reinsurance Ceded	(14,433)	(13,607)	826		(5.72)
11	Total Net Premiums Earned	1,140,880	1,135,726	(5,154)		(0.45)
12	Service Fees & Other Revenues	28,211	28,654	443		1.57
13	Total Earned Revenues	1,169,091	1,164,380	(4,711)		(0.40)
14	Net Claims Incurred	927,907	830,781	(97,126)		(10.47)
15	DPAC \ Premium Deficiency Adjustment	(3,040)	(8,353)	(5,313)		174.77
16	(a) Claims Incurred - Interest rate impact	15,825	15,499	(326)		(2.06)
17	Total Claims Incurred	940,692	837,927	(102,765)	(2)	(10.92)
18	Claims Expense	139,351	146,830	7,479	(4)	5.37
19	Road Safety/Loss Prevention	13,462	14,004	542	(4)	4.03
20	Total Claims Costs	1,093,505	998,761	(94,744)		(8.66)
21	Expenses					
22	Operating	74,157	74,207	50	(4)	0.07
23	Commissions	44,384	44,171	(213)		(0.48)
24	Premium Taxes	34,659	32,740	(1,919)		(5.54)
25	Regulatory/Appeal	5,326	5,122	(204)	(4)	(3.83)
26	Total Expenses	158,526	156,240	(2,286)		(1.44)
27	Underwriting Income (Loss)	(82,940)	9,379	92,319		(111.31)
28	Investment Income	72,953	83,964	11,011		15.09
29	(b) Investment Income - Interest rate impact	(95)	1,824	1,919		(2,020.00)
30	Total Investment Income	72,858	85,788	12,930	(3)	17.75
31	Net Income (Loss) from Annual Operations	(10,082)	95,167	105,249		(1,043.93)
32	Surplus Distribution	-	(58,000)	(58,000)		
33	Net Income (Loss) after Surplus Distribution	(10,082)	37,167	47,249		(468.65)
34	Allocated Corporate Expenses					
35	Claims Expense	139,351	146,830	7,479		5.37
36	Road Safety/Loss Prevention	13,462	14,004	542		4.03
37	Operating	74,157	74,207	50		0.07
38	Regulatory/Appeal	5,326	5,122	(204)		(3.83)
39	Total Allocated Corporate Expenses	232,296	240,163	7,867		3.39
40	*Total impact due to interest rates	(15,920)	(13,675)	2,245		(14.10)

Explanation of Significant Variances - 2020/21 Comparative

Line No.	Ref.	Category	(C\$ 000s)	Explanation
1	(1)	Net Premiums Written	1,158,913	2020 GRA
2			(5,508)	Lower than expected premium related to volume and upgrade
3			(4,300)	Lower driver premiums primarily related to volume and DSR dis
4			825	Lower than expected reinsurance premiums
9			1,149,930	2021 GRA
11	(2)	Net Claims Incurred	940,692	2020 GRA
12			(62,147)	Lower forecast for Collision + Comprehensive claims
13			(18,922)	Lower forecast for PIPP and Liability claims
14			(10,771)	Lower forecasted ULAE from Expense Reclassification
15			(7,634)	Lower forecasted Property Damage claims
16			(5,314)	Lower forecasted Write Down DPAC
17			(2,229)	Lower forecasted Interest Rate Impact
18			4,252	Increased forecasted ILAE
19			837,927	2021 GRA
21	(3)	Investment Income	72,858	2020 GRA
22			9,732	Higher than expected interest income
23			3,429	Higher than expected equity investment income
24			8,109	Higher than expected alternative investment income
25			(1,609)	Higher than expected investment manager fees
26			929	Lower than expected amortization of bond premium
27			(10,724)	Higher than expected pension expense
28			3,063	Other
29			85,788	2021 GRA
31	(4)	Allocated Corporate Expenses	232,296	2020 GRA
32			9,266	Higher than expected Data processing
33			(4,360)	Lower than expected salaries
34			1,410	Higher than expected Benefit expense
35			1,773	Higher than expected Special Services expense
36			(1,607)	Lower than expected Merchant Fees
37			1,385	All Other
38			240,163	2021 GRA

PF- 6 Statement of Operations: 2021/22 Comparative

Line No.		2020 GRA 2021-22F	2021 GRA 2021-22F	Inc (dec)	Ref.	Increase / (Decrease) %
1	(C\$ 000s, except where noted)	\$	\$	\$		%
2	Net Premiums Written					
3	Motor Vehicles	1,144,765	1,134,516	(10,249)		(0.90)
4	Drivers	74,110	68,381	(5,729)		(7.73)
5	Reinsurance Ceded	(14,722)	(13,879)	843		(5.73)
6	Total Net Premiums Written	1,204,153	1,189,018	(15,135)	(1)	(1.26)
7	Net Premiums Earned					
8	Motor Vehicles	1,124,535	1,116,481	(8,054)		(0.72)
9	Drivers	73,190	68,179	(5,011)		(6.85)
10	Reinsurance Ceded	(14,722)	(13,880)	842		(5.72)
11	Total Net Premiums Earned	1,183,003	1,170,780	(12,223)		(1.03)
12	Service Fees & Other Revenues	30,203	30,562	359		1.19
13	Total Earned Revenues	1,213,206	1,201,342	(11,864)		(0.98)
14	Net Claims Incurred	965,979	919,797	(46,182)		(4.78)
15	DPAC \ Premium Deficiency Adjustment	3,120	11,031	7,911		253.56
16	(a) Claims Incurred - Interest rate impact	18,834	16,933	(1,901)		(10.09)
17	Total Claims Incurred	987,933	947,761	(40,172)	(2)	(4.07)
18	Claims Expense	139,484	143,978	4,494	(4)	3.22
19	Road Safety/Loss Prevention	13,420	13,705	285	(4)	2.12
20	Total Claims Costs	1,140,837	1,105,444	(35,393)		(3.10)
21	Expenses					
22	Operating	75,472	73,042	(2,430)	(4)	(3.22)
23	Commissions	45,977	45,581	(396)		(0.86)
24	Premium Taxes	35,932	35,540	(392)		(1.09)
25	Regulatory/Appeal	5,335	5,160	(175)	(4)	(3.28)
26	Total Expenses	162,716	159,323	(3,393)		(2.09)
27	Underwriting Income (Loss)	(90,347)	(63,425)	26,922		(29.80)
28	Investment Income	72,957	84,300	11,343		15.55
29	(b) Investment Income - Interest rate impact	(153)	1,062	1,215		(794.12)
30	Total Investment Income	72,804	85,362	12,558	(3)	17.25
31	Gain on Sale of Property					
32	Net Income (Loss)	(17,543)	27,934	45,477		(259.23)
33	Allocated Corporate Expenses					
34	Claims Expense	139,484	143,978	4,494		3.22
35	Road Safety/Loss Prevention	13,420	13,705	285		2.12
36	Operating	75,472	73,042	(2,430)		(3.22)
37	Regulatory/Appeal	5,335	5,160	(175)		(3.28)
38	Total Allocated Corporate Expenses	233,711	235,885	2,174		0.93
39	Allocated Corporate Expenses					
40	Normal Operations	225,418	226,767	1,349	(4)	0.60
41	Initiatives Implementation	750	1,114	364	(4)	48.53
42	Initiatives Ongoing	6,836	3,795	(3,041)	(4)	(44.49)
43	Total Allocated Corporate Expenses	233,004	231,676	(1,328)		(0.57)
44	*Total impact due to interest rates	(18,987)	(15,871)	3,116		(16.41)

Explanation of Significant Variances - 2021/22 Comparative

Line No.	Ref.	Category	(C\$ 000s)	Explanation
1	(1)	Net Premiums Written	1,204,153	2020 GRA
2			(10,249)	Lower than expected premium related to volume and upgrade
3			(5,729)	Lower driver premiums primarily related to volume and DSR di
4			843	Lower than expected reinsurance premiums
9			1,189,018	2021 GRA
10	(2)	Net Claims Incurred	987,933	2020 GRA
11			(32,006)	Lower forecast for Collision + Comprehensive claims
12			(12,228)	Lower forecasted ULAE from Expense Reclassification
13			(3,592)	Lower forecasted Property Damage claims
14			(473)	Lower forecasted Interest Rate Impact
15			7,912	Increased forecasted Write Down DPAC
16			107	Lower forecast for PIPP and Liability claims
17			107	Increased forecasted ILAE
18			947,761	2021 GRA
19	(3)	Investment Income	72,804	2020 GRA
20			5,255	Higher than expected interest income
21			9,246	Higher than expected equity investment income
22			9,513	Higher than expected alternative investment income
23			(2,179)	Higher than expected investment manager fees
24			524	Lower than expected amortization of bond premium
25			(10,994)	Higher than expected pension expense
26			1,193	Other
27			85,362	2021 GRA
28	(4)	Allocated Corporate Expenses	233,711	2020 GRA
29			7,186	Higher than expected Data processing
30			(4,855)	Lower than expected salaries
31			1,377	Higher than expected Benefit expense
32			1,964	Higher than expected Special Services expense
33			(1,081)	Lower than expected Merchant Fees
34			(2,417)	All Other
35			235,885	2021 GRA

PF- 7 Statement of Operations: 2022/23 Comparative

Line No.		2020 GRA 2022-23F	2021 GRA 2022-23F	Inc (dec)	Ref.	Increase / (Decrease) %
1	(C\$ 000s, except where noted)	\$	\$	\$		%
2	Net Premiums Written					
3	Motor Vehicles	1,190,689	1,175,389	(15,300)		(1.28)
4	Drivers	75,948	69,034	(6,914)		(9.10)
5	Reinsurance Ceded	(15,016)	(14,158)	858		(5.71)
6	Total Net Premiums Written	1,251,621	1,230,265	(21,356)	(1)	(1.71)
7	Net Premiums Earned					
8	Motor Vehicles	1,169,429	1,156,467	(12,962)		(1.11)
9	Drivers	75,024	68,706	(6,318)		(8.42)
10	Reinsurance Ceded	(15,016)	(14,158)	858		(5.71)
11	Total Net Premiums Earned	1,229,437	1,211,015	(18,422)		(1.50)
12	Service Fees & Other Revenues	32,395	32,652	257		0.79
13	Total Earned Revenues	1,261,832	1,243,667	(18,165)		(1.44)
14	Net Claims Incurred	1,009,297	955,453	(53,844)		(5.33)
15	DPAC \ Premium Deficiency Adjustment	3,701	(3,090)	(6,791)		(183.49)
16	(a) Claims Incurred - Interest rate impact	16,134	15,411	(723)		(4.48)
17	Total Claims Incurred	1,029,132	967,774	(61,358)	(2)	(5.96)
18	Claims Expense	138,957	146,524	7,567	(4)	5.45
19	Road Safety/Loss Prevention	13,712	13,598	(114)	(4)	(0.83)
20	Total Claims Costs	1,181,801	1,127,896	(53,905)		(4.56)
21	Expenses					
22	Operating	76,989	76,388	(601)	(4)	(0.78)
23	Commissions	47,740	47,154	(586)		(1.23)
24	Premium Taxes	37,334	36,755	(579)		(1.55)
25	Regulatory/Appeal	5,423	5,201	(222)	(4)	(4.09)
26	Total Expenses	167,486	165,498	(1,988)		(1.19)
27	Underwriting Income (Loss)	(87,455)	(49,727)	37,728		(43.14)
28	Investment Income	72,428	83,408	10,980		15.16
29	(b) Investment Income - Interest rate impact	(239)	281	520		(217.57)
30	Total Investment Income	72,189	83,689	11,500	(3)	15.93
31	Net Income (Loss)	(15,266)	33,962	49,228		(322.47)
32	Allocated Corporate Expenses					
33	Claims Expense	138,957	146,524	7,567		5.45
34	Road Safety/Loss Prevention	13,712	13,598	(114)		(0.83)
35	Operating	76,989	76,388	(601)		(0.78)
36	Regulatory/Appeal	5,423	5,201	(222)		(4.09)
37	Total Allocated Corporate Expenses	235,081	241,711	6,630		2.82
38	Allocated Corporate Expenses					
39	Normal Operations	225,463	225,418	(45)	(4)	(0.02)
40	Initiatives Implementation	782	750	(32)	(4)	(4.09)
41	Initiatives Ongoing	8,110	7,164	(946)	(4)	(11.66)
42	Total Allocated Corporate Expenses	234,355	233,332	(1,023)		(0.44)
43	*Total net positive impact due to interest rates	(16,373)	(15,130)	1,243		(7.59)

Explanation of Significant Variances - 2022/23 Comparative

Line

No.	Ref.	Category	(C\$ 000s)	Explanation
1	(1)	Net Premiums Written	1,251,621	2020 GRA
2			(15,300)	Lower than expected premium related to volume and upgrade
3			(6,914)	Lower driver premiums primarily related to volume and DSR
4			858	Lower than expected reinsurance premiums
5			<u>1,230,265</u>	2021 GRA
6	(2)	Net Claims Incurred	1,029,132	2020 GRA
7			(37,368)	Lower forecast for Collision + Comprehensive claims
8			(13,666)	Lower forecasted ULAE from Expense Reclassification
9			(6,791)	Lower forecasted Write Down DPAC
10			(3,933)	Lower forecasted Property Damage claims
11			(177)	Lower forecasted Interest Rate Impact
12			(57)	Increased forecasted ILAE
13			632	Increased forecasted PIPP claims
14			<u>967,774</u>	2021 GRA
15	(3)	Investment Income	72,189	2020 GRA
16			1,873	Higher than expected interest income
17			8,519	Higher than expected equity investment income
18			14,511	Higher than expected alternative investment income
19			(2,587)	Higher than expected investment manager fees
20			(1)	Higher than expected amortization of bond premium
21			(11,265)	Higher than expected pension expense
22			449	Other
23			<u>83,689</u>	2021 GRA
25	(4)	Allocated Corporate Expenses	235,081	2020 GRA
26			12,626	Higher than expected Data processing
27			(5,610)	Lower than expected salaries
28			1,506	Higher than expected Benefit expense
29			(1,012)	Higher than expected Special Services expense
30			(880)	All Other
31			<u>241,711</u>	2021 GRA

EPF- 1 Statement of Operations: \$110M Rebate in 2020/21,
No Rate changes

Multi-year - Statement of Operations

Line No.	(C\$ 000s, rounding may affect totals)	For the Years Ended March 31,					
		2020P	2021B	2022F	2023F	2024F	2025F
1							
2	EXTENSION	*2019/20P	2020/21B	2021/22F	2022/23F	2023/24F	2024/25F
3	Motor Vehicles	156,304	160,181	165,256	170,768	176,690	182,923
4	Reinsurance Ceded	(1,905)	(1,911)	(1,949)	(1,989)	(2,028)	(2,068)
5	Total Net Premiums Written	154,399	158,270	163,307	168,779	174,662	180,855
6	Net Premiums Earned						
7	Motor Vehicles	158,728	158,576	162,839	168,143	173,870	179,955
8	Reinsurance Ceded	(1,905)	(1,911)	(1,949)	(1,988)	(2,028)	(2,068)
9	Total Net Premiums Earned	156,823	156,665	160,890	166,155	171,842	177,887
10	Service Fees & Other Revenues	12,343	13,019	13,684	14,406	15,186	16,029
11	Total Earned Revenues	169,166	169,684	174,574	180,561	187,028	193,916
12	Net Claims Incurred	67,945	65,120	69,379	70,056	71,074	72,234
13	(a) Claims Incurred - Interest Rate Impact	-	65	(181)	(67)	-	-
14	Total Claims Incurred	67,945	65,185	69,198	69,989	71,074	72,234
15	Claims Expense	11,000	12,217	11,925	11,865	12,550	12,315
16	Road Safety/Loss Prevention	861	1,165	1,135	1,099	1,115	1,080
17	Total Claims Costs	79,806	78,567	82,258	82,953	84,739	85,629
18	Expenses						
19	Operating	8,883	8,265	8,459	8,883	9,300	9,272
20	Commissions	35,019	34,623	35,595	36,751	37,999	39,326
21	Premium Taxes	4,762	3,197	4,885	5,044	5,216	5,399
22	Regulatory/Appeal	12	12	12	12	16	20
23	Total Expenses	48,676	46,097	48,951	50,690	52,531	54,017
24	Underwriting Income (Loss)	40,684	45,020	43,365	46,918	49,758	54,270
25	Investment Income	(740)	7,560	5,839	6,136	6,250	6,548
26	(b) Investment Income - Interest Rate Impact	813	1,019	284	136	43	6
27	Net Investment Income	73	8,579	6,123	6,272	6,293	6,554
28	Gain (Loss) on Sale of Property	-	-	516	-	-	-
29	Net Income (Loss) from Operations	40,757	53,599	50,004	53,190	56,051	60,824
30	Surplus Distribution	-	(52,000)	-	-	-	-
31	Net Income (Loss) after surplus distribution	40,757	1,599	50,004	53,190	56,051	60,824

32 *2019/20 is projected for 12 months ending March 31, 2020

EPF- 3 Statement of Changes in Equity: \$110M Rebate in 2020/21,
No Rate changes

Multi-year - Statement of Changes in Equity

Line No.	(C\$ 000s, rounding may affect totals)	For the Years Ended March 31,					
		2020P	2021B	2022F	2023F	2024F	2025F
1							
2	EXTENSION	*2019/20P	2020/21B	2021/22F	2022/23F	2023/24F	2024/25F
3	Total Equity						
4	Retained Earnings						
5	Beginning Balance	104,984	145,741	78,719	81,380	84,204	86,517
6	Net Income (Loss) from annual operations	40,757	53,599	50,006	53,191	56,052	60,824
7		-	(52,000)	-	-	-	-
8	Transfer (to) / from Basic Retained Earnings	-	(68,622)	(47,345)	(50,366)	(53,739)	(56,163)
9	Total Retained Earnings	145,741	78,718	81,380	84,205	86,517	91,178
10	Total Accumulated Other Comprehensive Income						
11	Beginning Balance	(3,966)	(2,995)	2,109	3,807	4,941	5,944
12	Other Comprehensive Income	970	5,104	1,698	1,134	1,003	1,022
13	Total Accumulated Other Comprehensive Income	(2,996)	2,109	3,807	4,941	5,944	6,966
14	Total Equity Balance	142,746	80,827	85,186	89,146	92,462	98,145
15	MINIMUM CAPITAL TEST (C\$ 000s)						
16	Total Equity Balance	142,746	80,827	85,186	89,146	92,462	98,145
17	Less: Assets Requiring 100% Capital	3,024	3,437	5,357	6,050	5,780	4,627
18	Capital Available	139,722	77,390	79,829	83,096	86,682	93,518
19	Minimum Capital Required (100% MCT)	37,665	38,695	39,913	41,548	43,341	46,757
20	MCT Ratio % (Line 17) / (Line 18)	371.0%	200.0%	200.0%	200.0%	200.0%	200.0%
21	*2019/20 is projected for 12 months ending March 31, 2020						

MANITOBA PUBLIC INSURANCE

2021 SPECIAL REBATE APPLICATION
Information Requests Pre-Asks
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Public Utilities Board
Coalition of Manitoba Motorcycles Groups



MANITOBA
PUBLIC INSURANCE

April 30, 2020

2021 SPECIAL REBATE APPLICATION
PUB (MPI) Pre-Ask 1**PUB (MPI) Pre-Ask 1**

Part and Chapter:	Rebate Application	Page No.:	Page 7 of 27, Figure 3 Claims Incurred before Provisions – Basic
PUB Approved Issue No:			
Topic:	Claims Incurred Forecast		
Sub Topic:			

Preamble to IR:

MPI has indicated a material improvement in Claims Incurred from the Compliance Filing for the fiscal years 2019/20, 2020/21 and the forecast period.

Question:

- a) Please provide the budgeted claims incurred and frequency by month for 2019/20 and 2020/21 and indicate which budget the total should reconcile to for Collision, PIPP and Basic Property Damage.
- b) Are the actual and budgeted collision claims amounts consistent with each other relative to lags in reporting?
- c) Please indicate to what extent the adequacy of reserves at March 31, 2020 has been reviewed by the external actuary.
- d) Is the rebate application consistent with external actuarial review of adequacy of reserves?

Rationale for Question:**RESPONSE:**

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PUB (MPI) Pre-Ask 1

a) The table below provides the budgeted Collision figures by month:

Figure 1 – Collision Ultimate Budget by Month

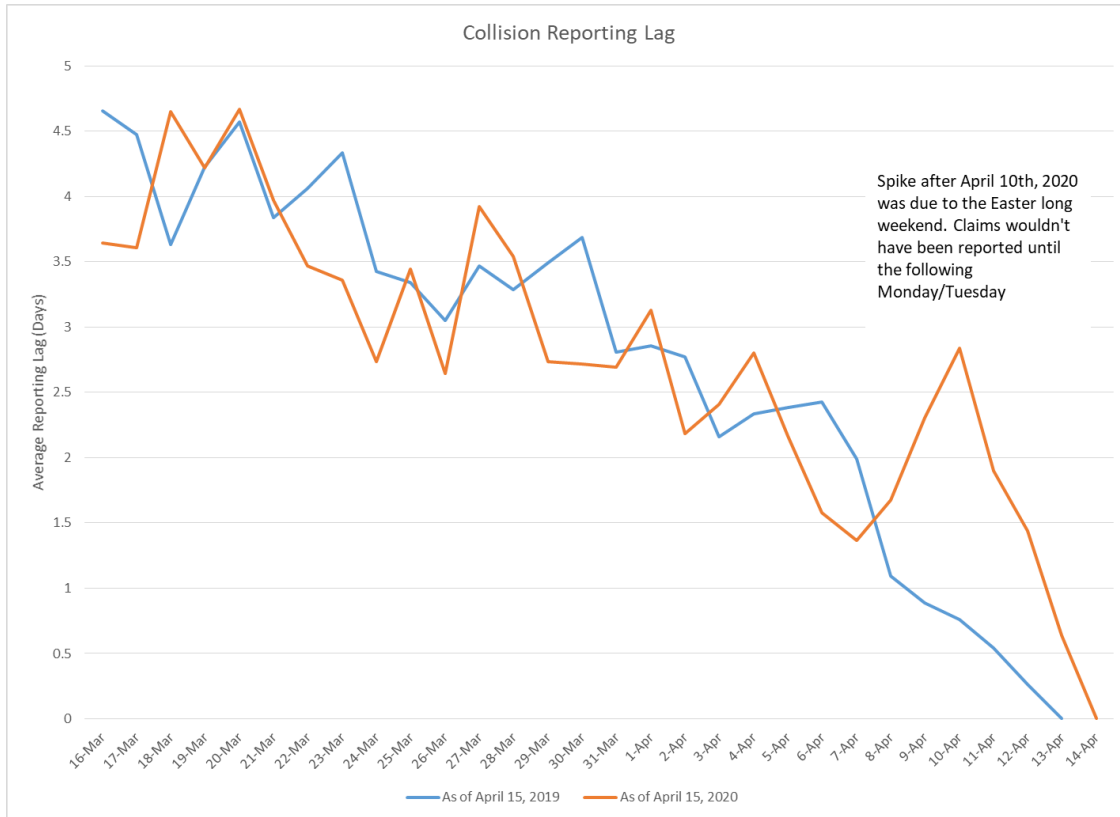
Line No.	Month	Collision (Repair)		Collision (Total Loss)		Collision (Total)	
		Incurred	Claim Counts	Incurred	Claim Counts	Incurred	Claim Counts
1	Mar-19	\$22,482,871	7,489	\$13,564,424	2,045	\$36,047,295	9,533
2	Apr-19	\$17,669,631	5,834	\$10,796,817	1,583	\$28,466,448	7,417
3	May-19	\$18,523,583	5,903	\$11,846,540	1,672	\$30,370,123	7,575
4	Jun-19	\$19,883,142	6,106	\$12,596,443	1,764	\$32,479,585	7,870
5	Jul-19	\$20,025,382	6,065	\$12,718,353	1,753	\$32,743,735	7,818
6	Aug-19	\$19,185,537	5,881	\$13,007,218	1,775	\$32,192,755	7,656
7	Sep-19	\$20,446,632	6,079	\$13,086,422	1,857	\$33,533,054	7,936
8	Oct-19	\$22,601,038	6,565	\$15,442,808	2,133	\$38,043,847	8,698
9	Nov-19	\$28,641,879	7,813	\$19,662,934	2,719	\$48,304,813	10,532
10	Dec-19	\$33,856,089	9,745	\$21,746,466	3,015	\$55,602,555	12,760
11	Jan-20	\$32,339,648	9,679	\$19,567,471	2,817	\$51,907,119	12,497
12	Feb-20	\$26,117,404	7,964	\$16,133,447	2,312	\$42,250,852	10,276
13	Mar-20	\$21,470,912	6,852	\$12,618,764	1,854	\$34,089,676	8,706
14	Apr-20	\$17,471,026	5,643	\$10,777,918	1,507	\$28,248,944	7,150
15	May-20	\$18,845,335	5,869	\$12,070,717	1,624	\$30,916,052	7,493
16	Jun-20	\$20,176,679	6,020	\$12,721,433	1,726	\$32,898,112	7,747
17	Jul-20	\$20,181,570	6,029	\$12,721,020	1,700	\$32,902,590	7,729
18	Aug-20	\$19,607,513	5,875	\$13,164,227	1,729	\$32,771,741	7,604
19	Sep-20	\$21,024,289	6,065	\$13,540,725	1,826	\$34,565,013	7,891
20	Oct-20	\$23,210,344	6,583	\$15,846,050	2,098	\$39,056,394	8,682
21	Nov-20	\$28,777,564	7,558	\$19,448,375	2,576	\$48,225,939	10,134
22	Dec-20	\$31,803,018	8,827	\$20,849,363	2,746	\$52,652,381	11,573
23	Jan-21	\$31,025,712	8,958	\$19,080,608	2,601	\$50,106,320	11,559
24	Feb-21	\$27,375,760	7,941	\$16,838,321	2,297	\$44,214,081	10,239
25	Mar-21	\$22,055,005	6,644	\$13,481,340	1,846	\$35,536,345	8,491

MPI does not maintain a monthly budget for Property Damage (PD), and bodily injury (BI) claims. In order to calculate the savings for the Summary Rebate Application, MPI assumed a perfect correlation between Collision, PD, and BI claims in terms of frequency. *Figure 5 - Forecasted Basic Claims Savings – March 16, 2020 to April 15, 2020* of the Summary Rebate Application provides further details on the forecast.

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PUB (MPI) Pre-Ask 1

- b) Average Reporting Lag is average lapse of time between the date of the accident and the reporting date. The chart below compares the period of March 16 to April 15, between 2019 and 2020:



There is no significant change in reporting lag from last year. The spike after April 10, 2020 is due to the Easter long weekend in which claims would not have been reported until the following Monday or Tuesday.

- c) and d) MPI is currently performing its year-end valuation of policy liabilities. The valuation has not been reviewed by the external actuary. However, MPI can confirm that the October 31, 2019 valuation, which has been signed off by the external actuary, resulted in a decrease of \$31.9 million from the MPI carried book value (i.e. a favourable adjustment). Since October 31, 2019, reported PIPP claims incurred have continued to track below budgeted values. MPI is not anticipating

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**2021 SPECIAL REBATE APPLICATION
PUB (MPI) Pre-Ask 1**

any material unfavourable changes to the claims forecast as a result of the March 31, 2019 valuation.

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**2021 SPECIAL REBATE APPLICATION
PUB (MPI) Pre-Ask 2**

PUB (MPI) Pre-Ask 2

Part and Chapter:	Compliance Filing 2020 GRA	Page No.:	Page 3 of 13, Figure 3
	Rebate Application		Page 18 of 27, Figure 11 Projected Total Equity & MCT - Before & After Rebate
PUB Approved Issue No:			
Topic:	Capital Position		
Sub Topic:			

Preamble to IR:

In the Compliance Filing MPI projected AOCI for Basic of (\$103.2 million) at the end of February 2020. Based on the Rebate Application the AOCI for Basic is now projected to be (\$34.8 million) at March 31, 2020, a \$68.4 million improvement.

Question:

Please reconcile and provide details of this change in Basic AOCI.

Rationale for Question:**RESPONSE:**

Please see reconciliation table and variance explanation below.

Figure 1 Accumulated Other Comprehensive Income (AOCI) - Reconciliation

Line
No.

1	(103,247)	2020 GRA - Compliance Filing
2	71,878	Higher than expected Employee Future Benefit liability valuation from interest rates
3	<u>(3,433)</u>	Lower than expected change in available for sale investments
4	(34,802)	2021 Special Rebate Application

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**2021 SPECIAL REBATE APPLICATION
PUB (MPI) Pre-Ask 2**

The variance between the projected AOCI amounts is mainly attributable to the impact of interest rates on the valuation of Employee Future Benefits (EFB) liability. In the compliance filing, MPI used the projected discount rate of 2.86% to value EFB liability whereas it used a discount rate of 3.88% in this Special Rebate Application.

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2021 SPECIAL REBATE APPLICATION
PUB (MPI) Pre-Ask 3**PUB (MPI) Pre-Ask 3**

Part and Chapter:	Rebate Application	Page No.:	Page 21 of 27, Lines 13-31; and Page 23 of 27, Lines 5-14
PUB Approved Issue No:			
Topic:	Rebate Proposal		
Sub Topic:			

Preamble to IR:

MPI has indicated the riding season for Motorcycles is May 1, to September 30th. MPI's rebate proposal reflects expected claims incurred savings for the period March 15th to May 15th.

Question:

- a) What portion of the Motorcycle riding season falls within the March 15th to May 15th period?
- b) Please indicate how MPI could recognize this within the RSR rebate proposal.

Rationale for Question:**RESPONSE:**

- a) There are 153 days in the riding season between May 1, 2020 and September 30, 2020. The 15 days between May 1, 2020 and May 15, 2020 represents approximately 10% of the riding season.
- b) MPI is unable to recognize this within this rebate application because it cannot predict how many motorcycle policies will be in force and earning premium on May 1, 2020, and to whom those policies will be issued.

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2021 SPECIAL REBATE APPLICATION
PUB (MPI) Pre-Ask 4**PUB (MPI) Pre-Ask 4**

Part and Chapter:	Rebate Application	Page No.:	Page 22 of 27, Figure 13 Average Dollar Rebate by Major Class
PUB Approved Issue No:			
Topic:	Rebate Proposal		
Sub Topic:			

Preamble to IR:**Question:**

- a) Was any analysis performed on the variability between territories and/or insurance use classes with regard to the amount of the expected claims incurred savings?
- b) In order to be consistent with the spirit of the capital release process in the CMP, how would the rebate proposal need to be changed?
- c) Has the Corporation considered the potential advantages and disadvantages of designing the rebate based on the greater of the 2019/20 earned premium and the March 15, 2020 in force premium for each customer versus the current proposal?

Rationale for Question:**RESPONSE:**

- a) No, MPI simply determined the overall reduction in claims during the period March 16, 2020 to April 15, 2020. Because MPI has a large number of different rating combinations, the statistical credibility of analyzing in detail the impact on every rating combination would be low. In cases where there was an obvious lack of exposure for a given classification during the subject period (i.e. motorcycles and off-road vehicles), MPI excluded the classification from the rebate.

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PUB (MPI) Pre-Ask 4

- b) MPI believes that the proposed rebate aligns with the spirit of the capital release provisions of the Capital Management Plan (CMP) and that this Special Rate Application does not need to be changed to comply with the CMP. In both the normal course and rebate scenarios, excess capital flows back to ratepayers. Given the extraordinary circumstances brought about by the COVID-19 pandemic, MPI seeks to expedite this release of capital. If MPI allowed excess profits to flow into the Rate Stabilization Reserve (RSR), the excess capital in the RSR would eventually be returned to customers through the CMP, not as a 'rebate', but rather as a capital release, in the next policy year. A capital release has the same impact as applying a one-time and equal percentage rate decrease to all Basic rates. For example, a 3% capital release would require MPI to calculate the Basic rate indications for all vehicles (in accordance with accepted actuarial practice), then decrease them by the 3% capital release.

Since Basic rates are calculated on a break-even basis, the CMP assumes, on average, that all vehicles equally contribute to building capital and should therefore benefit equally from its release. Therefore, a rebate providing equal percentage reductions to all Basic rates mirrors the result under the capital release process. However, in this proposed special rebate, it is clear that some vehicle types did not contribute equally to building capital, as assumed in the CMP. MPI addresses this reality by limiting the rebate to customers with policies in-force and earning premium at the start of the subject period.

- c) MPI has not considered this option. The requirements that the policies be in-force and earning premium as of March 15, 2020 and the exclusion of non-earning (seasonal) vehicles from the rebate calculation were imposed to improve the fairness of rebate (i.e. give rebates to customers actually contributed to the reduction in claims due to the COVID-19 pandemic). Because MPI calculates the Extension rebate using earned premiums from the previous fiscal year; and because the previous fiscal year is not relevant to the claims savings realized in the period March 16 to May 15, 2020, MPI believes that calculating the rebate by taking the greater of the 2019/20 earned premium and the March 15, 2020 in force premium for each customer does not result in a more fair calculation. In fact,

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PUB (MPI) Pre-Ask 4**

in that scenario, MPI would be rebating dollars to customers who did not contribute to the claims savings as a result of the COVID-19 pandemic.

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CMMG (MPI) Pre-Ask 1

Part and Chapter:	Application	Page No.:	Page 22, Figure 13
PUB Approved Issue No:			
Topic:			
Sub Topic:			

Preamble to IR:

Question:

Provide the same information for the Motorcycle class as provided for other Major classes in Figure 13 (Pg. 22 of Application)

Rationale for Question:

RESPONSE:

Figure 13 from the 2021 Special Rebate Application has been updated to include the Motorcycle major class per the figure shown below.

Figure 1 Average Rate by Major Class

Line No.	Major Class	2021 Rate Model			2019 Average Rate	Avg Rate for Policies-in Force on Mar 15, 2020
		Number of Vehicles	2020 Total Premiums	2020 Average Rate		
1	[1]	[2]	[3]	[4]	[5]	[6]
2	Private Passenger	812,577	962,170,215	1,184	1,195	1,194
3	Commercial	46,597	38,585,701	828	823	823
4	Public	12,562	26,896,699	2,141	1,940	1,949
5	Motorcycle	17,694	14,986,833	847	806	808
6	[5] = [4] / (1 + Major Class average change from the 2020 GRA compliance filing)					
7	[6] = 11.5/12 * [5] + 0.5/12 * [4] based on the assumption of uniform renewals throughout the year					

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2021 SPECIAL REBATE APPLICATION
CMMG (MPI) Pre-Ask 1

However, the Motorcycle major class is not receiving a rebate due to the following:

- The Motorcycle major class has no in-force policies earning premium as of March 15, 2020, which is the basis for determining the rebate. While some policies may have be in-force on this date, the premiums on those policies are only earned during the riding season.
- MPI assumes the Motorcycle major class does not contribute significantly to the lower claims frequency between March 15, 2020 and May 15, 2020 (the reason for issuing the rebate). In making this assumption, MPI further assumes that the annual riding season for the Motorcycle major class begins on May 1st and ends on September 30th.
- MPI cannot confirm that the same volume of policies in the Motorcycle major class will be in-force between May 1 to May 15 given the current environment. Any savings resulting from this will already be accounted for since no premiums are collected if the policy is not in-force.
- The first \$29 million of the rebate is based upon observed claims savings between March 16, 2020 and April 15, 2020, a timeframe when no motorcycles contributed to the savings. The second \$29 million of the rebate is a replication of the savings from the first period to the second period (April 16, 2020 to May 15, 2020) and again no motorcycle contributions are considered in this amount.

CMMG (MPI) Pre-Ask 1

Part and Chapter:	Application	Page No.:	Page 22, Figure 13
PUB Approved Issue No:			
Topic:			
Sub Topic:			

Preamble to IR:

Question:

Provide the same information for the Motorcycle class as provided for other Major classes in Figure 13 (Pg. 22 of Application)

Rationale for Question:

RESPONSE:

Figure 13 from the 2021 Special Rebate Application has been updated to include the Motorcycle major class per the figure shown below.

Figure 1 Average Rate by Major Class

Line No.	Major Class	2021 Rate Model			2019 Average Rate	Avg Rate for Policies-in Force on Mar 15, 2020	Avg \$ Rebate for Policies-in Force on Mar 15, 2020
		Number of Vehicles	2020 Total Premiums	2020 Average Rate			
1	[1]	[2]	[3]	[4]	[5]	[6]	[7]
2	Private Passenger	812,577	962,170,215	1,184	1,195	1,194	67
3	Commercial	46,597	38,585,701	828	823	823	46
4	Public	12,562	26,896,699	2,141	1,940	1,949	110
5	Motorcycle	17,694	14,986,833	847	806	808	0
6	[5] = [4] / (1 + Major Class average change from the 2020 GRA compliance filing)						
7	[6] = 11.5/12 * [5] + 0.5/12 * [4] based on the assumption of uniform renewals throughout the year						
8	[7] = [6] * 5.63%						

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2021 SPECIAL REBATE APPLICATION
CMMG (MPI) Pre-Ask 1

However, the Motorcycle major class is not receiving a rebate due to the following:

- The Motorcycle major class has no in-force policies earning premium as of March 15, 2020, which is the basis for determining the rebate. While some policies may have been in-force on this date, the premiums on those policies are only earned during the riding season.
- MPI assumes the Motorcycle major class does not contribute significantly to the lower claims frequency between March 15, 2020 and May 15, 2020 (the reason for issuing the rebate). In making this assumption, MPI further assumes that the annual riding season for the Motorcycle major class begins on May 1st and ends on September 30th.
- MPI cannot confirm that the same volume of policies in the Motorcycle major class will be in-force between May 1 to May 15 given the current environment. Any savings resulting from this will already be accounted for since no premiums are collected if the policy is not in-force.
- The first \$29 million of the rebate is based upon observed claims savings between March 16, 2020 and April 15, 2020, a timeframe when no motorcycles contributed to the savings. The second \$29 million of the rebate is a replication of the savings from the first period to the second period (April 16, 2020 to May 15, 2020) and again no motorcycle contributions are considered in this amount.

CMMG (MPI) Pre-Ask 1

Part and Chapter:	Application	Page No.:	Page 22, Figure 13
PUB Approved Issue No:			
Topic:			
Sub Topic:			

Preamble to IR:

Question:

Provide the same information for the Motorcycle class as provided for other Major classes in Figure 13 (Pg. 22 of Application)

Rationale for Question:

RESPONSE:

Figure 13 from the 2021 Special Rebate Application has been updated to include the Motorcycle major class per the figure shown below.

Figure 1 Average Rate by Major Class

Line No.	Major Class	2021 Rate Model			2019 Average Rate	Avg Rate for Policies-in Force on Mar 15, 2020	Avg \$ Rebate for Policies-in Force on Mar 15, 2020
		Number of Vehicles	2020 Total Premiums	2020 Average Rate			
1	[1]	[2]	[3]	[4]	[5]	[6]	[7]
2	Private Passenger	812,577	962,170,215	1,184	1,195	1,194	67
3	Commercial	46,597	38,585,701	828	823	823	46
4	Public	12,562	26,896,699	2,141	1,940	1,949	110
5	Motorcycle	17,694	14,986,833	847	806	808	0
6	[5] = [4] / (1 + Major Class average change from the 2020 GRA compliance filing)						
7	[6] = 11.5/12 * [5] + 0.5/12 * [4] based on the assumption of uniform renewals throughout the year						
8	[7] = [6] * 5.63% , except for Motorcycle.						

April 30, 2020

2021 SPECIAL REBATE APPLICATION
CMMG (MPI) Pre-Ask 1

However, the Motorcycle major class is not receiving a rebate due to the following:

- The Motorcycle major class has no in-force policies earning premium as of March 15, 2020, which is the basis for determining the rebate. While some policies may have be in-force on this date, the premiums on those policies are only earned during the riding season.
- MPI assumes the Motorcycle major class does not contribute significantly to the lower claims frequency between March 15, 2020 and May 15, 2020 (the reason for issuing the rebate). In making this assumption, MPI further assumes that the annual riding season for the Motorcycle major class begins on May 1st and ends on September 30th.
- MPI cannot confirm that the same volume of policies in the Motorcycle major class will be in-force between May 1 to May 15 given the current environment. Any savings resulting from this will already be accounted for since no premiums are collected if the policy is not in-force.
- The first \$29 million of the rebate is based upon observed claims savings between March 16, 2020 and April 15, 2020, a timeframe when no motorcycles contributed to the savings. The second \$29 million of the rebate is a replication of the savings from the first period to the second period (April 16, 2020 to May 15, 2020) and again no motorcycle contributions are considered in this amount.

April 30, 2020

2021 SPECIAL REBATE APPLICATION
CMMG (MPI) Pre-Ask 2

CMMG (MPI) Pre-Ask 2

Part and Chapter:		Page No.:	
PUB Approved Issue No:			
Topic:			
Sub Topic:			

Preamble to IR:

Question:

Provide the number of motorcycle basic policies in force as of March 15, 2020.

Rationale for Question:

RESPONSE:

There is a distinction between motorcycle basic policies in force and motorcycle basic policies earning premium. In the past, MPI used to require motorcyclists to put their insurance policy in force and pay (earn) the premium whenever they wanted to ride their motorcycle. Obviously, no one would have an in force motorcycle policy during the winter months. To make things easier for motorcyclists MPI created seasonal rating. Seasonal rating allows motorcycles to keep the policy in force during the winter months but not have them be required to pay (earn) a premium during those months. During the winter months motorcycles are assuming no exposure and therefore are not paying (earning) a premium.

The motorcycle basic policy riding season is May 1 to September 30. The number of motorcycle policies in force on March 15, 2020, and earning no premium was 13,465. As stated above, MPI does not earn any premiums on these policies as all premiums for motorcycles are earned during the riding season, which does not begin until May 1, 2020.

April 30, 2020

2021 SPECIAL REBATE APPLICATION
CMMG (MPI) Pre-Ask 3**CMMG (MPI) Pre-Ask 3**

Part and Chapter:		Page No.:	
PUB Approved Issue No:			
Topic:			
Sub Topic:			

Preamble to IR:**Question:**

Confirm that there would be no additional cost to the implementation strategy to provide the rebate to the motorcycle class.

Rationale for Question:**RESPONSE:**

There would be no expected material incremental costs to the implementation strategy were this to include the motorcycle class. However, MPI would expect to incur additional costs to print and mail cheques to its customers in the motorcycle class. Its systems and analysts personnel would also need calculate any such rebate, resulting in a further draw on resources. Should the rebate calculation methodology be materially changed, the additional time required to pull data and revise the rebate calculation for 700,000+ customers would likely mean delay in the issuance and receipt of rebate cheques by an unknown amount of time.

April 30, 2020

2021 SPECIAL REBATE APPLICATION
CMMG (MPI) Pre-Ask 4

CMMG (MPI) Pre-Ask 4

Part and Chapter:		Page No.:	
PUB Approved Issue No:			
Topic:			
Sub Topic:			

Preamble to IR:

Question:

Provide the dollar amount of the rebate that would be due to the motorcycle class if the rebate were allocated to those insureds with Basic motorcycle coverage as of March 15, 2020.

Rationale for Question:

RESPONSE:

Per page 21 of the 2021 Special Rebate Application,

"MPI proposes a rebate to Basic customers with a policy in effect and earning premiums on March 15, 2020, a total of \$58 million from Basic. If the rebate is approved, customers who meet the above criteria would receive a 5.63% rebate of their Basic in-force premium on March 15, 2020."

Given that motorcycle premiums are fully earned in the riding season, there are no in-force premiums for motorcycles on March 15, 2020, and therefore no rebate.

April 30, 2020

2021 SPECIAL REBATE APPLICATION
CMMG (MPI) Pre-Ask 5

CMMG (MPI) Pre-Ask 5

Part and Chapter:	Application Figure 2	Page No.:	Page 6
PUB Approved Issue No:			
Topic:			
Sub Topic:			

Preamble to IR:

“Cancellation and Layup Transactions by Calendar Week”

Question:

Please provide the number of cancellations and layups from the motorcycle class in those calendar weeks.

Rationale for Question:

RESPONSE:

Motorcycles are not eligible for Lay Up coverage. The figure bellow provides the number of Motorcycles Cancellations:

Figure 1 Motorcycles Cancellations

Line No.	Week	Starting Monday	Cancellations	
			2019	2020
1	Week 12	16-Mar-20	56	39
2	Week 13	23-Mar-20	86	84
2	Week 14	30-Mar-20	99	80
3	Week 15	6-Apr-20	93	51
4	Week 16	13-Apr-20	116	75

April 30, 2020

2021 SPECIAL REBATE APPLICATION
CMMG (MPI) Pre-Ask 6

CMMG (MPI) Pre-Ask 6

Part and Chapter:	Application	Page No.:	Page 23, #2
PUB Approved Issue No:			
Topic:			
Sub Topic:			

Preamble to IR:

Question:

Please provide further explanation of how #2 on Page 23 of the Application is relevant to your Application.

Rationale for Question:

RESPONSE:

Page 21, Lines 22-25 of the Special Rebate Application state:

"...MPI proposes a rebate to Basic customers with a policy in effect and earning premiums on March 15, 2020, a total of \$58 million from Basic. ...a 5.63% rebate of their Basic in-force premium on March 15, 2020."
(emphasis added)

MPI included Point 2 on page 23 in its Special Rate Application to indicate that motorcycle policies were not earning premiums on March 15, 2020, and that there are no in-force premiums for motorcycles on that date. Further, the second part of point 2 is to address customers who may be paying for their motorcycle premiums on an installment plan. The earning period for these customers is no different than customers who pay-in-full (i.e. fully earned in the riding season).

MANITOBA PUBLIC INSURANCE

2021 SPECIAL REBATE APPLICATION

EXHIBITS

Manitoba Public Insurance (MPI)
Public Utilities Board (PUB)
Coalition of Manitoba Motorcycle Groups (CMMG)
Consumer's Association of Canada (Manitoba) Inc. (CAC)



MANITOBA
PUBLIC INSURANCE

MANITOBA PUBLIC INSURANCE

2021 SPECIAL REBATE APPLICATION

EXHIBITS

Manitoba Public Insurance



MANITOBA
PUBLIC INSURANCE

MANITOBA PUBLIC INSURANCE (MPI)
2021 Special Rebate Application
Exhibit List

Exhibit Number	Description of Exhibit	Transcript Page	Date Filed
1	Manitoba Public Insurance Corporation 2021 Special Rebate Application	--	Apr 27
2	PUB (MPI) Pre-Ask Responses	13	Apr 30
2-2	PUB (MPI) Pre-Ask #1 Claims Incurred Forecast	13	Apr 30
2-3	PUB (MPI) Pre-Ask #2 Capital Position	13	Apr 30
2-4	PUB (MPI) Pre-Ask #3 Rebate Proposal – Motorcycle Season	13	Apr 30
2-5	PUB (MPI) Pre-Ask #4 Rebate Proposal	13	Apr 30
3	CMMG (MPI) Pre-Ask Responses	13	Apr 30
3-6	CMMG (MPI) Pre-Ask #1 Motorcycle Major Class	13	Apr 30
3-7	CMMG (MPI) Pre-Ask #2 Number of Motorcycle Basic Policies as of March 15, 2020	13	Apr 30
3-8	CMMG (MPI) Pre-Ask #3 Additional Cost to Implementation Strategy to Provide Rebate to Motorcycle Class	13	Apr 30
3-9	CMMG (MPI) Pre-Ask #4 Dollar Amount of Rebate for Motorcycle Class	13	Apr 30
3-10	CMMG (MPI) Pre-Ask #6 Explanation for Page 23 from Application #2	13	Apr 30
4	MPI Board Meeting Minutes, redacted	14	Apr 30
4-11	MPI Board Meeting Minutes April 15, 2020, redacted	14	Apr 30
4-12	MPI Board Meeting Minutes, April 22, 2020, redacted	14	Apr 30
5	Response to CMMG (MPI) Pre-Ask #5 Cancellations and Layups from the Motorcycle Class by Calendar Year	--	Apr 30
6	Amended Application Figure 2	--	Apr 30
7	Amended CMMG (MPI) Pre-Ask #1 Motorcycle Major Class	--	Apr 30

MANITOBA PUBLIC INSURANCE (MPI)
2021 Special Rebate Application
Exhibit List

Exhibit Number	Description of Exhibit	Transcript Page	Date Filed
8	MPI Oral Submissions		Apr 30



Board of Directors Meeting
DRAFT MINUTES

Meeting Date: Wednesday, April 15, 2020, 1:30 p.m.
Place: 912 - 234 Donald Street, Winnipeg, Manitoba
via teleconference

Present: MR. D. BUBIS (VIA TELECONFERENCE)
MR. R. CHALE (VIA TELECONFERENCE)
MR. D. GRESTONI (VIA TELECONFERENCE)
MS. C. HALBERT (VIA TELECONFERENCE)
MS. E. NABESS (VIA TELECONFERENCE)
MR. J. ROBSON (VIA TELECONFERENCE)
MR. G. STEFANSON (VIA TELECONFERENCE)
MS. V. WOWRYK (VIA TELECONFERENCE)
MR. B. GRAHAM (VIA TELECONFERENCE)

Regrets: DR. M. SULLIVAN, CHAIR

Management: MR. M. TRIGGS, GENERAL COUNSEL & CORPORATE SECRETARY (VIA TELECONFERENCE)

20-047 **Excess Capital**

Mr. Graham provided an update related to the Provincial Government's request for information related to excess capital, and the implication of reduced claims resulting from the Covid-19 pandemic.

The Members were supportive of the providing a credit to customers and excess capital to Government.

20-048

[REDACTED]

20-049 **Termination**

There being no further business to bring before this meeting, the Chairperson declared the meeting terminated at 2:10 pm.

CHAIR, AUDIT, FINANCE & RISK COMMITTEE

SECRETARY



Board of Directors Meeting
DRAFT MINUTES

Meeting Date: Wednesday, April 22, 2020, 4:30 p.m.
Place: 912 - 234 Donald Street, Winnipeg, Manitoba
via teleconference

Present: DR. M. SULLIVAN (VIA TELECONFERENCE)
MR. D. BUBIS (VIA TELECONFERENCE)
MR. R. CHALE (VIA TELECONFERENCE)
MR. D. GRESTONI (VIA TELECONFERENCE)
MS. C. HALBERT (VIA TELECONFERENCE)
MS. E. NABESS (VIA TELECONFERENCE)
MR. J. ROBSON (VIA TELECONFERENCE)
MR. G. STEFANSON (VIA TELECONFERENCE)
MS. V. WOWRYK (VIA TELECONFERENCE)
MR. B. GRAHAM (VIA TELECONFERENCE)

Regrets:
Management: MR. M. TRIGGS, GENERAL COUNSEL & CORPORATE SECRETARY (VIA TELECONFERENCE)

20-050 Customer Rebates

Mr. Graham advised the Board that tomorrow morning the Provincial Government will be announcing a \$52 million rebate of Extension premiums and that Manitoba Public Insurance will be applying to the Public Utilities Board to rebate \$58 million of Basic premiums.

Members support this approach as it expedites customers receiving excess capital in a time of need as opposed to the lengthy timeframe associated with the GRA process.

20-051 



20-052 Termination

There being no further business to bring before this meeting, the Chairperson declared the meeting terminated at 4:52.

CHAIRPERSON

SECRETARY

2021 Special Rebate Application

MPI Oral Submissions

May 1, 2020

Steve M. Scarfone
Anthony L. Guerra



MANITOBA
PUBLIC INSURANCE

Special Request at an Urgent Time

1. Extraordinary circumstances require extraordinary action
2. COVID-19 is a Global Pandemic, akin to a 1-in-100 year event
3. MPI (and gov't) recognizing the needs of ratepayers and its ability to provide immediate assistance
4. \$58M just a small part of much larger collective effort to overcome COVID-19
5. MPI believes that issuing this rebate will assist in that endeavor
6. MPI believes that issuing this rebate is a reasonable course of action



Rebating is Responsible and Affordable

Before the Rebate

1. MPI entered the COVID-19 pandemic on strong financial footing
2. MPI experienced favourable financial performance, because of:
 - lower than anticipated claims experience
 - prudent management of investments and operating expenses



Rebating is Responsible and Affordable

Transcript page 99, beginning line 17 (Mark Giesbrecht)

“And I'll just add to that -- that response. One (1) way of looking at our ability to pay the rebate is again looking at the tracking of our capital position and our MCT.

And if I just look back at the last number of quarters and go back a couple years, at February 2018, our Basic MCT was 44 percent. That tracked -- at -- at February 2019, to 52 percent for a slight improvement, then into this current fiscal year, it grew to 87 percent after the first quarter, and then it's hovered between eighty (80) and ninety (90), kind of there -- thereon, and now in around to the hundred percent range.

So -- and we're not forecasting that to -- that to drop going forward, because the substance of the rebate is based on claims savings assumed to happen between that -- that period. And so we will remain in a strong financial position post rebate.”



Rebating is Responsible and Affordable

Transcript page 114, beginning line 8 (Luke Johnston)

“But one (1) thing when we had kind of the initial call, MPI noted that the Board for the first time would see just how good of a year MPI had in 19/20, just as an example. I believe reported claims were about \$114 million under budget in the year, which is a remarkable result.

So we were going to be coming to this [G]RA with a very -- very good results anyways. And the pandemic situation, unfortunately for customers, but not so much for us, has actually resulted in even better results, so we really felt the need to – to act, given the amount of monies we had -- or we're making from this situation.”



Rebating is Responsible and Affordable

After the Rebate

1. 2019/20

- Basic Total Earned Revenues projected at \$1.116 billion (Figure 1 – Total Earned Revenues - Basic)
- Essentially equal to the 2020 GRA compliance forecast

2. 2020/21 and beyond

- Reduced revenue forecast reflects revised volume and upgrade projections, which will be detailed in the 2021 GRA
- Revised capital amounts are best estimates and subject to change with Audit
Extension monies going directly to basic ratepayers
- Accelerating it via a direct cheque instead of a future rate decrease



Rebating is Responsible and Affordable

Investments

1. The ALM strategy ensures that investment losses in the Basic Claims portfolio are offset by the corresponding reduction of the Basic Claims liabilities, since both are interest rate sensitive and have similar duration and size
2. The performance of the various asset classes in each of the investment portfolios is not impacted by the proposed rebate
3. An added benefit in the context of this rebate Application was the removal of growth assets from the Basic Claims portfolio, with equities having sustained greater losses than bonds during the course of the pandemic
4. MPI has significant cash and premium revenues which it can use to fund the rebate. At the outset of the COVID-19 pandemic,, MPI held back \$85 million in cash that would otherwise have been transferred to the Investment Fund



The Rebate Aligns with the CMP

1. Proposed rebate is tantamount to a capital release under the CMP
2. Benefits to customers now, not 3 years from now
3. Proposed rebate aligns with spirit of the capital release provisions of the CMP
4. This Application does not need to be changed to comply with the CMP



Proposed Rebate is Fair and Equitable

1. Proposed rebate is for customers who overpaid because of COVID-19
2. There is no perfect method of determining who gets the rebate
3. Methodology must be simple but fair to greatest number of customers
4. Fair and equitable to issue rebates to those who contributed to the improved situation MPI faces as a result of the pandemic
5. MPI has proposed that rebates go to those with policies in force and earning premium (private passenger vehicles)



Proposed Rebate is Fair and Equitable

Motorcycles

1. Motorcycle owners no longer need to put their policies in force before riding
2. Policies in force all year, but only earn premium during riding season
3. Riding season = May 1 to September 30
4. MPI assumes no exposure to risk outside of riding season
5. No exposure to risk = no premium earned = no payment requirement
6. Any payments received by MPI outside riding period cover risk during riding period
7. Number of in force policies earning premium on March 15, 2020 = 0
8. No evidence motorcycle collision frequency will be 60% under budget in May
9. Collision frequency down because less vehicles on road - people work at home
10. 90% of motorcycles registered as pleasure use – unaffected by phenomenon



Direct the Proposed Rebate Today

1. Grant leave to accept this application outside prescribed timeframes
2. Vary the directives contained in Orders No. 159/18 and No. 13 176/19, to the extent that they do not require the issuance of rebates
3. Direct MPI to issue special rebate to ratepayers
 - percentage of annualized premiums for universal compulsory automobile insurance policies in force and earning premium on March 15, 2020
 - proposed rebate equal to \$58 million (amount is fixed)
 - by May 31, 2020 (or as soon as can be done)
4. Just and reasonable to issue the proposed rebate and methodology
5. Consider approval of rebate today, with reasons to follow



MANITOBA PUBLIC INSURANCE

2021 SPECIAL REBATE APPLICATION

EXHIBITS

Public Utilities Board



MANITOBA
PUBLIC INSURANCE

PUBLIC UTILITIES BOARD (PUB)
2021 Special Rebate Application
Exhibit List

Exhibit Number	Description of Exhibit	Transcript Page	Date Filed
1	Notice of Virtual Public Hearing	17	Apr 27
2	The Public Utilities Board's Rules of Practice and Procedure	17	Apr 27
3	PUB letter to MPI and Past Interveners re: MPI 2021 Special Rebate Application	17	Apr 27
4	PUB (MPI) Pre-Ask Questions (1-4)	18	Apr 29
4-1	PUB (MPI) Pre-Ask 1 Claims Incurred Forecast	18	Apr 29
4-2	PUB (MPI) Pre-Ask 2 Capital Position	18	Apr 29
4-3	PUB (MPI) Pre-Ask 3 Rebate Proposal – Motorcycle Season	18	Apr 29
4-4	PUB (MPI) Pre-Ask 4 Rebate Proposal	18	Apr 29
5	Written Public Comment Regarding Application	18	Apr 30

Notice of Virtual Public Hearing

Applicant: Manitoba Public Insurance Corporation

HEARING:

The Public Utilities Board (Board) may be holding a virtual public hearing(s) of an application from Manitoba Public Insurance Corporation (MPI) for approval of special rebate on annualized premiums respecting universal compulsory automobile insurance policies currently in place. The virtual hearing is to be convened by the Board at 9:00 a.m. on April 30, 2020 and at 9:00 a.m. on May 1, 2020. Confirmation of hearing dates and times will be communicated on the PUB website at 5:30 p.m. on Wednesday April 29, 2020.

RATE IMPACT:

MPI is requesting approval for a review and variation of the directives contained in PUB Orders No. 159/18 and No. 76/19, to the extent that they do not require the issuance of rebates; and

MPI is requesting from PUB, a directive that MPI issue to ratepayers a percentage of their annualized premiums in respect of universal compulsory automobile insurance policies in force and earning premium on March 15, 2020, through a special rebate in an amount equal to the approximate sum of \$58 million, by May 31, 2020 or as soon thereafter as is reasonably practicable.

GENERAL INFORMATION:

Interested parties should take note that the Board welcomes ratepayer input via the PUB website up to 4:00 p.m., Wednesday April 29, 2020.

<http://www.pubmanitoba.ca/v1/contact-us/pub-complaint-form.html>

Due to Covid 19 meeting size restrictions, the PUB will not be able to accommodate in-person attendance at this time. Ratepayers and interested parties are invited to watch the proceedings via the on-line streaming tool at <http://www.pubmanitoba.ca/v1>

CONTACT INFORMATION:

The Public Utilities Board
400 - 330 Portage Avenue
Winnipeg, MB R3C 0C4
Website: www.pubmanitoba.ca

Telephone: 204-945-2638
Toll-Free: 1-866-854-3698
Email: publicutilities@gov.mb.ca

DATED this 27 day of April, 2020



Dr. Darren Christle
Secretary and Executive Director
The Public Utilities Board

THE PUBLIC UTILITIES BOARD
RULES OF PRACTICE AND PROCEDURE

Title

1. These Rules may be cited as the Rules of Practice.

Definition

2. In these Rules:
 - a) "ACT" means *The Public Utilities Board Act*, R.S.M. 1987 Chapter P 280 as amended from time to time;
 - b) "AFFIDAVIT" means either a sworn or affirmed statement of facts, based on personal knowledge or on information and belief, and in writing, made voluntarily before an officer having authority to administer such oath or affirmation;
 - c) "APPLICANT" means a party who has filed an application with the Board under the Act or its Regulations;
 - d) "APPLICATION" means a written request to the Board to exercise its statutory power in respect of matters referred to in the application;
 - e) "BOARD" means The Public Utilities Board and where the context requires, includes a panel of the Board;
 - f) "COMPLAINT" means a written request to the Board to exercise its statutory power in respect of matters referred to in the complaint;
 - g) "DOCUMENTS" include written documentation, films, photographs, charts, maps, graphs, plans, surveys, books of account, transcripts, videotapes, audio tapes, and information stored by means of an electronic storage and retrieval system;
 - h) "ELECTRONIC HEARING" means a hearing held by conference telephone or some other form of electronic technology allowing persons to communicate with one another;
 - i) "HEARING" means a proceeding before the Board wherein a party or parties provide submissions to the Board which submissions may, in the Board's

discretion, be preceded by the provision of information and/or evidence to the Board, and includes an Electronic Hearing, an Oral Hearing and a Written Hearing;

- j) "INFORMATION REQUEST" means any request made in writing by a party for information or particulars directed to a party in a proceeding;
- k) "INTERVENER" means a party other than the applicant who has formally filed for registration in respect of a proceeding and who intends to participate in the production and testing of evidence and whose registration has been approved by the Board pursuant to Rule 27;
- l) "MOTION" means a request for a ruling or order in a proceeding or a pending proceeding;
- m) "ORAL HEARING" means a hearing at which the parties or their representatives attend before the Board in person;
- n) "PARTY" means either an applicant, an Intervener and for the purpose of these Rules, any other person whom the Board determines to be a party to a proceeding;
- o) "PRESENTER" means any person who makes an unsworn or unaffirmed statement concerning an application to the Board in respect of a proceeding;
- p) "PRE-HEARING CONFERENCE" means a meeting, which may be held before a Hearing, to set a timetable for the Proceeding, to finalize what matters may be discussed and to identify Interveners;"
- q) "PROCEEDING" means a process to decide a matter brought before the Board, including a matter commenced by application ;
- r) "SECRETARY" means the Secretary or Acting Secretary of the Board;
- s) "WRITTEN HEARING" mean a Hearing in which the proceeding before the Board is conducted entirely in writing.

PART 1 GENERAL

Application of Rules

3. (1) These Rules apply to all proceedings of the Board.
- (2) In any proceeding, the Board may dispense with, vary or supplement any of the provisions of these Rules.
- (3) The Board has all the powers of a Court of Queen's Bench or a Judge thereof in respect of the attendance and examination of witnesses, the amendment of proceedings, the production and inspection of documents, the enforcements of its Orders and all other matters necessary or proper for the due exercise of its powers, except as otherwise provided in *The Public Utilities Board Act* [Section 24(4), *The Public Utilities Board Act*].

Direction on Procedure

4. (1) In any proceeding, the Board may issue directions on procedure which will govern the conduct of that proceeding and will prevail over any provision of these Rules that is inconsistent with those directions.
- (2) The Board may recommend or order that Interveners with similar interests present a joint intervention.
- (3) Any person intending to make an application to the Board may, prior to filing the application, apply by ex parte motion to the Board for the issuing of directions on procedure relating to the proposed application.

Service On Interested Parties

5. (1) Subject to subsection (2), a document required to be served under these Rules or by the Board may be served on a person:
 - (a) by personal delivery;
 - (b) by courier service, ordinary mail, fax or electronic means to the last known address or such other address given by the person; or
 - (c) by such other method as the Board directs.

- (2) A document may only be served by electronic means if the person being served has the information technology, equipment, software and processes for receiving or retrieving the document. Where a person expresses a preference to be served electronically in accordance with Rule 27(1)(d) or otherwise, that person may register that preference with the Board and service in accordance with such preference shall be deemed effective unless notice to the contrary is given to the Board.
- (3) The date of service of a document is the day on which the person being served receives the document unless it is received after 5 o'clock in the afternoon Central Standard Time, in which case the date of service is deemed to be the next business day. Where a document is served by ordinary mail, the date of service shall be five days after placing it in the mail.
- (4) The Board may require a person to file an affidavit of service setting out on whom a document was served and the means taken to effect service.
- (5) When an oral hearing or electronic hearing is in progress, a party entering a document as an exhibit shall provide copies of the document to the Board, the Board staff attending the hearing and the other parties.
- (6) The Board may serve, or direct the applicant to serve, a notice issued by the Board either in accordance with this section or by public advertisement in a daily or weekly newspaper in circulation in the community affected by the proceeding as determined by the Board.
- (7) Any document required to be served on a party under these Rules may be served on the party's representative.

Filing With the Board

6. (1) Filing of any document with the Board may be effected by personal delivery, registered mail, telefacsimile, electronic means or otherwise as the Board may direct.
- (2) Where any document is required to be filed with the Board, the date of filing shall be the date of actual receipt by the Secretary or anyone authorized by the Secretary to receive such documents; but when a hearing is in progress, any document which is required to be filed shall be filed with the Secretary at the hearing and with the Interveners of record.

Affidavits

7. (1) The Board may, in its discretion, accept and act upon evidence by Affidavit which evidence shall be filed with the Secretary.
- (2) Where an Affidavit is made on the basis of information and belief, the source of the information and the grounds of belief shall be set out therein.

Verification

8. (1) The Board may, at any time and on notice, require the whole or any part of any document filed with the Board to be verified by Affidavit or oral testimony.
- (2) Unless the Board otherwise directs, if the notice given under Subsection (1) is not complied with, the document in question, or any part thereof not verified in accordance with the notice, shall be struck from the record.

Failure to Comply

9. Where a party to a proceeding has not complied with any requirement of these Rules or any direction of procedure or order issued by the Board, the Board may stay the proceedings until satisfied that such requirement has been complied with or take such other steps as it considers just and reasonable, including the withdrawal of status of any Intervener in the proceeding.

Formulation of Issues

10. In any proceeding,
 - a) where the documents filed with the Board do not sufficiently address the matters at issue in the proceeding; or
 - b) where it would assist the Board in the conduct of the proceeding; or
 - c) where it would assist parties to participate more effectively in the proceeding;the Board may formulate issues which shall be considered by it in the proceeding and, for this purpose, may direct parties to propose issues which, if not agreed to by all parties, shall be settled by the Board.

Conferences on the Receipt of an Application

11. (1) To facilitate the hearing process a pre-hearing conference may be held to consider:
 - a) a statement of the issues;
 - b) the necessity or desirability of amending an application for the purpose of clarification, amplification or limitation;
 - c) the setting of dates for the orderly exchange of documents and information requests;
 - d) the procedures to be adopted in the proceeding;
 - e) any other matters that may aid in the simplification and disposition of the proceeding; and
 - f) registration of Interveners, where possible.
- (2) Where, in the opinion of the Board, the amount, level of detail and complexity of material so warrants, the Board may direct the parties to participate in a non-evidentiary technical conference for the purpose of considering:
 - a) a tutorial presentation for interested parties;
 - b) a discussion or workshop style conference to gain an understanding or clarification on a matter; or
 - c) any other presentation or conference style arrangement that will assist the understanding of the Board and interested parties.

Production of Documents

12. (1) Where, in an application, intervention, motion or response to an information request, a party refers to a document which the party intends to rely on in the proceeding, that party shall attach a copy of that document to its evidence.
- (2) The Board, on its own initiative or upon motion by any party may order any person or party in a proceeding to produce any document relating to the proceeding.
- (3) Any party who fails to comply with an order pursuant to subsection (2) shall be deemed to be in breach of the said order.

Confidentiality

13. (1) Where, a document is filed with the Board by a party in relation to any proceeding, the Board shall, subject to subsection (2), place the document on the public record.
- (2) The Board may receive information in confidence on any terms it considers appropriate in the public interest,
- a) if the Board is of the opinion that disclosure of the information could reasonably be expected
- (i) to result in undue financial loss or gain to a person directly or indirectly affected by the proceeding; or
- (ii) to harm significantly that person's competitive position.
- or
- b) if
- (i) the information is personal, financial, commercial, scientific or technical in nature; or
- (ii) the information has been consistently treated as confidential by a person directly affected by the proceeding; and
- (iii) the Board considers that the person's interest in confidentiality outweighs the public interest in the disclosure of the information.
- (3) Where disclosure of any document is refused due to a claim for confidentiality and a claim for public disclosure of such documents has been made, the Board shall hear such claim on a motion made under Rule 22, and may
- a) order the document be placed on the public record, subject to Subsection 13(5);
- b) order the document not be placed on the public record, with such conditions on access imposed as the Board considers appropriate;
- c) order an abridged version of the document to be placed on the public record; or

- d) make any other order the Board finds to be in the public interest.
- (4) For purposes of hearing a motion in respect of a disputed claim under Subsection (3), the Board may examine the document or other evidence in question to ascertain whether or not the claim for confidentiality or the claim for public disclosure will be sustained.
- (5) Where the Board has decided to place on the public record any part of a document that was filed in confidence in accordance with Subsection 13(2) and 13(3), the party who filed the document shall be given an opportunity to request that it be withdrawn prior to its placement on the public record.

Information Requests

- 14. (1) Where, in any proceeding, the Board permits information requests to be directed to a party for the purpose of a satisfactory understanding of the matters to be considered, such information requests shall be identified by the inquiring party's designated prefix and be:
 - a) addressed to the party from whom the response is sought;
 - b) numbered consecutively in respect of each item of information requested;
 - c) relevant to the proceeding; and
 - d) served, where the Board has directed a time limit, within the time limit directed by the Board.
- (2) A copy of any information request directed to a party pursuant to Subsection (1) shall be filed with the Secretary and served on all interested parties to the proceeding.

Response to Information Requests

- 15. (1) Subject to Subsection (2), where an information request has been directed to a party and served on that party in accordance with the Board's directions, the party shall:
 - a) provide a full and adequate response to each information request on a separate page or pages, or, by agreement between the parties by electronic means; and

- b) file a written copy of the responses with the Secretary and serve a written or electronic copy of the responses on all parties to the proceedings as directed by the Board.
- (2) Where there is a dispute with respect to the adequacy of a response to an information request, the Board may orally or in writing direct all parties:
- a) to appear before the Board or a member of the Board at a specified time and place for a conference; or
 - b) to submit in writing their position and views on the matter for the purpose of assisting the Board.
16. A party who is unable or unwilling to provide a full and adequate response to an interrogatory shall file and serve a response:
- a) where the party contends that the interrogatory is not relevant, setting out specific reasons in support of that contention;
 - b) where the party contends that the information necessary to provide an answer is not available or cannot be provided with reasonable effort, setting out the reasons for the unavailability of such information, as well as any alternative available information in support of the response that the party considers would be of assistance to the party making the information requests;
 - c) where the party contends that the information sought is of a confidential nature, setting out the reasons why it is considered confidential and any harm that would be caused by making it public; or
 - d) otherwise explaining why such a response cannot be given.

Evidence

17. (1) The Board may receive evidence by:
- a) sworn testimony or testimony solemnly affirmed; or
 - b) the report of any person directed by the Board to so report; or
 - c) such other manner as may be deemed appropriate by the Board.
- (2) Witnesses at a hearing shall be examined orally under oath or affirmation unless otherwise directed by the Board.

- (3) Counsel may communicate with his or her witness who is being cross examined, unless otherwise directed by the Board.
- (4) Any party who wishes to present evidence at a public hearing shall, prior to the appearance of the witnesses and within the time limit prescribed by the Board, file a copy of the proposed evidence with the Secretary and serve a copy of it on all parties.
- (5) Pre-filed written evidence may be received in evidence at the hearing with the same force and effect as if it were stated orally by the witness, provided that the witness shall be present at the hearing and that the witness:
 - a) testifies as to his/her qualifications;
 - b) confirms that the written material was prepared under his/her direction and control and is accurate to the best of his/her knowledge and belief; and
 - c) submits to cross-examination on the same.
- (6) Where the Board has prescribed a time limit for the filing of written evidence, supplementary written evidence may be filed after the time prescribed only with leave of the Board.
- (7) Should any party seek to challenge the admissibility of the pre-filed evidence of any other party, such a challenge shall be brought by way of a motion under Rule 22 prior to the commencement of the public hearing.
- (8) The Board may issue commissions to take evidence outside of Manitoba and may make all proper orders for that purpose and for the return and use of the evidence so obtained.

Evidence in Other Proceedings

18. Evidence received in another proceeding before the Board or before any other provincial or federal regulatory body or any report, decision, finding or order made in respect thereof, may, by leave of the Board, be received as evidence in a proceeding.

Examination

19. The procedure for presenting evidence shall be the same for applicants, interveners

and independent witnesses and shall be as follows:

- (1) Pre-filed written evidence:
 - a) Applicants shall provide pre-filed written evidence in support of the application;
 - b) Interveners' witnesses/independent witnesses shall provide pre-filed written evidence in response to the applicant's pre-filed written evidence; or
 - c) Applicants may provide written pre-filed rebuttal evidence to address issues raised in the interveners'/independent witnesses' pre-filed written evidence.
- (2) Applicant's oral evidence:
 - a) Applicant's direct oral evidence shall include oral testimony on its pre-filed evidence and its pre-filed rebuttal evidence in accordance with Rule 19(4);
 - b) cross-examination of applicant's witnesses on pre-filed evidence, pre-filed rebuttal evidence and/or direct oral evidence; and
 - c) Applicant's re-examination to clarify issues that were first raised during the cross-examination of the applicant.
- (3) Intervener/Independent witnesses' evidence:
 - a) Intervener/independent witnesses shall provide direct oral evidence, including oral testimony on their pre-filed written evidence, and response(s) to the applicant's written and oral testimony;
 - b) cross-examination of the interveners/independent witnesses on their pre-filed evidence and direct oral evidence;
 - c) Intervener/independent witnesses re-examination to clarify issues that were first raised during the cross-examination of the intervener/independent witnesses; and
 - d) Subsections (3) a), b) and c) shall be repeated for each intervener/independent witness.
- (4) Applicant's oral rebuttal evidence:

- a) Applicant's oral rebuttal evidence to address issues raised for the first time during Interveners'/Independent witnesses' oral testimony;
- b) cross-examination of the applicant's oral rebuttal evidence; and
- c) Applicant's re-examination of rebuttal witnesses to clarify points that were first raised during the cross-examination of the rebuttal witnesses.

Attendance of Witnesses (Subpoenas)

20. (1) The Board or party who requires the attendance of a person as a witness before the Board may serve the person with a subpoena requiring him or her to attend the hearing at the time and place stated in the subpoena and the subpoena may also require the person to produce at the hearing the documents or other things in his/her possession, control or power relating to the matters in question in the hearing that are specified in the subpoena.
- (2) Any party served with a subpoena and who has an objection to filing a document or to attending the hearing stated in the subpoena may proceed for an order by way a motion pursuant to Rule 22.
- (3) The subpoena for a witness to produce a document or to attend a hearing shall be signed by the Secretary of the Board.

Amendments

21. In any proceeding the Board may, on condition or otherwise:
 - a) allow any amendment to any document;
 - b) order to be amended or struck out, any document or any part thereof which may tend to prejudice, embarrass or delay the fair hearing of an application on its merits; and
 - c) order such other amendment as may be necessary for the purpose of hearing and determining the real questions and issues in the proceeding.

Motion

22. (1) Any matter which arises in the course of a proceeding that requires a decision or order of the Board, shall be brought before the Board by a motion.

- (2) A motion shall be in writing, in any form, provided it contains a clear and concise statement of the facts, the order or the decision sought and the reasons for such an order or decision.
- (3) A motion shall be filed and served on all interested parties at least 6 days before the motion is heard.
- (4) Any party who wishes to respond to a motion shall file and serve on all parties a written answer no later than 2:00 p.m. two days before the day the motion is heard.
- (5) Any document which a party may wish to submit in support of a motion or response shall accompany the notice or response and shall be filed and served on all parties.
- (6) Notwithstanding subsections (2) to (5), a motion may be made orally or in writing at any time during the course of a hearing and shall be disposed of in accordance with such procedures as the Board may direct.
- (7) When hearing a motion, the Board may permit oral evidence in addition to any affidavit or other supporting material.

PART II HEARING PROCEDURE

Application to the Board

23. An application shall:
- a) contain a clear and concise statement of the facts;
 - b) set forth the reasons for the application;
 - c) set forth the nature of the order sought;
 - d) shall submit with the application any schedule of rates or any other material relevant to the application;
 - e) contain all Minimum Filing Requirement information prescribed by the Board and contain full disclosure of the application together with all supporting documents to be attached at the time of filing;
 - f) contain a detailed index of the entire application, which may be updated regularly throughout the public hearing process by the Board, to include the information in the application, the subject matter of all information requests, intervenor evidence and rebuttal evidence;
 - g) be signed by the applicant or his/her authorized agent or representative; and
 - h) state the name, mailing address, e-mail address and telephone number of the applicant or of the authorized agent or representative of the applicant to whom communications shall be sent and/or upon whom documents shall be served.

Hearing of the Application

24. (1) On receipt of an application, the Board may set a hearing date after the date of the pre-hearing conference or at any other date fixed by the Board.
- (2) An application for an interim ex-parte order shall only be made:
- (a) if emergency circumstances exist; or
 - (b) if there is urgency where, in the Board's opinion, when balancing the interest of providing notice of an application with the financial health of

the Applicant, it is deemed just and reasonable to proceed ex parte;
or

- (c) for purposes of efficiency; or
- (d) for such other special circumstances as may be determined by the Board; and
- (e) If the applicant provides full disclosure as to why the application should proceed ex parte.

Publication of Notice of Hearing

25. (1) Where an application or any other matter is to be dealt with by means of a public hearing for which the Board issues a public notice, the applicant shall:
- a) forthwith publish the public notice in the form approved by the Secretary, in the newspapers specified by the Board;
 - b) forthwith serve a copy of the public notice upon such persons as the Board may direct;
 - c) provide a notice of the forthcoming public hearing to each subscriber or customer in such monthly bill or bills as the Board may direct;
 - d) provide for radio and TV public announcement of a forthcoming public hearing in communities outside of Winnipeg as the Board may direct; and
 - e) publish a further reminder notice, if so directed by the Board.
- (2) The applicant shall file with the Secretary proof, by affidavit, of publication pursuant to subsection (1) a) and of service pursuant to subsection (1) b).
- (3) Notices shall state the time and place of the hearing and any pre-hearing conference and shall contain a clear and concise statement of the substance of the application, including any proposed rate changes in sufficient detail and in plain language for the public's clear understanding of the substance of the application.

Applicant's Evidence

26. (1) The information contained in an application and the information submitted by an applicant to the Board, pursuant to Rules 17, 19, 21 and 23, shall be deemed to constitute the written evidence of the applicant and the applicant shall not, except with leave of the Board, be at liberty to submit additional written evidence.
- (2) Any document purporting to have been issued by a corporation or any officer, agent or employee of a corporation for or on its behalf, may be received in evidence without calling the author as a witness.
- (3) In the case of a corporation, the applicant shall present such witnesses as are competent in the issues before the Board, including a senior officer to be available for questioning on policy issues and related matters.

Intervention

27. (1) Where a notice of a public hearing has been published, any interested person or organization may request to intervene in respect of the proceeding by filing with the Secretary and serving on the applicant, on or before the date prescribed, a written request to intervene [Intervener Request Form, Appendix I] that:
- a) clearly identifies the specific issue(s) on which that prospective intervener seeks Board approval to intervene;
 - b) where seeking an award of costs, clearly quantifies the cost of the proposed intervention, by issue;
 - c) states clearly the intervener's intention to appear at the public hearing and to participate in the leading and the testing of evidence; and
 - d) sets out the name, mailing address, e-mail address and address for personal service and telephone number of the Intervener or agent authorized to receive documents on that person's behalf, and the preference for the method of receiving information.
- (2) Before determining whether to award intervener status to any person, the Board will review the written request for intervention to determine:
- a) a clear understanding of the issues to be addressed and purpose for the requested intervention;
 - b) any relevant information that may be useful in explaining or supporting the views of the person requesting intervention; and

- c) the extent of the requested intervention in the information request, evidentiary and argument procedures.
- (3) Should any party object to the intervention by any other party, such objection and challenge to the Intervener status shall be made by way of a motion under Rule 22, prior to the commencement of the public hearing.
 - (4) Unless the Board directs otherwise, the applicant shall serve each intervener with:
 - a) a copy of the application or other document initiating the proceeding; and
 - b) any pre-filed written evidence or material submitted to the Board.
 - (5) Interveners are to avoid duplication of evidence, and subject to Rule 4 (2) are to consider joint interventions with other interveners.

Presentation

- 28. Where a notice of a public hearing has been published, any interested persons or organizations who do not wish to intervene in respect of the proceeding but who wish to make their views regarding the application known to the Board, may provide their views in writing to the Board in advance of the public hearing or may appear during that portion of the public hearing that has been set aside by the Board to hear the views of presenters.

Information Request

- 29. (1) Any party to the proceeding may address an information request to any other party in the proceeding, in accordance with Rule 14.
- (2) Where the Board has directed a time limit, additional information requests may be addressed after the date prescribed only with leave of the Board or with the consent of the party to whom the information request is addressed.

Hearing of Evidence

- 30. (1) At hearings, parties will be afforded an opportunity to present their evidence

and to examine and cross-examine witnesses. Because all proposed evidence is to be pre-filed in accordance with Rule 17 (4), the direct oral evidence given at the hearing should be in summary form.

- (2) The written evidence of an applicant and an intervener shall be deemed to include its pre-filed evidence and any responses to information requests by that applicant or intervener.
- (3) A party may update or revise their evidence, only with leave of the Board.

Argument

31. At the conclusion of the examination of evidence at the hearing, the Board may direct that oral argument be presented and establish the time for it, or it may order written argument to be filed with the Board and served on parties by a certain date, or both.

Summary Application

32.
 - (1) The Board may grant an order permitting and directing an applicant to proceed by way of summary application.
 - (2) An order granted by the Board to proceed by way of summary application shall only be made after public notice of the proposed procedure and after holding a public hearing to consider the terms of the order of the summary procedure.
 - (3) An order permitting an applicant to proceed under summary application shall, in all events, provide for:
 - a) notice to all effected parties as directed by the Board;
 - b) notice of the Board's intention to grant the application without a public hearing on the written evidence, unless a complaint or request is filed and accepted by the Board requesting a public hearing; and
 - c) such other terms as the Board may provide.
 - 4) Notwithstanding a summary application order issued by the Board, the Board shall have in its absolute discretion the right at any time to order the cancellation or variance of any summary application order in respect to any matter coming or to come before it.

Sittings, Facilities and Translation

33. (1) The Board shall hold hearings at such times and places as it chooses and shall conduct its proceedings in a manner convenient for the timely and effective dispatch of the application.
- (2) All sittings of the Board to hear applications are open to the public.
- (3) The Board may direct advisors to assist interveners in matters of procedure and conduct if requested.
- (4) The Board shall, whenever practicable, conduct hearings in buildings open to the public with wheelchair accessibility.
- (5) The Board will arrange signing translation for hearing impaired persons upon five days notice.
- (6) The Board will arrange for simultaneous French translation to hear any person using the French language upon reasonable prior notice.

Transcripts

34. (1) The Board may retain reporters to supply transcripts of its proceedings.
- (2) A copy of the transcript of a proceeding will be available for review at the Board's office following the hearing.
- (3) During the hearing, the Board shall provide one copy of the daily transcript to interveners on a shared basis, if so requested.

Issuance of an Order

35. (1) On any application, the Board may make an order granting the whole or part only of the application or may grant such further or other relief in addition to or in substitution for that applied for, as fully and in all respects as if the application had been for such partial, further or other relief. [Section 44(1) of the Act]
- (2) The Board shall provide written reasons for the orders it issues at the time of the issuing of such orders or as soon thereafter as is practical.

Review

36. (1) The Board may, on its own initiative or on application by a person, review, rescind, change, alter or vary any decision or order by it.
- (2) An application for a review under subsection (1) must be in writing and contain the following:
- a) a clear and concise statement of facts relevant to the application;
 - b) the grounds on which the application is made;
 - c) a brief explanation as to the nature of the prejudice or damage that has resulted or will result from the order, decision or direction;
 - d) a brief description of the remedy sought; and
 - e) the applicant's name, address in Manitoba, telephone number, fax number and, if available, e-mail address.
- (3) An application for a review must be filed and served on the parties to the proceeding for which the order or decision of the Board was made within 30 days of the date of the order or decision.
- (4) The Board shall determine, with or without a hearing, in respect of an application for review, the preliminary question of whether the matter should be reviewed and whether there is reason to believe the order or decision should be rescinded, changed, altered or varied.
- (5) After determining the preliminary question under subsection (4), the Board may:
- a) dismiss the application for review if,
 - i) in the case where the applicant has alleged an error of law or jurisdiction or an error in fact, the Board is of the opinion that the applicant has not raised a substantial doubt as to the correctness of the Board's order or decision; or
 - ii) in the case where the applicant has alleged new facts not available at the time of the Board's Hearing that resulted in the order or decision sought to be reviewed or a change of circumstances, the Board is of the opinion that the applicant has not raised a reasonable possibility that the new facts or the change in circumstances as the case may be, could lead the

Board to materially vary or rescind the Board's order or decision;

or

- b) grant the application; or
 - c) order a hearing or proceeding be held.
- (6) If the Board orders a hearing be held under subsection (5), it shall issue a Notice of Review, and a new hearing or proceeding will be held in accordance with these rules as determined by the Board.
- (7) A notice of review under subsection (6) must contain the same information as is contained in a notice of hearing.
- (8) No application for review may be made in respect of:
- a) a decision or order made by the Board as a result of a review under this section; or
 - b) a decision or order of the Board which has been appealed to the Court of Appeal.
- (9) The Board may at any time, without a hearing or notice of review correct typographical errors, errors of calculation and similar errors made in any of its orders or decisions.

PART III OTHER PROCEDURES

The following are excerpts from the Act:

Initiation of Inquiries

37. The Board may of its own motion and shall upon the request of the Legislature or the Lieutenant Governor in Council, inquire into, hear and determine any matter or thing within its jurisdiction [Section 27(1)].

Reports by One Member

38. The Board or the Chairman may authorize a member to report to the Board upon any question or matter arising in connection with the business of the Board; and that member, where so authorized, has all the powers of the Board for the purpose of taking evidence or acquiring the necessary information for the purpose of the report; and, upon the report being made to the Board, the Board may adopt it as the order of the Board or otherwise deal with in the absolute discretion of the Board [Section 16].

Hearing by Single Member

39. A single member may hear an application, petition, matter or complaint over which the Board has jurisdiction under this or any other Act of the Legislature; and after the hearing, the member shall report thereon fully to the Board; and the Board may thereupon deal with the application, petition, matter or complaint as if the hearing had been before the full Board [Section 31(1)].

Review of Orders

40. (1) The Board may require a re-hearing of an application before making any decision thereon [Section 44(2)].
- (2) The Board may review, rescind, change, alter or vary any decision or order made by it [Section 44(3)].

Interim Ex Parte Orders

41. The Board may, if the special circumstances of any case so require, make an interim ex parte order authorizing, requiring or forbidding anything to be done that the Board would be empowered on application, petition, notice and hearing to authorize, require or forbid; but no such order shall be made for any longer time than the Board deems necessary to enable the matter to be heard and determined on such application, petition, notice or hearing [Section 45].

Interim Order

42. The Board may, instead of making an order final in the first instance, make an interim order and reserve further directions, either for an adjourned hearing of the matter or for further application [Section 47(2)].

PART IV AWARDING OF COSTS

Criteria

43. In any proceeding the Board may award costs to be paid to any Intervener who has:
- a) made a significant contribution that is relevant to the proceeding and contributed to a better understanding, by all parties, of the issues before the Board;
 - b) participated in the hearing in a responsible manner and cooperated with other Interveners who have common objectives in the outcome of the proceedings in order to avoid a duplication of intervention;
 - c) insufficient financial resources to present the case adequately without an award of costs; and
 - d) a substantial interest in the outcome of the proceeding and represents the interests of a substantial number of the ratepayers.
44. In determining the amount of costs to be awarded to a intervener, the Board may consider whether the intervener did one or more of the following:
- a) asked questions on cross-examination that were unduly repetitive of questions previously asked by another intervener;
 - b) made reasonable efforts to ensure that the intervener's evidence was not unduly repetitive of evidence presented by another intervener;
 - c) made reasonable efforts to cooperate with other interveners to reduce the duplication of evidence and questions or to combine the intervener's submission with that of similarly interested interveners;
 - d) presented in oral evidence significant new evidence that was available to the intervener at the time that intervener pre-filed its written evidence but was not filed at that time;
 - e) failed to comply with a direction of the Board, including a direction on the filing of the evidence;
 - f) submitted evidence and argument on issues that were not relevant to the proceeding;

- g) needed legal or technical assistance to take part in the proceeding;
- h) engaged in conduct that unnecessarily lengthened the duration of the proceeding or resulted in unnecessary costs;
- i) the intervener took part in the proceeding for the sole purpose of protecting the intervener's business interests; or
- j) such other factor(s) as the Board considers relevant.

Costs

45. (1) Costs awarded under this section:
- a) may include the fees of consultants, expert witnesses and counsel associated with the intervention but shall not include indirect expenses relating to an Intervener's own time, such as wages lost by attendance at the hearing;
 - b) may include disbursements, the amounts allowed under the Manitoba Government employee rates, approved from time to time, for travel, meals and accommodation. Consideration will be given to providing for different amounts if they can be justified; and
 - c) shall be at the sole discretion of the Board.
- (2) The Board may award only a portion of the costs being sought by an Intervener.

Procedures

46. (1) For purposes of awarding costs to any party, the Board may establish a tariff of fees and disbursements.
- (2) A party applying for costs shall so inform the Board when filing the form requesting to intervene, as in Appendix I.
- (3) An intervener seeking an award of costs should attend any pre-hearing conference to confer with other interveners and avoid duplication of intervention as referred to under Rule 4(2).
- (4) The Board may hear submissions regarding the awarding of costs to interveners during final argument, or may direct such submissions to be

made in writing following final argument.

- (5) Any intervener applying for an award of costs under subsection 45(1) shall provide the Board with a breakdown of costs, reasonably and necessarily incurred, within 30 days of the last day of the hearing and in the form of the attached Appendix II, "Budget and Cost Summary Sheet", and serve a copy on the applicant.
- (6) The applicant may forward any comments or objections for costs, as set out on the "Budget and Cost Summary Sheet" form, to the respective Intervener and to the Board within 10 working days after receipt thereof.
- (7) The intervener seeking costs shall have a further period of 10 working days, after receipt of any comments by the applicant under Subsection (6), to submit a response to the Board with a copy to the applicant.
- (8) The Board shall issue an order in response to each application for costs, and if costs are awarded, the party ordered to pay the costs shall pay such costs within 15 days of the Board's cost order.

Originally Adopted June 1, 2006
Revised March 14, 2007

The Public Utilities Board
 400 - 330 Portage Ave
 Winnipeg, MB R3C 0C4

"APPENDIX I"

INTERVENER REQUEST FORM

1. Application Re Hearing:		
2. Name of Requesting Party:		
3. Address of Requesting Party:		
4. Phone Number:	Business:	Residence
	Fax Number:	E-mail:
5. Contact Person(s):		
6. Address:		
7. Phone Number:	Business:	Residence:
	Fax Number:	E-mail:
8. State reasons for the proposed intervention (please be specific).		

9. State nature of proposed intervention.		
a) Do you intend	Yes	No
(i) to appear throughout the hearing:	<input type="checkbox"/>	<input type="checkbox"/>
(ii) to participate in the production of evidence:	<input type="checkbox"/>	<input type="checkbox"/>
(iii) to participate in the testing of evidence:	<input type="checkbox"/>	<input type="checkbox"/>
(iv) to present final argument:	<input type="checkbox"/>	<input type="checkbox"/>
b) Do you intend to call witnesses:	Yes	No
	<input type="checkbox"/>	<input type="checkbox"/>
c) If yes to No. 9b), please provide witness':		
(i) Name:		
(ii) Address:		
(iii) Qualifications:		
(iv) Subject of submission (please note date for filing submission):		
10. Will you be applying for costs:	Yes	No
	<input type="checkbox"/>	<input type="checkbox"/>
If yes: Refer to Section 43 of Rules of Practice and Procedure. Provide detailed budget as per the attached Appendix II.		
11. Comments and other information:		



The Public Utilities Board
 400 - 330 Portage Ave
 Winnipeg, MB R3C 0C4

"APPENDIX II"

INTERVENER BUDGET AND COST SUMMARY SHEET

To be used to prepare a budget for the Intervener Request Form, Item 10, and to make a claim for an Award of Costs.

PAGE 1 OF 2

Prepared by:		Date:
Hearing:		
Period Covered:		
Intervener's Name:		
Contact Person or Persons:		
Address:		
Phone Number:	Business:	Residence:
	Fax Number:	E-mail:

See Costs on Page 2.

FEES – to be completed for legal counsel or experts

				COSTS
PREPARATION:	Hours	Days	Rate	
APPEARANCE:	Hours	Days	Rate	
ARGUMENT & REPLY	Hours	Days	Rate	
FEES TOTAL	Hours	Days		

DISBURSEMENTS

				COSTS
TRAVEL (AUTO)	Kms		Rates	
TRAVEL (OTHER)				
ACCOMMODATION	Nights		Rates	
MEALS	Number			
MISCELLANEOUS	Taxis	Telephone	Supplies	
DISBURSEMENTS TOTAL				

TOTAL FEES AND DISBURSEMENTS	
-------------------------------------	--

NOTE: Receipts must be attached for all disbursements.



April 27, 2020

Mr. Mike Triggs
General Counsel and Corporate Secretary
Manitoba Public Insurance Corporation
702 - 234 Donald Street
P.O. Box 6300, Stn. Main
Winnipeg, MB R3C 4A4

VIA EMAIL

-and-

Past Interveners of Record
(2019 and 2020 GRAs - per attached list)

Re: MPI 2021 Special Rebate Application

The Board acknowledges receipt of the 2021 Special Rebate Application filed by Manitoba Public Insurance (the Application) on Monday, April 27, 2020. An electronic copy of the Application has been posted to the Board's website.

Procedure for Application

The Board recognizes the unique and urgent circumstances that have given rise to the Application and finds that the Application should proceed expeditiously.

In anticipation of the filing, by email on Friday, April 24, 2020, Board counsel provided MPI and Interveners of Record for the 2019 and 2020 GRAs with the Board's preliminary direction on procedure. Board counsel invited MPI and Interveners of Record to provide comments on the procedure, by noon on Monday, April 27, 2020.

The Board received written comments from MPI and Interveners of Record Consumers' Association of Canada (Manitoba) Inc., Coalition of Manitoba Motorcycle Groups, Bike Winnipeg, Canadian Automobile Association Manitoba, and Insurance Brokers Association of Manitoba. No Interveners of Record objected to the Board's proposed process. MPI advised that it was agreeable to the process and offered some supplemental recommendations.

The Board has considered the comments of MPI and the Interveners of Record. In accordance with its Rules of Practice and Procedure 3(2) and 4(1), the Board hereby

issues the following direction for the procedure of the Application, and the Application timetable:

1. The Board will receive written comments only from members of the public on the Application, which comments may be posted on the Board's website. The Board will accept comments from members of the public until 4:00 p.m., Wednesday, April 29, 2020.
2. Wednesday, April 29, 2020, 1:00 p.m.: Interveners of Record and Board counsel to advise as to whether they require a question and answer session on the Application, and if so, provide the Board and MPI with an outline of the general topics of questioning, and/or pre-asks for any questions that would otherwise be asked by way of undertaking.
3. Wednesday, April 29, 2020 1:00 p.m.: MPI and Interveners of Record to advise whether they require oral submissions on the Application.
4. (If required) Thursday, April 30, 9:00 a.m. to 12:00 p.m. question and answer session with MPI, Interveners of Record, Board and Board counsel only.
5. (If required) Friday, May 1, a.m. 9:00 a.m. to 12:00 p.m.: oral submissions of MPI and Interveners of Record.

All materials are to be filed electronically with the Board and will be posted on the Board's website.

The Question and answer session and oral submissions will be transcribed. Those wishing to participate in the question and answer session and oral submissions will have the opportunity to do so via the PUB live streaming technology. There will also be limited in-person participation in the Board's hearing room, which will be organized in compliance with applicable health orders and social distancing guidelines. Board staff, Board counsel, and Panel members who wish to attend in person will be present in the hearing room. Up to two MPI representatives may appear in person. Counsel for Interveners of Record seeking the opportunity to appear in person should contact the Board, as such requests will only be accommodated if doing so complies with applicable public health orders and social distancing guidelines.

Due to the current public health emergency, participation in the question and answer session and oral submissions will be limited to MPI, the Board and Board counsel, and Interveners of Record. Members of the public are encouraged to watch the proceedings via the PUB live stream.

Question and Answer Session (if required) - April 30, 2020 at 9:00 a.m.

The question and answer session will provide the Board panel, Board counsel and Interveners of Record an opportunity for clarification and explanation of the Application, as needed. The Board will not require that MPI provide direct evidence at the outset of the session.

As set out above, Interveners of Record are to advise the Board and Board counsel **no later than 1:00 p.m. on Wednesday, April 29, 2020** as to whether they require a question and answer session on the Application. Should the question and answer session be required, Board counsel will provide direction on the order of questioning by counsel.

Other Matters

Should any party have additional matters to be addressed at this time, please contact the Board. Thank you for your anticipated cooperation.

Yours truly,

A handwritten signature in black ink that reads "Darren Christle". The signature is written in a cursive, flowing style.

Darren Christle, PhD, CCLP, P.Log., MCIT
Secretary/ Executive Director

DC/kl

cc. Steve Scarfone and Anthony Lafontaine Guerra, MPI
Kathleen McCandless, Board Counsel
Roger Cathcart, Board Advisor
Brian Pelly, Board Advisor

MPI – 2021 Special Rebate Application

PUB (MPI) Pre-Ask Question #1

Topic:

Claims Incurred Forecast

Reference:

Rebate Application, Page 7 of 27, Figure 3 Claims Incurred before Provisions – Basic

Preamble:

MPI has indicated a material improvement in Claims Incurred from the Compliance Filing for the fiscal years 2019/20, 2020/21 and the forecast period.

Questions:

- a) Please provide the budgeted claims incurred and frequency by month for 2019/20 and 2020/21 and indicate which budget the total should reconcile to for Collision, PIPP and Basic Property Damage.
- b) Are the actual and budgeted collision claims amounts consistent with each other relative to lags in reporting?
- c) Please indicate to what extent the adequacy of reserves at March 31, 2020 has been reviewed by the external actuary.
- d) Is the rebate application consistent with external actuarial review of adequacy of reserves?

MPI – 2021 Special Rebate Application

PUB (MPI) Pre-Ask Question #2

Topic:

Capital Position

Reference:

Compliance Filing 2020 GRA, Page 3 of 13, Figure 3;
Rebate Application, Page 18 of 27, Figure 11 Projected Total Equity & MCT - Before
& After Rebate

Preamble:

In the Compliance Filing MPI projected AOCI for Basic of (\$103.2 million) at the end of February 2020. Based on the Rebate Application the AOCI for Basic is now projected to be (\$34.8 million) at March 31, 2020, a \$68.4 million improvement.

Question:

Please reconcile and provide details of this change in Basic AOCI.

MPI – 2021 Special Rebate Application

PUB (MPI) Pre-Ask Question #3

Topic:

Rebate Proposal

Reference:

Rebate Application, Page 21 of 27, Lines 13-31; and Page 23 of 27, Lines 5-14

Preamble:

MPI has indicated the riding season for Motorcycles is May 1, to September 30th. MPI's rebate proposal reflects expected claims incurred savings for the period March 15th to May 15th.

Questions:

- a) What portion of the Motorcycle riding season falls within the March 15th to May 15th period?
- b) Please indicate how MPI could recognize this within the RSR rebate proposal.

MPI – 2021 Special Rebate Application

PUB (MPI) Pre-Ask Question #4

Topic:

Rebate Proposal

Reference:

Rebate Application, Page 22 of 27, Figure 13 Average Dollar Rebate by Major Class

Questions:

- a) Was any analysis performed on the variability between territories and/or insurance use classes with regard to the amount of the expected claims incurred savings?
- b) In order to be consistent with the spirit of the capital release process in the CMP, how would the rebate proposal need to be changed?
- c) Has the Corporation considered the potential advantages and disadvantages of designing the rebate based on the greater of the 2019/20 earned premium and the March 15, 2020 in force premium for each customer versus the current proposal?

From: [+WPG969 - Form Submissions \(FIN\)](#)
To: [+WPG1002 - Public UTILITIES \(FIN\)](#)
Subject: Share Your Views Form Submission
Date: April-28-20 11:01:26 PM

Below is the result of your feedback form. It was submitted by
Form Submitter (publicutilities@gov.mb.ca) on Tuesday, April 28, 2020 at 23:01:12

reasonForContact: Share your views

utilityType: Manitoba Public Insurance

ContactFirstName: Brandy

ContactEmail:

detailsOfComplaint: PUB, please allow MPI to return a portion of our insurance. Due to covid 19, most Manitobans have barely moved their vehicles. Personally, my car has moved 4 times since March 17th to attend my local grocery store. We are not our provinces cash cow and we need our money back now more than ever.

DocumentID: PUB_Share_Your_Views_Form

MANITOBA PUBLIC INSURANCE

2021 SPECIAL REBATE APPLICATION

EXHIBITS

Coalition of Manitoba Motorcycle Groups



MANITOBA
PUBLIC INSURANCE

Coalition of Manitoba Motorcycle Groups (CMMG)
2021 Special Rebate Application
Exhibit List

Exhibit Number	Description of Exhibit	Transcript Page	Date Filed
1	Photos of Manitoba Road Conditions	58	Apr 29
2	Winnipeg, Manitoba Weather Conditions	58	Apr 29

Winnipeg TMC on Twitter: "TRAFFIC ALERT: PORTAGE & ARLINGTON. CONSTRUCTION ZONE. Westbound curb and 2nd lanes are closed for road work until May 8, 6pm. Keep left to pass. #WpgTMC #winnipeg #traffic"

12:28 PM · Apr 29, 2020 · TweetDeck

1 Retweet 1 Like

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Winnipeg TMC on Twitter: "TRAFFIC ALERT: SHERBROOK & CUMBERLAND. Illegally parked car in northbound left lane. Keep right. No delays. #traffic #Winnipeg #WpgTMC"

7:30 AM · Apr 28, 2020 · TweetDeck

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TRAFFIC ALERT: ARCHIBALD & MARION.
Train crossing.
Causing some delays for westbound and eastbound Marion.
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Winnipeg TMC @WinnipegTMC

TRAFFIC UPDATE:
SB MARYLAND & WOLSELEY
Emergency vehicles have cleared. All lanes open for traffic.
[#traffic](#) [#Winnipeg](#) [#WpgTMC](#)



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twitter.com/WinnipegTMC/status/1253307938371821568

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Winnipeg TMC
@WinnipegTMC

TRAFFIC ALERT: WILLIAM & SHERBROOK.
Transit bus has hit a traffic signals pole.
Eastbound curb lane is blocked.
[#WpgTMC](#) [#winnipeg](#) [#traffic](#)



8:01 AM · Apr 23, 2020 · [TweetDeck](#)

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Windows taskbar: 2:45 PM 2020-04-29

Winnipeg TMC on Twitter: "TRAF" x +


twitter.com/WinnipegTMC/status/1253065646872637442

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@WinnipegTMC

TRAFFIC UPDATE:
WB MARION approaching ARCHIBALD
MVC has cleared. All lanes open for traffic.
[#traffic](#) [#Winnipeg](#) [#WpgTMC](#)



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Winnipeg TMC on Twitter: "TRAF" x +


twitter.com/WinnipegTMC/status/1252727956113256448

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TRAFFIC UPDATE:
SB KENASTON approaching CORYDON
Truck has cleared. All lanes open for traffic.
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TRAFFIC UPDATE:
WB PORTAGE past MARYLAND
Emergency crews have cleared. All lanes open for traffic.
[#traffic](#) [#Winnipeg](#) [#WpgTMC](#)



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2:47 PM 2020-04-29

The screenshot shows a web browser window displaying a Twitter post. The browser's address bar shows the URL: twitter.com/WinnipegTMC/status/1251165586728024065. The Twitter interface includes a search bar, "Log in" and "Sign up" buttons, and a navigation menu. The main content is a tweet from Winnipeg TMC (@WinnipegTMC) posted on April 17, 2020, at 10:08 AM. The tweet text reads: "TRAFFIC ALERT: NORWOOD BRIDGE CONSTRUCTION. Northbound curb lane is closed. Keep left to pass. #WpgTMC #winnipeg #traffic". Below the text is a photograph of the Norwood Bridge under construction, showing a closed curb lane and traffic cones. The tweet has 1 retweet and 3 likes. Below the tweet is a reply from the same user: "Replying to @WinnipegTMC TRAFFIC UPDATE: NORWOOD BRIDGE". The right sidebar contains promotional cards for "New to Twitter?", "Relevant people" (featuring Winnipeg TMC), and "Trends for you" (listing trending topics like "Elon Musk", "The Cure", "Free America", "Linkin Park", and "#RIPirrfanKhan"). The Windows taskbar at the bottom shows the date and time as 2:48 PM on 2020-04-29.

April, 2020

Select Month

Use this monthly calendar to view weather averages, such as average temperature 14 days ahead of today, as well as the historical weather patterns over the past year. Our meteorologists have compiled years of weather data to give you a sense of what to expect, but please note these are averages and can differ greatly from our forecast predictions. Click on a day in the calendar to see weather records and other details.

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			01 Actual 10.9 °C 3.4 24h Precip 5.8 mm	02 Actual 4 °C -8.3 24h Precip 7.2 mm	03 Actual -6.9 °C -11.5 24h Precip 2.9 mm	04 Actual -1.6 °C -15
05 Actual 4.8 °C -6.3	06 Actual 13.1 °C -1.1	07 Actual 7 °C 1.9	08 Actual 4.5 °C -1.7 24h Precip 1.8 mm	09 Actual -0.5 °C -4.3	10 Data not available for this date	11 Data not available for this date
12 Data not available for this date	13 Actual -5 °C	14 Actual -2.2 °C -9.5	15 Actual 2.1 °C -8.4	16 Actual 3 °C -4	17 Actual 12.1 °C -3.7	18 Actual 9.3 °C -4.1
19 Actual 11 °C -5.6	20 Actual 4.8 °C -4.1	21 Actual 3.9 °C -5.4	22 Actual 14.1 °C -1.6	23 Actual 17.1 °C 3.8	24 Actual 16.6 °C 2.8	25 Actual 11.8 °C 4.7 24h Precip 4.9 mm
26 Actual 16.8 °C 4.7 24h Precip 0.7 mm	27 Actual 17.2 °C 7.5	28 Actual 15.4 °C 7.3 24h Precip 2.4 mm	29 Today:  17 °C 4 Feels like 17	30 Forecast  23 °C 10 Feels like 23		

Copied from:

<https://www.theweathernetwork.com/ca/monthly/manitoba/winnipeg>

as at April 29th, 2020

MANITOBA PUBLIC INSURANCE

2021 SPECIAL REBATE APPLICATION

EXHIBITS

Consumer's Association of Canada (Manitoba) Inc.



MANITOBA
PUBLIC INSURANCE

Consumer's Association of Canada (Manitoba) Inc. (CAC)
2021 Special Rebate Application
Exhibit List

Exhibit Number	Description of Exhibit	Transcript Page	Date Filed
1	Recommendations and Key Statutory Provisions	--	May 1

Manitoba Public Insurance Special Rebate Application

CAC Manitoba Recommendations and Key Statutory Provisions

Recommendations

1. The PUB should find that circumstances have changed substantially, pursuant to subsection of 26(3) of the *Crown Corporations Governance and Accountability Act*, including:
 - The COVID-19 pandemic, resulting in social and economic hardship for many Manitobans; and
 - Lower collisions and claims costs experience for MPI, as a result of the COVID-19 pandemic.
2. In light of the substantially changed circumstances, the PUB should find that it is just and reasonable to review and vary PUB Orders 159/18 and 176/19 and suspend the application of the Capital Management Plan for fiscal 2020/21 for purposes of **issuing to ratepayers a percentage of their annualized premiums in respect of universal compulsory automobile insurance policies in force and earning premium on March 15, 2020, through a special rebate in an amount equal to the approximate sum of \$58 million, by May 31, 2020 or as soon thereafter as is reasonably practicable.**
3. Relying on authority under s 26(3) of the *Crown Corporations Governance and Accountability Act* to respond to substantially changed circumstances and section 44 of the *Public Utilities Board Act* to grant such further or other relief in addition to or in substitution for that applied for, the PUB should:
 - Direct MPI to provide monthly filings for the next four months following the rebate period regarding the impacts from the COVID-19 pandemic on MPI (i.e. May 16-June 15, 2020, June 16-July 15, 2020, July 16-August 15, 2020 and August 16-September 15, 2020); and
 - Reserve the authority to provide further emergency rate relief as is just and reasonable for the 2020/21 year, including options such as a further rebate, a credit to customer account or other relief.

Key Statutory Provisions

The Crown Corporations Governance and Accountability Act, C.C.S.M. c. C336

Changed circumstances

26(3)

Where The Public Utilities Board is satisfied that the circumstances of a corporation have changed substantially, The Public Utilities Board may, of its own motion or on the application of the corporation or an interested person, review an order made pursuant to this section and modify the order in any manner that The Public Utilities Board considers reasonable and justified in the circumstances.

The Public Utilities Board Act, C.C.S.M. c. P280

Power to order partial or other relief

44(1)

Upon any application to it, the board may make an order granting the whole or part only of the application or may grant such further or other relief in addition to or in substitution for that applied for, as fully and in all respects as if the application had been for such partial, further or other relief.

Review of orders

44(2)

The board may require a re-hearing of an application before making any decision thereon.

Varying order

44(3)

The board may review, rescind, change, alter, or vary any decision or order made by it.

MANITOBA PUBLIC INSURANCE
2021 SPECIAL REBATE APPLICATION
CORRESPONDENCE



**MANITOBA
PUBLIC INSURANCE**

MANITOBA PUBLIC INSURANCE
2021 Special Rebate Application
Correspondence List

Date	Description
April 27, 2020	PUB to MPI 2021 Special Rate Application; list of Past Interveners
May 1, 2020	PUB to MPI Board Order 67/20
May 20, 2020	PUB to MPI Board Order 71/20
May 26, 2020	PUB to MPI CMMG Award of Costs Board Order 72/20
June 17, 2020	MPI to PUB Comparison of Monthly Claims Costs versus Budget for Universal Compulsory Automobile Insurance (March, April, May)
July 8, 2020	MPI to PUB Comparison of Monthly Claims Costs versus Budget for Universal Compulsory Automobile Insurance (June)
August 13, 2020	MPI to PUB Comparison of Monthly Claims Costs versus Budget for Universal Compulsory Automobile Insurance (July)
September 23, 2020	MPI to PUB Comparison of Monthly Claims Costs versus Budget for Universal Compulsory Automobile Insurance (August)
October 6, 2020	MPI to PUB Comparison of Monthly Claims Costs versus Budget for Universal Compulsory Automobile Insurance (September)
December 1, 2020	PUB to MPI CAC Award of Costs Board Order 140/20

April 27, 2020

Mr. Mike Triggs
General Counsel and Corporate Secretary
Manitoba Public Insurance Corporation
702 - 234 Donald Street
P.O. Box 6300, Stn. Main
Winnipeg, MB R3C 4A4

VIA EMAIL

-and-

Past Interveners of Record
(2019 and 2020 GRAs - per attached list)

Re: MPI 2021 Special Rate Application

The Board acknowledges receipt of the 2021 Special Rebate Application filed by Manitoba Public Insurance (the Application) on Monday, April 27, 2020. An electronic copy of the Application has been posted to the Board's website.

Procedure for Application

The Board recognizes the unique and urgent circumstances that have given rise to the Application and finds that the Application should proceed expeditiously.

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issues the following direction for the procedure of the Application, and the Application timetable:

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Question and Answer Session (if required) - April 30, 2020 at 9:00 a.m.

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Other Matters

Should any party have additional matters to be addressed at this time, please contact the Board. Thank you for your anticipated cooperation.

Yours truly,

A handwritten signature in black ink that reads "Darren Christle". The signature is written in a cursive, flowing style.

Darren Christle, PhD, CCLP, P.Log., MCIT
Secretary/ Executive Director

DC/kl

cc. Steve Scarfone and Anthony Lafontaine Guerra, MPI
Kathleen McCandless, Board Counsel
Roger Cathcart, Board Advisor
Brian Pelly, Board Advisor

**MANITOBA PUBLIC INSURANCE
2021 INSURANCE RATES**

List of Past Interveners

Bike Winnipeg
c/o Chris Monnin
Email: cmonnin@mltaikins.com

CAA
c/o Teresa di Felice and Heather Mack
Email: tdf@caasco.ca
hm13@caamanitoba.com

Coalition of Manitoba Motorcycle Groups
c/o Charlotte Meek
Email: cmeek@bdoakes.com

Consumers' Association of Canada, Manitoba Branch
c/o Byron Williams and Katrine Dilay
Email: bywil@legalaids.mb.ca
kadil@legalaids.mb.ca

Insurance Brokers Association of Manitoba (IBAM)
c/o Curtis M. Unfried and Grant Wainikka
Email: CUnfried@mltaikins.com
grant@ibam.mb.ca

Manitoba Used Car Dealers Association
c/o Mr. Nick Roberts
Email: info@mucda.mb.ca

Taxi and Vehicle for Hire
c/o Antoine Hacault
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UBER
c/o Mr. Chris Schafer
Email: chris.schafer@uber.com

May 1, 2020

Mr. Mike Triggs
General Counsel and Corporate Secretary
Manitoba Public Insurance Corporation
912 – 234 Donald Street
Winnipeg, MB R3C 4A4

Dear Mr. Triggs:

**Re: Manitoba Public Insurance Corporation (MPI or The Corporation): 2021 Special
Rebate Application**

In the above matter, please find enclosed a copy of Order of the Board No. 67/20. Two certified copies will be sent at a later date.

Yours truly,



Darren Christle, PhD, CCLP, P.Log., MCIT
Secretary/ Executive Director

DC/kl

cc: Registered Intervenors
Kathleen McCandless, Board Counsel
Brian Pelly, Board Advisor
Roger Cathcart, Board Advisor

Order No. 67/20

**MANITOBA PUBLIC INSURANCE CORPORATION (MPI OR THE CORPORATION):
2021 SPECIAL REBATE APPLICATION**

May 1, 2020

BEFORE: Irene A. Hamilton, Q.C., Panel Chair
Robert Gabor, Q.C., Chair
Carol Hainsworth, Member
Robert Vandewater, Member

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1. BACKGROUND

On March 20, 2020, the Government of Manitoba declared a province-wide state of emergency pursuant to *The Emergency Measures Act*, C.C.S.M. c. E80 as a result of the COVID-19 pandemic.

On April 27, 2020, Manitoba Public Insurance (MPI or the Corporation) filed the 2021 Special Rebate Application (the Application), pursuant to section 44 of *The Public Utilities Board Act*, C.C.S.M. c. P280 and Rule 36 of the Board's Rules of Practice and Procedure, for:

- a. An Order dispensing with the requirement under Rule 36(3) that an application for review and variance be made within 30 days of the order or decision;
- b. A review and variation of the directives contained in Orders No. 159/18 and No. 176/19, to the extent that they do not require the issuance of rebates; and
- c. A directive that MPI issue to ratepayers a percentage of their annualized premiums in respect of universal compulsory automobile insurance policies in force and earning premium on March 15, 2020, through a special rebate in an amount equal to the approximate sum of \$58 million, by May 31, 2020 or as soon thereafter as is reasonably practicable.

MPI argued that the COVID-19 pandemic presents a pressing and unique situation that it could not have reasonably anticipated within 30 days of Orders No. 159/18 and No. 176/19, and that as a result, its financial position significantly improved at a time when the financial position of many of its ratepayers may have substantially deteriorated.

The Board issued a directive to MPI and Interveners of Record on April 27, 2020, for the hearing procedure for the Application.

The Board held a public hearing of the Application on April 30 and May 1, 2020. Due to the COVID-19 public health emergency, in-person appearance in the Board's hearing room was limited to ten people, with the remainder of participants attending remotely via teleconference and videoconference technology.

2. BOARD FINDINGS

The Board finds that, given the provincial state of emergency resulting from the COVID-19 pandemic, it is just and reasonable to dispense with the requirement that an application for review and variance be made within 30 days of an order. The Board also finds that MPI has demonstrated a substantial change in its circumstances contemplated by s. 26(3) of *The Crown Corporations Governance and Accountability Act*, C.C.S.M. c. C336 justifying a review and variation of Order 159/18 and 176/19 to allow rebates to be issued.

The Board finds that MPI's Capital Management Plan provides for rate decreases over a three-year period applicable to all classes in circumstances where the Minimum Capital Test ratio exceeds 100% for Basic insurance. The Application and the evidence at the hearing was that the proposed rebate would accelerate the return of excess capital to policyholders in the form of a one-time payment instead of assessing lower rates in the future. Therefore, the Board finds that the exclusion of the Motorcycle class from the applied-for rebate is not just and reasonable.

The Board issues this Order on an expedited basis given the current state of emergency, as requested by MPI and supported by Interveners of Record. The Board will provide detailed reasons in due course.

3. IT IS THEREFORE ORDERED THAT:

1. Board Orders No. 159/18 and No. 176/19 are hereby varied to the extent that they do not require the issuance of rebates.
2. MPI shall issue to ratepayers a uniform percentage of their annualized premiums in respect of universal compulsory automobile insurance policies in force on March 15, 2020, for the Private Passenger, Public, Commercial and Motorcycle classes, through a special rebate in an amount equal to the approximate sum of \$58 million, by May 31, 2020, or as soon thereafter as is reasonably practicable.
3. MPI shall file with the Board, as soon as reasonably practicable following such information being available to MPI, a comparison of monthly claims costs versus budget for universal compulsory automobile insurance for the period commencing March 1, 2020, and continuing thereafter until September 30, 2020.

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Irene A. Hamilton, Q.C."

Panel Chair

"Darren Christle, PhD, CCLP, P.Log., MCIT"

Secretary

Certified a true copy of Order No. 67/20
issued by The Public Utilities Board



Secretary

May 20, 2020

Mr. Mike Triggs
General Counsel and Corporate Secretary
Manitoba Public Insurance Corporation
912 – 234 Donald Street
Winnipeg, MB R3C 4A4

Dear Mr. Triggs:

**Re: Manitoba Public Insurance Corporation (MPI or The Corporation): 2021 Special
Rebate Application - Reasons For Decision In Order 67/20**

In the above matter, please find enclosed a copy of Order of the Board No. 71/20. Two certified copies to follow at a later date.

Yours truly,



Darren Christle, PhD, CCLP, P.Log., MCIT
Secretary/ Executive Director

DC/kl

cc: Registered Intervenors
Kathleen McCandless, Board Counsel
Brian Pelly, Board Advisor
Roger Cathcart, Board Advisor

Order No. 71/20

**MANITOBA PUBLIC INSURANCE CORPORATION (MPI OR THE CORPORATION):
2021 SPECIAL REBATE APPLICATION**

REASONS FOR DECISION IN ORDER 67/20

May 20, 2020

BEFORE: Irene A. Hamilton, Q.C., Panel Chair
Robert Gabor, Q.C., Chair
Carol Hainsworth, Member
Robert Vandewater, Member

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1.0 EXECUTIVE SUMMARY

The Board hereby provides its reasons for Order 67/20. In that Order, the Board directed MPI to issue to ratepayers a uniform percentage of their annualized premiums in respect of universal compulsory automobile insurance policies in force on March 15, 2020, for the Private Passenger, Public, Commercial and Motorcycle classes, through a special rebate in an amount equal to the approximate sum of \$58 million by May 31, 2020, or as soon thereafter as reasonably practicable.

The actual amount of the rebate paid to an individual policyholder will vary based on the amount of premium paid by the policyholder.

The Board received the Application from MPI for the rebate on April 27, 2020, and issued Order 67/20 on May 1, 2020, following an expedited hearing process given the provincial state of emergency resulting from the COVID-19 pandemic. In Order 67/20, the Board stated that it would provide its reasons to follow.

The Board found that MPI had demonstrated a substantial change in its circumstances, justifying a review and variation of its prior Orders 159/18 and 176/19, to allow rebates to be issued.

Given the urgency of the Application, while the Board reviewed and considered all of the financial information filed by MPI, its review was not as in-depth as typically conducted in a General Rate Application (GRA). There are areas in which the Board intends to do further testing to evaluate MPI's financial position in the 2021 GRA. The Board also issued a directive to MPI in Order 67/20 to file with the Board, as soon as reasonably practicable following such information being available to MPI, a comparison of monthly claims costs versus budget for universal compulsory automobile insurance for the period commencing March 1, 2020, and continuing thereafter until September 30, 2020. The Board will

thereby continue to monitor the Corporation's financial performance during this period of uncertainty.

In its Application, MPI sought to exclude the Motorcycle class from the rebate. The Board found this was not just and reasonable. The Corporation's rationale for the rebate was, in part, that it was an acceleration of the capital release provisions of its Capital Management Plan (CMP). In the absence of the rebate, however, if MPI had followed the CMP, the reduction in rates would apply across all Major Use classes.

The Board also found that the assumptions made by MPI for the purposes of the Application were reasonable – in particular, it is reasonable to assume that MPI will experience the same or a similar magnitude of claims costs savings for April 16, 2020 to May 15, 2020 as it did for the previous 30 day period. The Corporation's assumption that claims costs will revert to pre-COVID-19 levels following May 15, 2020 is not likely to be borne out; however, given the uncertainty at the present time, the Board found that the degree of conservatism built into MPI's forecast beyond May 15, 2020 is reasonable.

In its April 27, 2020 Application, MPI proposed to apply excess Basic reserves in a manner not permitted by the CMP. The Board accepted that proposal for the purposes of this Application only, based on the exceptional circumstances. While the Board does not have the jurisdiction to direct MPI as to how to apply its excess Extension reserves, a central element of the CMP approved by the Board in Order 176/19 was a commitment from MPI to transfer any Extension reserves in excess of an amount equivalent to 200% MCT to Basic. MPI did not do so in this case, and instead opted to rebate the Extension excess directly to ratepayers. The Board expects that the balance held by the Corporation in its Extension reserves over 200% MCT after the rebate of \$52 million will be transferred to Basic in the first quarter of 2020/21, and that thereafter MPI will continue to comply with the CMP in terms of transfers from Extension. The Board made an exception for this Application only and expects MPI to comply with the CMP going forward.

2.0 BACKGROUND

On March 20, 2020, the Government of Manitoba declared a province-wide state of emergency pursuant to *The Emergency Measures Act*, C.C.S.M. c. E80 as a result of the COVID-19 pandemic.

On April 27, 2020, Manitoba Public Insurance (MPI or the Corporation) filed the 2021 Special Rebate Application (the Application), pursuant to section 44 of *The Public Utilities Board Act*, C.C.S.M. c. P280 (the CCGAA) and Rule 36 of the Board's Rules of Practice and Procedure, for:

- a. An Order dispensing with the requirement under Rule 36(3) that an application for review and variance be made within 30 days of the order or decision;
- b. A review and variance of the directives contained in Orders No. 159/18 and No. 176/19, to the extent that they do not require the issuance of rebates; and
- c. A directive that MPI issue to ratepayers a percentage of their annualized premiums in respect of universal compulsory automobile insurance policies in force and earning premium on March 15, 2020, through a special rebate in an amount equal to the approximate sum of \$58 million, by May 31, 2020 or as soon thereafter as is reasonably practicable.

MPI argued that the COVID-19 pandemic presented a pressing and unique situation that it could not have reasonably anticipated within 30 days of Orders No. 159/18 and No. 176/19, and that as a result, its financial position significantly improved at a time when the financial position of many of its ratepayers might have substantially deteriorated.

The Board issued directions on procedure to MPI Interveners of Record from the 2019 and 2020 GRAs, by letter dated April 27, 2020. The procedure directed by the Board included one round of Pre-Ask questions, to be submitted in writing to MPI by Wednesday,

April 29, 2020, one half-day of a question and answer session on April 30, 2020, and one half-day of closing submissions from MPI and Interveners on May 1, 2020. Members of the public were invited to provide their views on the Application by posting comments on the Board's website.

Following the hearing, the Board issued Order 67/20 on an expedited basis, as requested by MPI and supported by Interveners of Record.

In Order 67/20 the Board found that, given the provincial state of emergency resulting from the COVID-19 pandemic, it was just and reasonable to dispense with the requirement that an application for review and variance be made within 30 days of an order. The Board found that MPI had demonstrated a substantial change in its circumstances contemplated by s. 26(3) of the CCGAA justifying a review and variation of Order 159/18 and 176/19 to allow rebates to be issued.

The Board also found that MPI's Capital Management Plan provided for rate decreases over a three-year period applicable to all classes in circumstances where the Minimum Capital Test (MCT) ratio exceeds 100% for Basic insurance. It was clear from both the Application and the evidence at the hearing that the proposed rebate would accelerate the return of excess capital to policyholders in the form of a one-time payment, instead of assessing lower rates in the future. Therefore, the Board found that the exclusion of the Motorcycle class from the applied-for rebate was not just and reasonable. The Board ordered that:

1. Board Orders No. 159/18 and No. 176/19 be varied to the extent that they did not require the issuance of rebates.
2. MPI issue to ratepayers a uniform percentage of their annualized premiums in respect of universal compulsory automobile insurance policies in force on March 15, 2020, for the Private Passenger, Public, Commercial and Motorcycle classes,

through a special rebate in an amount equal to the approximate sum of \$58 million, by May 31, 2020, or as soon thereafter as reasonably practicable.

3. MPI file with the Board, as soon as reasonably practicable following such information being available to MPI, a comparison of monthly claims costs versus budget for universal compulsory automobile insurance for the period commencing March 1, 2020, and continuing thereafter until September 30, 2020.

In Order 67/20 the Board stated that it would provide detailed reasons for its decision in due course. The Board's reasons for decision are set out below.

3.0 APPLICATION

The Board's jurisdiction applies to rate-setting for MPI's universal compulsory automobile (Basic) insurance line of business, and not to MPI's optional lines of business, namely, Extension and Special Risk Extension (SRE).

MPI stated that the Application resulted from the announcement on April 23, 2020 by the Minister of Crown Services that MPI provide economic relief to its customers during the COVID-19 pandemic. The total amount proposed to be rebated was \$110 million, comprised of \$52 million from Extension (over which the Board does not have jurisdiction) and \$58 million from Basic, the latter being the subject of the Application.

MPI sought a directive from the Board that it issue to ratepayers a percentage of their annualized premiums for Basic insurance policies in force and earning premium on March 15, 2020, through a special rebate in an amount equal to the approximate sum of \$58 million. The proposed \$58 million would be a capital release of excess funds being held in the Basic Rate Stabilization Reserve (RSR).

3.1 MPI Financial Position

MPI reported that its financial performance in 2019 and in the months leading up to the COVID-19 pandemic was favourable. This was due to lower than anticipated claims experience, as well as what MPI described as prudent management of its investments and operating expenses. As a result, Basic's year-to-date net income to the end of the third quarter of fiscal year 2019/20 was \$121.1 million. This exceeded the results for the prior year period by \$78.9 million.

MPI also reported that due to positive financial results in the 2018/19 and 2019/20 fiscal years, the capital position of Basic grew at a rate faster than MPI had anticipated. Accordingly, MPI was in a better position to withstand the uncertainty accompanying the COVID-19 pandemic than it would have been otherwise.

3.1.1 Basic Revenues

For 2021/22 and thereafter, assuming a 0% rate change, MPI projected its 2019/20 Basic Total Earned Revenues at \$1.116 billion:

Forecast Total Earned Revenues – Basic

Fiscal Year (\$000)	2019/20	2020/21	2021/22	2022/23	2023/24
Current Forecast	1,116,063	1,164,380	1,201,342	1,243,667	1,288,164
Compliance Forecast	1,115,126	1,169,091	1,213,206	1,261,832	1,312,606
Change	937	(4,711)	(11,864)	(18,165)	(24,442)

For 2020/21 and thereafter, the reduced revenue forecast reflects revised volume and upgrade factors, which MPI will include in the 20201 GRA. MPI did not forecast any reduction in revenues due to changes in driver behavior such as cancellations, lay-ups, or changes in insurance use resulting from the COVID-19 pandemic. MPI's evidence was that to date, there had been no meaningful change in cancellations from the prior year level. Further, if there was an increase in lay-up policies, MPI would likely make more profit on its Extension line of business, with a decrease in Basic premium revenue. The result would therefore be that MPI would transfer more funds from Extension to Basic at the end of the year.

3.1.2 Claims Forecasting

MPI reported that, relative to the forecasts in its Compliance Filing following the 2020 GRA (the Compliance Filing), the 2019/20 Claims Incurred forecast before provisions decreased by \$32.8 million. This was primarily due to a \$38.8 million improvement in the Personal Injury Protection Plan (PIPP) forecast.

Claims Incurred for 2020/21 were forecasted to be lower based on continuation of the favorable claims experience in 2019/20, along with a \$58 million reduction from the impact of the COVID-19 pandemic comprised of: (1) a \$29 million reduction in actual claims costs

from March 16, 2020 to April 15, 2020; (2) an assumed \$29 million reduction in claims costs from April 16, 2020 to May 15, 2020; and (3) an assumption of a reversion to normal frequency of forecasted claims after May 15, 2020.

The \$29 million in forecasted Basic claims savings for the period from March 16, 2020 to April 15, 2020, was broken down as follows:

Forecasted Basic Claims Savings – March 16, 2020 to April 15, 2020

	<u>Incurred</u>	<u>Claim Counts</u>
PIPP	-\$9,331,095	-705
Basic Collision	-\$17,657,263	-5,038
Basic Property Damage	-\$2,083,620	-2,766
Basic Total	-\$29,071,978	-8,510

MPI assumed that savings of the same magnitude would continue until May 15, 2020, given that the Government of Manitoba had extended the period for the state of emergency to May 18, 2020.

MPI monitors Collision claim counts monthly against budget. It does not maintain a monthly budget for Property Damage and Bodily Injury claims costs. The Property Damage and Bodily Injury claims occur because of an associated Collision claim. MPI advised that because Collision claims frequency was 63.5% under budget in the period from March 16, 2020 to April 15, 2020, it assumed both Property Damage and Bodily Injury claims counts would follow the same trend. To calculate the savings for the Application, MPI assumed a perfect correlation between Collision, Property Damage, and Bodily Injury claims in terms of frequency. MPI estimated the Property Damage and Bodily Injury claim amounts using this approach, owing to an expected lag in the reporting of these claims.

MPI advised that it would continue to monitor the ongoing effects of COVID-19 beyond May 15, 2020.

3.1.3 Investments

In Order 162/16, the Board directed MPI to conduct an Asset Liability Management (ALM) study. The ALM study was completed in November 2017. As a result of the recommendations in the ALM study, MPI separated its commingled portfolio into five unique portfolios: Basic Claims, Basic RSR, Employee Future Benefits (EFB), Extension, and Special Risk Extension (SRE).

The Basic Claims portfolio, which was fully implemented on March 1, 2019, is comprised exclusively of fixed income assets, which are dollar duration matched to the associated liabilities. The ALM strategy ensures that investment losses in the Basic Claims portfolio are offset by the corresponding reduction of the Basic Claims liabilities, since both are interest rate sensitive and have a similar duration and size.

MPI reported that during the course of the COVID-19 pandemic, equities have experienced greater losses than bonds, and because the Basic Claims portfolio contains no growth assets, it experienced a better return than other MPI portfolios.

A snapshot of the investment portfolio values at March 31, 2020 is as follows:

Investment Fund Preliminary Valuations

Fiscal Year	January 31, 2020	February 29, 2020	March 31, 2020	Monthly Change Feb-Mar	Capital Return
<i>(\$000)</i>					
Basic	2,125.0	2,129.6	2,127.0	(2.6)	-0.1%
Extension	154.1	151.1	157.4	6.2	0.2% *
SRE	207.7	203.7	196.8	(7.0)	-3.4%
RSR	391.7	383.9	370.3	(13.6)	-3.5%
EFB	498.2	489.4	476.9	(12.4)	-2.5%
Total	3,376.7	3,357.7	3,328.4	(29.3)	-0.9%

* \$6 million of operational cash was deposited into global equities in late March

MPI reported that since the end of December 2019, the equity portfolio is down approximately 14% but other growth assets, namely, real estate and infrastructure, are up 1.6% and 1.3% respectively. The removal of the growth asset classes from the investments backing the Basic claims liabilities had positioned MPI well for the unforeseen pandemic. MPI noted that the Basic claims portfolio was enhanced by the addition of a 20% allocation to corporate bonds, which were yielding 3.80% compared to just 2.30% for government bonds.

MPI also reported that it had significant cash and premium revenues, which could be used to fund the requested rebate. MPI did not expect that it would have to liquidate any existing investment holdings to meet the \$110 million total rebate payment. MPI had decided to maintain higher levels of cash than it would normally, as a contingency for the unknown impacts of COVID-19, and held back \$85 million in cash that would otherwise have been transferred to its Investment Fund. At the time of the Application, MPI had operational cash on hand of approximately \$165 million, of which it identified

approximately \$80 million that could be used to fund the total rebate of \$110 million. The remaining \$30 million would be funded from revenues.

MPI's investments experienced significant volatility in March 2020, with investment income (excluding interest rate impacts) falling \$24.6 million relative to the forecast in the Compliance Filing. The primary cause was a decline in the equity portfolio of 9.1% in March 2020, and 14.5% overall since December 4, 2019, as a result of which MPI recognized a \$33.3 million impairment of equities at March 31, 2020.

MPI's 2019/20 net income forecast was estimated at \$110.8 million, compared to the \$108.4 million in the Compliance Filing. For 2020/21, MPI projected net income of \$95.2 million, of which \$58 million was anticipated from the claims costs savings as outlined above.

MPI's forecast assumes no rate changes for 2021/22 and thereafter. MPI advised that it will revise its forecast to reflect break-even rates with the applied-for rate indication in the 2021 GRA, bringing net income forecasts closer to zero.

3.1.4 Total Equity

MPI forecasted Basic Total Equity of \$395.9 million and an MCT ratio of 97.7% in 2019/20, compared to the forecast of \$390.1 million and a 96.4% MCT indicated in the Compliance Filing. The Compliance Filing forecast assumed a transfer of \$75.1 million in excess capital from Extension at March 31, 2020, as contemplated by MPI's Capital Management Plan.

The current Basic Total Equity forecast for 2019/20 was achieved without transferring the excess Extension capital at the end of 2019/10. Basic has a forecasted 97.7% MCT ratio due to a material improvement in Accumulated Other Comprehensive Income (AOCI), discussed below. MPI reported that, instead of applying the transfer of excess Extension

capital to Basic, it received government approval to rebate \$52 million from Extension directly to ratepayers.

MPI's Basic Total Equity for 2020/21 is forecasted to be \$531.7 million (an MCT ratio of 130.1%). This resulted almost entirely from higher projected Basic net income of approximately \$46 million compared to the Compliance Filing (which is unrelated to the claims cost savings from the COVID-19 pandemic), and an expected transfer from Extension to Basic in the amount of \$68 million. MPI anticipates that it will use the capital release process in the CMP to distribute excess funds to ratepayers, reducing the Basic MCT to 100% over a period of three years.

The Total Equity positions for Basic and Extension as at March 31, 2020 and May 31, 2020 (before and after the proposed rebates), were projected by MPI as follows:

Projected Total Equity & MCT - Before & After Rebate

<i>(C\$ 000s, rounding may affect totals)</i>	BASIC		EXTENSION	
	March, 2020	May, 2020	March, 2020	May, 2020
Total Equity				
Retained Earnings				
Beginning Balance	319,914	430,732	104,984	145,741
Net Income (Loss) from annual operations	110,818	108,321	40,757	4,726
Surplus Distribution/Rebate	-	(58,000)	-	(52,000)
Transfer (to) / from Non-Basic Retained Earnings	-	-	-	-
Total Retained Earnings	430,732	481,053	145,741	98,467
Accumulated Other Comprehensive Income (AOCI)				
Beginning Balance	(48,956)	(34,802)	(3,966)	(2,996)
Other Comprehensive Income for the Year	14,154	-	970	-
Total Accumulated Other Comprehensive Income	(34,802)	(34,802)	(2,996)	(2,996)
Total Equity Balance	395,930	446,251	142,746	95,471
MINIMUM CAPITAL TEST (C\$ 000s)				
Total Equity Balance	395,930	446,251	142,746	95,471
Less: Assets Requiring 100% Capital	35,489	35,489	3,024	3,024
Capital Available	360,441	410,762	139,722	92,447
Minimum Capital Required (100% MCT)	368,892	371,408	37,665	35,301
MCT Ratio % (Line 17) / (Line 18)	97.7%	110.6%	371.0%	261.9%

In the Compliance Filing, MPI projected AOCI for Basic of (\$103.2 million) at the end of February 2020. As seen above, in the Application MPI was projecting AOCI to be (\$34.8 million) at March 31, 2020. MPI explained that this \$68.4 million improvement was primarily attributable to the impact of interest rates on the valuation of the Employee Future Benefits (EFB) liability. In the Compliance Filing, MPI used a projected discount rate of 2.86%. The Application used a discount rate of 3.88%. If interest rates used to

value the EFB liability were to revert to prior levels, the impact would be a \$100 million reduction in equity, of which 40% is hedged, for a net impact of approximately \$60 million.

3.2 Capital Management Plan

In Order 176/19, the Board approved MPI's Capital Management Plan (CMP), which is comprised of:

- A single Basic target capital level based on a 100% MCT ratio;
- A commitment to transfer excess Retained Earnings from the Extension line to Basic, where excess is determined relative to the single Extension target capital level of a 200% MCT ratio;
- A phase-in approach to move towards the Basic target capital level over a number of years through capital build or capital release provisions;
- Determination of the need for any capital build or capital release provisions in each GRA after consideration of the Basic rate level change indication and the expected capital transfers from Extension;
- Use of judgmentally selected five-year and three-year phase-in periods for capital build and capital release provisions, respectively;
- Imposition of a judgmentally selected 5% cap on the combination of the overall Basic rate indication and any capital build provision; and
- Imposition of a judgmentally selected 5% cap on any capital release provision.

MPI did not transfer any excess capital from Extension to Basic in 2019/20. Given the volatility in March 2020 caused by the COVID-19 pandemic, MPI decided to wait until after year end to execute the transfer, and ultimately, decided instead to provide an

immediate rebate of \$52 million in May 2020 to policyholders from the excess capital. MPI characterized the requested rebate of \$58 million from Basic as an acceleration of, and tantamount to, a capital release through the CMP through an immediate cash payment rather than a future rate reduction.

After the rebate, MPI forecasts Extension to have a 261.9% MCT ratio at May, 2020. At the end of 2020/21, Extension is forecasted to have \$68.6 million in excess capital above the 200% MCT target, which MPI will transfer to Basic. In 2020/21 and thereafter, MPI forecasts assume a transfer of all excess Extension capital to Basic such that the Extension MCT ratio remains at 200% MCT.

As the CMP does not contemplate rebates, but rather rate decreases when the Basic RSR exceeds 100% MCT, MPI stated that there was no requirement under the CMP to first transfer the excess Extension monies to Basic before they could be released in the form of a rebate.

3.3 Rationale for Rebate

MPI argued that there is evidence that Private Passenger customers overpaid for their insurance in the mid-March to mid-April 2020 timeframe, and would likely be overpaying in the mid-April to mid-May time period. Returning \$58 million to ratepayers would not materially impair the overall health of the Corporation, given its dominance in the Basic and Extension marketplaces and its high to excessive reserves.

Apart from this Application, MPI stated that the CMP will continue to work as presented in the 2020 GRA and approved by the Board in 176/19, and that all major vehicle classes would enjoy the benefit of a rate decrease. MPI argued that the \$52 million from Extension and the \$58 million from Basic would still flow to Basic ratepayers in accordance with the intent of the CMP, the only difference being that MPI would be doing so in a more direct and immediate manner than envisioned under the CMP. What was requested, according

to MPI, was simply a "pause" in the transfer component from Extension to Basic, in order to respond to the COVID-19 pandemic.

3.4 Motorcycle Class

MPI requested that the rebate be applied only to policies "in force and earning premium" as at March 15, 2020. This would result in the exclusion of the Motorcycle class from the rebate. MPI assumed that motorcycles did not significantly contribute to the lower claims frequency between March 15, 2020 and May 15, 2020

For the purposes of calculating premiums, MPI defines the motorcycle riding season in Manitoba as running from May 1 to September 30 of each year. Accordingly, MPI's evidence was that motorcycle premiums are "fully earned" during the May 1 to September 30 riding season, meaning that premiums for the Motorcycle class would not be earned during the period to which the rebate applies.

According to MPI, because the proposed rebate was based only on actual or assumed claims reductions from the COVID-19 pandemic, if the pandemic had not occurred, MPI's forecast would not be affected by the \$58 million and no policyholder would be entitled to a rebate.

In addition, according to MPI, the vast majority of motorcycles are insured as pleasure use, so MPI would not anticipate significant or at least equivalent reductions in claims frequency from motorcycles compared to other vehicles. Further, motorcyclists may cancel their insurance before the riding season. Returning funds to a class of vehicle owners that had not paid premiums, according to MPI, would not be just and would represent a windfall for the Motorcycle class.

4.0 INTERVENER POSITIONS

4.1 *Consumers' Association of Canada (Manitoba) Inc. (CAC)*

CAC was supportive of returning excess reserves to ratepayers on an urgent basis and stated that what was proposed was not imprudent or unreasonable.

With respect to the forecasting underlying the Application, CAC identified what it characterized as significant uncertainty. There was uncertainty in terms of the impact of COVID-19 on collisions and Claims Incurred costs, particularly after May 15, 2020, as well as on revenues and investment income. CAC noted that MPI made some simplifying assumptions in forecasting Claims Incurred: the assumption of a perfect correlation in the relationship between Physical Damage and Bodily Injury was oversimplified, but given the state of emergency, was understandable and reasonable.

With respect to the mechanism for the rebate, CAC argued that what MPI proposed was a fundamental change from the CMP. This was a clear implicit rejection of the CMP, for the specific purposes of the COVID-19 emergency. CAC recommended that the Board suspend the application of the CMP for the purposes of issuing the rebate. CAC also recommended that the Board direct MPI to provide it with monthly filings for the four months following the rebate period, and reserve the authority to provide further emergency rate relief as is just and reasonable in the future.

CAC did not take a position as to whether the Motorcycle class should be included in the proposed rebate, but noted that 90% of the Motorcycle class is registered as pleasure class, which means their risk and use pattern may differ materially from the Private Passenger class.

4.2 Coalition of Manitoba Motorcycle Groups (CMMG)

CMMG was supportive of the proposed rebate, but argued that it should include a rebate to the Motorcycle class. The Motorcycle class contributed to the claims cost savings, and the Corporations's internal accounting methodology, which determines when premiums are deemed as to be earned, would not be a sufficient reason to prohibit a Major Use class from eligibility for the proposed rebate.

Further, according to CMMG, MPI's assumption that the Motorcycle class would not contribute significantly to the lower claims frequency between March 15 and May 15 was not based in fact. Given the weather conditions and road conditions at the relevant time, the opportunity for motorcyclists to begin riding arose well before May 1, 2020.

MPI acknowledged that it provides insurance coverage to the Motorcycle class with active basic policies year-round. It provides a service and covers claims outside of its defined riding season. There was no evidence in this Application that motorcyclists are cancelling policies and in fact, reported policy cancellations had decreased from the previous year.

Had the process in the CMP been followed, there would be a reduction of premiums across all Major Use classes. Therefore, the Motorcycle class would have benefitted from a reduction in premiums.

CMMG's position was that the rebate should be equally and fairly distributed across all Major Use classes, thereby including the Motorcycle class.

4.3 Insurance Brokers Association of Manitoba (IBAM)

Although the issues raised in the Application did not relate specifically to IBAM's constituency, IBAM nonetheless advised the Board that it was supportive of the rebate.

5.0 BOARD FINDINGS

As noted earlier in these reasons, the Board held a public hearing of the Application on April 30 and May 1, 2020. Due to the COVID-19 public health emergency, in-person appearance in the Board's hearing room was limited to ten people, with the remainder of participants attending remotely via teleconference and videoconference technology. The Board issued Order 67/20 on an expedited basis. The procedure employed by the Board for this Application was based on a need to proceed expeditiously and efficiently given the provincial state of emergency resulting from the COVID-19 pandemic, and in accordance with Rules 3(2) and 4(1) of the Board's Rules of Practice and Procedure (Rules), which provide that:

3.(2) In any proceeding, the Board may dispense with, vary or supplement any of the provisions of these Rules.

...

4.(1) In any proceeding, the Board may issue directions on procedure which will govern the conduct of that proceeding and will prevail over any provision of these Rules that is inconsistent with those directions.

With respect to the relief sought in the Application, pursuant to Rules 36(1) and 40(2) thereof, the Board may on application or on its own initiative review, rescind, change, alter or vary any decision or Order it has made. The Board's jurisdiction in that regard flows from section 44(3) of *The Public Utilities Board Act*, C.C.S.M. c. P280 (the Act).

In accordance with Rule 36(4), upon receipt of an application for review and variance, the Board is to determine, with or without a hearing, in respect of an application for review, the preliminary question of whether the matter should be reviewed and whether there is reason to believe the order or decision should be rescinded, changed, altered or varied.

After determining the preliminary question under Rule 36(4), pursuant to Rule 36(5), the Board may:

- a) Dismiss the application for review if,
 - i. In the case where the applicant has alleged an error of law or jurisdiction or an error in fact, the Board is of the opinion that the applicant has not raised a substantial doubt as to the correctness of the Board's order or decision;
or
 - ii. In the case where the applicant has alleged new facts not available at the time of the Board's hearing that resulted in the order or decision sought to be reviewed or a change of circumstances, the Board is of the opinion that the applicant has not raised a reasonable possibility that the new facts or change in circumstances as the case may be, could lead the Board to materially vary or rescind the Board's order or decision; or
- b) Grant the application; or
- c) Order that a hearing or proceeding be held.

Rule 36(3) requires that an application for review and variance be made within 30 days of the date of the order or decision. However, Rule 3(2) provides that in any proceeding, the Board may dispense with, vary or supplement any of the provisions of the Rules.

Given the provincial state of emergency resulting from the COVID-19 pandemic, it was just and reasonable for the Board to dispense with the requirement that an application for review and variance be made within 30 days of an order.

5.1 Substantial Change in Circumstances

The Board found that MPI demonstrated a substantial change in its circumstances contemplated by section 26(3) of the CCGAA justifying a review and variation of Orders 159/18 and 176/19 to allow rebates to be issued.

In particular, section 26(3) of the CCGAA provides as follows:

26(3) Where The Public Utilities Board is satisfied that the circumstances of a corporation have changed substantially, The Public Utilities Board may, of its own motion or on the application of the corporation or an interested person, review an order made pursuant to this section and modify the order in any manner that The Public Utilities Board considers reasonable and justified in the circumstances.

The Board's finding of a substantial change in circumstances was based on the significant changes in forecasted financial results from the Compliance Filing to the date of the Application, in particular:

- The reduction in actual claims costs from March 16, 2020 to April 15, 2020 in the amount of \$29 million; and
- The assumed additional savings in claims costs for the period from April 16, 2020 to May 15, 2020, in the amount of \$29 million.

5.2 Reasonableness of Rebate

The Board found that it was just and reasonable for MPI to issue a rebate in the amount of \$58 million in excess Basic capital given the unique circumstances; however, the Board varied the relief requested in the Application such that the rebate would apply to

ratepayers in respect of universal compulsory automobile insurance policies in force on March 15, 2020, for the Private Passenger, Public, Commercial and Motorcycle classes.

The actual amount of the rebate paid to an individual policyholder will vary based on the amount of premium paid by the policyholder.

Given the urgency of the Application, while the Board reviewed and considered all of the financial information filed by MPI, its review was not as in-depth as typically conducted in a GRA. There are areas in which the Board intends to do further testing to evaluate MPI's financial position in the 2021 GRA, including the \$68.4 million improvement in AOCI attributed to a change in valuation of the EFB liability.

The Board also found that the assumptions made by MPI for the purposes of the Application are reasonable – in particular, it is reasonable to assume that MPI will experience the same or a similar magnitude of claims costs savings for April 16, 2020 to as May 15, 2020 as it did for the previous 30 day period.

The Corporation's assumption that claims costs will revert to pre-COVID-19 levels following May 15, 2020 is not likely to be borne out; however, given the uncertainty at the present time, the Board finds that the degree of conservatism built in to MPI's forecast beyond May 15, 2020 is reasonable. Due to this uncertainty, in Order 67/20 the Board directed that MPI file with the Board, as soon as reasonably practicable following such information being available to MPI, a comparison of monthly claims costs versus budget for Basic insurance for the period commencing March 1, 2020, and continuing thereafter until September 30, 2020. With that information, the Board will continue to monitor the Corporation's financial performance during the COVID-19 pandemic.

5.3 Motorcycle Class

The Board found that it was not just and reasonable to exclude the Motorcycle class from the rebate. The Corporation's rationale for the rebate was, in part, that it was an acceleration of the capital release provisions of the CMP. In the absence of the rebate, however, if MPI had followed the CMP, the reduction in rates would apply across all Major Use classes.

Further, MPI's intent is to issue rebates from the Extension reserves to the Motorcycle class, which contradicts its rationale for excluding it from the Basic rebate. The Board accepted the position put forth by CMMG, that because motorcyclists have coverage outside the riding season as defined by MPI (and have paid premiums for that coverage), it was not just and reasonable to exclude them from the rebate. The fact that MPI, for accounting purposes, does not consider that premium to be "earned" until the riding season was not persuasive to the Board.

MPI estimated the administrative cost of issuing rebate cheques at \$0.97 million. Given that the costs of issuing cheques to Motorcycle class policyholders from Extension excess reserves was included within that \$0.97 million, there should not be a significant increase in administrative costs to MPI to extend the rebate for motorcyclists from the Basic excess RSR as well.

5.4 Capital Management Plan

By Order 67/20, the Board varied its previous Orders 159/18 and 176/19 to the extent that they did not allow for rebates. In this Application, the Board received a proposal from MPI for how to apply excess Basic reserves in a manner not permitted by the CMP. The Board accepted that proposal for the purposes of this Application only, based on the exceptional circumstances. While the Board does not have the jurisdiction to direct MPI as to how to apply its excess Extension reserves, a central element of the CMP approved

by the Board in Order 176/19 was a commitment from MPI to transfer any Extension reserves in excess of an amount equivalent to 200% MCT to Basic. MPI did not do so in this case, and instead opted to rebate the Extension excess directly to ratepayers. The Board expects that the balance held by the Corporation in its Extension reserves over 200% MCT after the rebate of \$52 million will be transferred to Basic in the first quarter of 2020/21, and that thereafter MPI will continue to comply with the CMP in terms of transfers from Extension. In that regard, the Board declines to suspend the operation of the CMP, as was recommended by CAC. Rather, the Board made an exception for this Application only and expects MPI to comply with the CMP going forward.

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Irene A. Hamilton, Q.C."

Panel Chair

"Darren Christle, PhD, CCLP, P.Log., MCIT"

Secretary

Certified a true copy of Order No. 71/20
issued by The Public Utilities Board



Secretary

May 26, 2020

Mr. Mike Triggs
General Counsel and Corporate Secretary
Manitoba Public Insurance Corporation
912 – 234 Donald Street
Winnipeg, MB R3C 4A4

Dear Mr. Triggs:

**Re: Award of Costs: Coalition of Manitoba Motorcycle Groups – Intervention in
Manitoba Public Insurance Corporation’s Special Rebate Application**

In the above matter, please find enclosed two certified copies of Order No. 72/20.

Yours truly,



Darren Christle, PhD, CCLP, P.Log., MCIT
Secretary/ Executive Director

DC/cls

cc: Charlotte Meek, CMMG Counsel
Kathleen McCandless, Board Counsel

Order No. 72/20

**AWARD OF COSTS: COALITION OF MANITOBA MOTORCYCLE GROUPS –
INTERVENTION IN MANITOBA PUBLIC INSURANCE CORPORATION'S SPECIAL
REBATE APPLICATION**

May 26, 2020

BEFORE: Irene A. Hamilton, Q.C., Panel Chair
Robert Gabor, Q.C., PUB Chair,
Carol Hainsworth, C.B.A., Member
Bob Vandewater, Member

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5.0 IT IS THEREFORE ORDERED THAT: 6

1.0 Introduction

By this Order, the Public Utilities Board (Board) approves Coalition of Manitoba Motorcycle Group's (CMMG) Application for a cost award of \$4,059.59.

The award relates to CMMG's intervention in the Manitoba Public Insurance (MPI) 2020 Special Rebate Application.

2.0 Application

On May 8, 2020, Coalition of Manitoba Motorcycle Group, filed with the Board an Application for an Award of Costs for its intervention at the Manitoba Public Insurance 2020 Special Rate Application.

Pursuant to Section 56 of *The Public Utilities Board Act*, the Board has jurisdiction to award costs of, and incidental to, any proceeding before the Board. For the purpose of this hearing, the Board adopted an "Intervener Costs Policy". The purpose of this Policy was to set out the Board's procedures for considering requests for Intervener costs and to provide guidance to Interveners on how to apply for funding of costs for participation in Board Proceedings.

Sections 3.1 and 3.2 of the Intervener Costs Policy describes Intervener eligibility for a cost award and the Board's principles in determining the amount of the cost award:

3.1 *In any proceeding the Board may award costs to be paid to any Intervener who has:*

- (a) *made a significant contribution that is relevant to the proceeding and contributed to a better understanding, by all parties, of the issues before the Board;*

- (b) *participated in the hearing in a responsible manner and cooperated with other Interveners who have common objectives in the outcome of the proceedings in order to avoid a duplication of intervention;*
- (c) *represented interests beyond their sole business interest; and*
- (d) *a substantial interest in the outcome of the proceeding and represents the interests of a substantial number of ratepayers.*

3.2 In determining whether the Intervener should receive the amount of costs sought in a costs application, the Board may consider whether the Intervener did one or more of the following:

- (a) *made reasonable efforts to ensure that the intervener's evidence was not unduly repetitive of evidence presented by another intervener;*
- (b) *made reasonable efforts to cooperate with other interveners to reduce the duplication of evidence and questions or to combine the intervener's submission with that of similarly interested interveners;*
and
- (c) *needed legal or technical assistance to take part in the proceeding;*

On May 8, 2020 , CMMG filed its Cost Application for its participation in Manitoba Public Insurance's 2020 Special Rebate Application. The fees and disbursements claimed in the Cost Application were set out as follows:

	Cost Application Total
Legal Costs (C. Meeks)	\$2860.00
(J. Jardine)	\$712.50
Disbursements	\$55.00
GST	\$181,41
PST	\$250.08
TOTAL COSTS	\$4,059.59

3.0 Manitoba Public Insurance's Comments

On May 12, 2020, Manitoba Public Insurance provided its comments regarding CMMG's Cost Application. MPI noted that the costs related to CMMG's counsel were acceptable.

4.0 Board Findings

The Board has reviewed the Cost Application by CMMG, as well as the comments provided by MPI. The Board finds that CMMG meets all of the requirements for a cost award. The Board further finds that the costs incurred by CMMG are reasonable and the Board is prepared to award an amount of \$4,059.59 for CMMG's intervention in the Board's review of Manitoba Public Insurance's 2020 Special Rate Application.

5.0 IT IS THEREFORE ORDERED THAT:

1. The Application of Coalition of Manitoba Motorcycle Groups for an award of costs BE AND IS HEREBY APPROVED in the total amount of \$4,059.59.
2. Manitoba Public Insurance to pay Oakes Jardine Kaneshi Unruh LLP within 15 days of the date of this Order.

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Irene A. Hamilton, Q.C."

Panel Chair

"Darren Christle, PhD, CCLP, P.Log., MCIT"

Secretary

Certified a true copy of Order No. 72/20
issued by The Public Utilities Board



Secretary



June 17, 2020

Via E-Mail

Dr. Darren Christle
Board Secretary and Executive Director
The Public Utilities Board
400 – 330 Portage Avenue
Winnipeg, MB R3C 0C4

Dear Dr. Christle:

RE: Public Utilities Board (PUB) Order 67/20 2021 Special Rebate Update – Monthly Claims Costs

As per Directive 3 (3) in Order 67/20, MPI is required to file a comparison of monthly claims costs versus budget for universal compulsory automobile insurance for the period commencing March 1, 2020, and continuing thereafter until September 30, 2020.

Please find attached to this letter the monthly report for March, April, and May 2020. MPI looks forward to continuing to submit these reports as required.

Should you have any questions or concerns, please do not hesitate to contact me.

Yours truly,

Michael Triggs
General Counsel and Corporate Secretary

MT/st

Encl.

cc: K. McCandless and PUB Advisors
2020 GRA Registered Interveners

PUB Order 67/20 Special Rebate Application Monthly Claims Costs

March Total Basic Claims - Budget vs Actual

Line no.	Coverages	Direct Claims Incurred		
		Actual	Budget	Variance Fav. (Unfav.)
		\$	\$	\$ %
3	PIPP	11,033,215	19,736,235	8,703,020 44.1
4	Collision	26,816,438	42,388,230	15,571,792 36.7
5	Property Damage	7,414,485	8,352,035	937,550 11.2
6	Total Basic	45,264,138	70,476,500	25,212,362 35.8

April Total Basic Claims - Budget vs Actual

Line no.	Coverages	Direct Claims Incurred		
		Actual	Budget	Variance Fav. (Unfav.)
		\$	\$	\$ %
3	PIPP	15,243,504	17,590,534	2,347,030 13.3
4	Collision	12,693,238	31,555,949	18,862,711 59.8
5	Property Damage	5,718,424	8,672,423	2,953,999 34.1
6	Total Basic	33,655,166	57,818,906	24,163,740 41.8

May Total Basic Claims - Budget vs Actual

Line no.	Coverages	Direct Claims Incurred		
		Actual	Budget	Variance Fav. (Unfav.)
		\$	\$	\$ %
3	PIPP	18,088,686	18,298,750	210,064 1.1
4	Collision	16,356,897	29,999,545	13,642,648 45.5
5	Property Damage	7,500,744	10,264,859	2,764,115 26.9
6	Total Basic	41,946,327	58,563,154	16,616,827 28.4



July 8, 2020

Via E-Mail

Dr. Darren Christle
Board Secretary and Executive Director
The Public Utilities Board
400 – 330 Portage Avenue
Winnipeg, MB R3C 0C4

Dear Dr. Christle:

RE: Public Utilities Board (PUB) Order 67/20 2021 Special Rebate Update – Monthly Claims Costs

As per Directive 3 (3) in Order 67/20, MPI is required to file a comparison of monthly claims costs versus budget for universal compulsory automobile insurance for the period commencing March 1, 2020, and continuing thereafter until September 30, 2020.

Please find attached to this letter the monthly report for June 2020.

Should you have any questions or concerns, please do not hesitate to contact me.

Yours truly,

Michael Triggs
General Counsel and Corporate Secretary

MT/st

Encl.

cc: K. McCandless and PUB Advisors
2020 GRA Registered Interveners

PUB Order 67/20 Special Rebate Application Monthly Claims Costs

June Total Basic Claims - Budget vs Actual

Line no.	Coverages	Direct Claims Incurred		Variance	
		Actual	Budget	Fav. (Unfav.)	
		\$	\$	\$	%
3	PIPP	19,544,946	19,006,834	(538,112)	(2.8)
4	Collision	24,343,914	29,963,557	5,619,643	18.8
5	Property Damage	10,717,892	17,015,566	6,297,674	37.0
6	Total Basic	54,606,752	65,985,957	11,379,205	17.2



August 13, 2020

Via E-Mail

Dr. Darren Christle
Board Secretary and Executive Director
The Public Utilities Board
400 – 330 Portage Avenue
Winnipeg, MB R3C 0C4

Dear Dr. Christle:

RE: Public Utilities Board (PUB) Order 67/20 2021 Special Rebate Update – Monthly Claims Costs July 2020

As per Directive 3 (3) in Order 67/20, MPI is required to file a comparison of monthly claims costs versus budget for universal compulsory automobile insurance for the period commencing March 1, 2020, and continuing thereafter until September 30, 2020.

Please find attached to this letter the monthly report for July 2020.

Should you have any questions or concerns, please do not hesitate to contact me.

Yours truly,

Michael Triggs
General Counsel and Corporate Secretary

MT/st

Encl.

cc: K. McCandless and PUB Advisors
2020 GRA Registered Interveners

PUB Order 67/20 Special Rebate Application Monthly Claims Costs

July Total Basic Claims - Budget vs Actual

Line no.	Coverages	Direct Claims Incurred		Variance	
		Actual	Budget	Fav. (Unfav.)	
		\$	\$	\$	%
3	PIPP	5,512,876	19,714,812	14,201,936	72.0
4	Collision	28,965,298	32,120,691	3,155,393	9.8
5	Property Damage	15,476,614	17,423,274	1,946,660	11.2
6	Total Basic *	49,954,789	69,258,777	19,303,988	27.9
7	note: rounding may affect totals				



September 23, 2020

Via E-Mail

Dr. Darren Christle
Board Secretary and Executive Director
The Public Utilities Board
400 – 330 Portage Avenue
Winnipeg, MB R3C 0C4

Dear Dr. Christle:

RE: Public Utilities Board (PUB) Order 67/20 2021 Special Rebate Update – Monthly Claims Costs

As per Directive 3 (3) in Order 67/20, MPI is required to file a comparison of monthly claims costs versus budget for universal compulsory automobile insurance for the period commencing March 1, 2020, and continuing thereafter until September 30, 2020.

Please find attached to this letter the monthly report for August 2020.

Should you have any questions or concerns, please do not hesitate to contact me.

Yours truly,

Michael Triggs
General Counsel and Corporate Secretary

MT/st

Encl.

cc: K. McCandless and PUB Advisors
2020 GRA Registered Interveners

PUB Order 67/20 Special Rebate Application Monthly Claims Costs

August Total Basic Claims - Budget vs Actual

Line no.	Coverages	Direct Claims Incurred		Variance	
		Actual	Budget	Fav. (Unfav.)	
		\$	\$	\$	%
1	PIPP	14,663,609	20,422,698	5,759,089	28.2
2	Collision	28,616,752	32,394,818	3,778,066	11.7
3	Property Damage	12,448,600	16,091,808	3,643,208	22.6
4	Total Basic	55,728,961	68,909,324	13,180,363	19.1



October 6, 2020

Via E-Mail

Dr. Darren Christle
Board Secretary and Executive Director
The Public Utilities Board
400 – 330 Portage Avenue
Winnipeg, MB R3C 0C4

Dear Dr. Christle:

RE: Public Utilities Board (PUB) Order 67/20 2021 Special Rebate Update – Monthly Claims Costs

As per Directive 3 (3) in Order 67/20, MPI is required to file a comparison of monthly claims costs versus budget for universal compulsory automobile insurance for the period commencing March 1, 2020, and continuing thereafter until September 30, 2020.

Please find attached to this letter the monthly report for September 2020.

Should you have any questions or concerns, please do not hesitate to contact me.

Yours truly,

Michael Triggs
General Counsel and Corporate Secretary

MT/st

Encl.

cc: K. McCandless and PUB Advisors
2020 GRA Registered Interveners

PUB Order 67/20 Special Rebate Application Monthly Claims Costs

September Total Basic Claims - Budget vs Actual

Line no.	Coverages	Direct Claims Incurred		Variance	
		Actual	Budget	Fav. (Unfav.)	
		\$	\$	\$	%
3	PIPP	13,877,596	21,543,557	7,665,961	35.6
4	Collision	31,060,434	34,187,907	3,127,473	9.1
5	Property Damage	13,432,690	15,204,796	1,772,106	11.7
6	Total Basic	58,370,720	70,936,260	12,565,540	17.7

December 1, 2020

Mr. Mike Triggs
General Counsel and Corporate Secretary
Manitoba Public Insurance Corporation
912 – 234 Donald Street
Winnipeg, MB R3C 4A4

Dear Mr. Triggs:

**Re: Award of Costs: Consumers Association of Canada (Manitoba) Inc.– Intervention
in Manitoba Public Insurance Corporation’s Special Rate Application**

In the above matter, please find enclosed two certified copies of Order No. 140/20.

Yours truly,



Darren Christle, PhD, CCLP, P.Log., MCIT
Secretary/ Executive Director

DC/cls

cc: Byron Williams, CAC Counsel
Kathleen McCandless, Board Counsel

Order No. 140/20

**AWARD OF COSTS: CONSUMERS ASSOCIATION OF CANADA (MANITOBA) INC.–
INTERVENTION IN MANITOBA PUBLIC INSURANCE CORPORATION'S SPECIAL
RATE APPLICATION**

December 1, 2020

BEFORE: Irene A. Hamilton, Q.C., Panel Chair
Robert Gabor, Q.C., PUB Chair.
Carol Hainsworth, Member

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5.0 IT IS THEREFORE ORDERED THAT: 6

1.0 Introduction

By this Order, the Public Utilities Board (Board) approves The Consumers Association of Canada's (CAC) Application for a cost award of \$11,599.50.

The award relates to CAC's intervention in the Special Rate Application of Manitoba Public Insurance (MPI).

2.0 Application

On June 18, 2020, The Consumers Association of Canada, filed with the Board an Application for an Award of Costs for its intervention at the Manitoba Public Insurance Special Rate Application.

Pursuant to Section 56 of *The Public Utilities Board Act*, the Board has jurisdiction to award costs of, and incidental to, any proceeding before the Board. For the purpose of this hearing, the Board adopted an interim Intervener Costs Policy. The purpose of this Policy was to set out the Board's procedures for considering requests for Intervener costs and to provide guidance to Interveners on how to apply for funding of costs for participation in Board Proceedings.

Sections 3.1 and 3.2 of the Intervener Costs Policy describes Intervener eligibility for a cost award and the Board's principles in determining the amount of the cost award:

3.1 *In any proceeding the Board may award costs to be paid to any Intervener who has:*

- (a) *made a significant contribution that is relevant to the proceeding and contributed to a better understanding, by all parties, of the issues before the Board;*

- (b) *participated in the hearing in a responsible manner and cooperated with other Interveners who have common objectives in the outcome of the proceedings in order to avoid a duplication of intervention;*
- (c) *represented interests beyond their sole business interest; and*
- (d) *a substantial interest in the outcome of the proceeding and represents the interests of a substantial number of ratepayers.*

3.2 In determining whether the Intervener should receive the amount of costs sought in a costs application, the Board may consider whether the Intervener did one or more of the following:

- (a) *made reasonable efforts to ensure that the intervener's evidence was not unduly repetitive of evidence presented by another intervener;*
- (b) *made reasonable efforts to cooperate with other interveners to reduce the duplication of evidence and questions or to combine the intervener's submission with that of similarly interested interveners; and*
- (c) *needed legal or technical assistance to take part in the proceeding;*

The expedited public hearing occurred between April 31, 2020 and May 1, 2020. Projected budgets were not requested of interveners, for this hearing.

On June 18, 2020, CAC filed its Cost Application for its participation in Manitoba Public Insurance's Special Rate Application. The Cost Application was supported by statements of accounts as summarized below:

		Cost Application Total
Legal Costs	(B. Williams)	\$8,760.00
	(K. Dilay)	\$0
Consultant Costs	(Intergroup)	\$2,340.00
	(A. Sherry)	\$382.50
	GST	\$117.00
TOTAL COSTS		\$11,599.50

CAC's Cost Application was supported by detailed invoices and a written submission describing CAC's participation in the Board's review of Manitoba Public Insurance's Special Rate Application

3.0 Manitoba Public Insurance's Comments

On November 30, 2020, Manitoba Public Insurance did provide its comments regarding CAC's legal costs. MPI noted that the costs related to CAC's consultant "were appropriate".

4.0 Board Findings

The Board has reviewed the Cost Application by CAC, as well as the comments provided by MPI. The Board finds that CAC meets all of the requirements for a cost award. The Board further finds that the costs incurred by CAC are reasonable and the Board is prepared to award an amount of \$11,599.50 for CAC's intervention in the Board's review of Manitoba Public Insurance's Special Rate Application.

5.0 IT IS THEREFORE ORDERED THAT:

1. The Application of Consumers Association of Canada (Manitoba) Inc. for an award of costs BE AND IS HEREBY APPROVED in the total amount of \$11,599.50
2. Manitoba Public Insurance to pay the Consumers Association of Canada (Manitoba) Inc. within 15 days of the date of this Order.

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca

THE PUBLIC UTILITIES BOARD

"Irene Hamilton, Q.C."

Panel Chair

"Darren Christle, PhD, CCLP, P.Log., MCIT"
Secretary

Certified a true copy of Order 140/20
issued by the Public Utilities Board



Secretary

MANITOBA PUBLIC INSURANCE

2021 SPECIAL REBATE APPLICATION TRANSCRIPTS

Hearings from April 30 to May 1, 2020



MANITOBA
PUBLIC INSURANCE



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2021 SPECIAL REBATE APPLICATION

HEARING

Before Board Panel:

Irene Hamilton, QC - Panel Chair

Robert Gabor, QC - Board Chair

Carol Hainsworth - Board Member

(by phone)

Robert Vanderwater - Board Member

(by phone)

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

April 30, 2020

Pages 1 to 131

2	<p>1 APPEARANCES</p> <p>2</p> <p>3 Kathleen McCandless)Board Counsel</p> <p>4 Robert Watchmen (by phone))Board Counsel</p> <p>5</p> <p>6 Steven Scarfone)Manitoba Public</p> <p>7 Michael Triggs (by phone))Insurance</p> <p>8 Anthony Guerra (by phone))</p> <p>9</p> <p>10 Byron Williams)CAC(Manitoba)</p> <p>11 Katrine Dilay (by phone))</p> <p>12</p> <p>13 Charlotte Meek (by phone))CMMG</p> <p>14</p> <p>15 Curtis Unfried)IBAM</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	4
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7	<p>1 percentage of their annualized premiums in respect of</p> <p>2 universal compulsory automobile insurance policies in</p> <p>3 force and earning premiums on March 15th, 2020 through</p> <p>4 a special rebate in an amount equal to the approximate</p> <p>5 sum of \$58 million by May 31st, 2020, or as soon</p> <p>6 thereafter as reasonably practicable.</p> <p>7 This hearing will be conducted in</p> <p>8 accordance with the provisions of the Crown</p> <p>9 Corporation's Governance and Accountability Act, the</p> <p>10 Public Utilities Board Act, and the Board's Rules of</p> <p>11 Practice and Procedure. These Rules are available for</p> <p>12 review on the Board's website.</p> <p>13 Pursuant to the Board's Rules of</p> <p>14 Practice and Procedure, Section 3(2) and 4(1), on</p> <p>15 April 27th, 2020, the Board issued direction to MPI</p> <p>16 and to Interveners of record for the 2019 and 2020</p> <p>17 General Rate Applications for the procedure of this</p> <p>18 rebate application.</p> <p>19 As part of this procedure, this</p> <p>20 morning, the Board is holding a question and answer</p> <p>21 session with MPI and Interveners of record. Tomorrow,</p> <p>22 Friday, May 1st, beginning at 9:00 a.m., MPI and</p> <p>23 Interveners of record will have the opportunity to</p> <p>24 make oral submissions on the application. The Board</p> <p>25 also invited members of the public to comment on the</p>	9
7	<p>1 --- Upon commencing at 8:59 a.m.</p> <p>2</p> <p>3 OPENING COMMENTS BY PANEL CHAIRPERSON:</p> <p>4 THE PANEL CHAIRPERSON: Good morning,</p> <p>5 everyone. I'm Irene Hamilton, the Chair for the panel</p> <p>6 of the Public Utilities Board. I now call this</p> <p>7 Manitoba Public Insurance 2021 Special Rebate</p> <p>8 Application hearing to order. I am joined by Board</p> <p>9 Chair Robert Gabor in the hearing room, Board members</p> <p>10 Carol Hainsworth and Bob Vanderwater are participating</p> <p>11 by livestreaming.</p> <p>12 Also with us today in the hearing room</p> <p>13 are Kristen Schubert, our judicial hearing assistant,</p> <p>14 who will manage our electronic document system; Donna</p> <p>15 Whitehouse will act as our reporter. Transcripts of</p> <p>16 this hearing will be recorded by Digi-Tran and made</p> <p>17 available on our website. Darren Christle, secretary</p> <p>18 to the Board is in the office, so if needed, can be</p> <p>19 asked to join the hearing room.</p> <p>20 The Board recognizes the challenging</p> <p>21 and unique circumstances under which this hearing is</p> <p>22 being held, and thanks everyone for their efforts in</p> <p>23 allowing these proceedings to run smoothly.</p> <p>24 MPI has applied to the Public Utilities</p> <p>25 Board for a directive that MPI issued to ratepayers a</p>	9

10	<p>1 In addition, the Board views this</p> <p>2 process as one which should ensure transparency in</p> <p>3 terms of the Corporation's operations and financial</p> <p>4 position.</p> <p>5 The Manitoba Ombudsman has issued</p> <p>6 privacy guidelines for administrative tribunals. The</p> <p>7 Public Utilities Board is mindful of its obligations</p> <p>8 under those guidelines. Its decisions in respect of</p> <p>9 the application being considered will be sensitive to</p> <p>10 them. Personal information will not be disclosed</p> <p>11 unless it is appropriate and necessary to do so.</p> <p>12 However, the Board advises participants that these</p> <p>13 proceedings are public, and that as a result, personal</p> <p>14 infor -- information protections are reduced.</p> <p>15 In addition to matters of housekeeping,</p> <p>16 first, please ensure that your cellular phones are off</p> <p>17 or on mute throughout the hearing. All parties</p> <p>18 attending via teleconference and Skype, please ensure</p> <p>19 that you state your full name before speaking, and</p> <p>20 remember to mute yourself when you are done. It is</p> <p>21 also requested that you do not use a speakerphone to</p> <p>22 avord -- avoid distorting the audio.</p> <p>23 Secondly, all parties and the</p> <p>24 representatives and consultants should be aware that</p> <p>25 the Board hearings are livestreamed through a link</p>	12	
11	<p>1 accessible on the Board's website. As such, for the</p> <p>2 benefit of the public, the use of acronyms is to be</p> <p>3 discouraged. It will assist in the public's</p> <p>4 understanding of the issues and evidence if acronyms</p> <p>5 are avoided.</p> <p>6 I will now call upon Board counsel Ms.</p> <p>7 McCandless for introductions, followed by the</p> <p>8 introductions by MPI, and the Interveners of record.</p> <p>9 Ms. McCandless will then give her introductory</p> <p>10 remarks, after which we will then proceed with the</p> <p>11 affirmation of the MPI witnesses and commence the</p> <p>12 question-and-answer session.</p> <p>13 Ms. McCandless...?</p> <p>14</p> <p>15 OPENING COMMENTS BY BOARD COUNSEL:</p> <p>16 MS. KATHLEEN MCCANDLESS: Thank you,</p> <p>17 Madam Chair. Good morning. Good morning to members</p> <p>18 of the panel appearing in person and virtually, and to</p> <p>19 all other participants in the room and over the -- the</p> <p>20 streaming.</p> <p>21 I'm Kathleen McCandless, Board counsel.</p> <p>22 Joining remotely is my co-counsel, Robert Watchmen.</p> <p>23 To my left is the actu -- the accounting advisor for</p> <p>24 the Board, Roger Cathcart, and the actuarial advisors</p> <p>25 to the Board Brian Pelly and Blair Manktelow are</p>	<p>1 following the proceedings on the livestreaming.</p> <p>2</p> <p>3 (BRIEF PAUSE)</p> <p>4</p> <p>5 THE PANEL CHAIRPERSON: Mr. Scarfone,</p> <p>6 I understand that you have opening remarks. Would you</p> <p>7 proceed, please?</p> <p>8</p> <p>9 OPENING REMARKS BY MPI:</p> <p>10 MR. STEVEN SCARFONE: Yes. Thank you,</p> <p>11 Madam Chair. Good morning. Good morning to the panel</p> <p>12 members and My Learned Friends.</p> <p>13 I'm Steve Scarfone, counsel for</p> <p>14 Manitoba Public Insurance, and I have here with me</p> <p>15 today Luke Johnston, who is MPIC's chief actuary, and</p> <p>16 Mark Giesbrecht, who is MPIC's chief financial</p> <p>17 officer, both gentlemen vice-presidents of the</p> <p>18 Corporation, both of whom will be affirmed and giving</p> <p>19 evidence here today.</p> <p>20 MPIC does have some exhibits that it</p> <p>21 would like to enter into the record. I suppose the</p> <p>22 very first one, Exhibit number 1, should be, if not</p> <p>23 already marked, the special rebate application that</p> <p>24 was filed earlier this week, dated April 27, 2020.</p> <p>25</p> <p>1 --- EXHIBIT NO. MPI-1: Manitoba Public Insurance</p> <p>2 Corporation 2021 Special</p> <p>3 Rebate Application - April</p> <p>4 27, 2020</p> <p>5</p> <p>6 MR. STEVEN SCARFONE: And then a</p> <p>7 number of pre-asks that have been answered by MPIC and</p> <p>8 circulated here today. I propose that we have the --</p> <p>9 four (4) pre-asks -- I beg your pardon, five (5) pre-</p> <p>10 asks. Rather than have them all marked separately,</p> <p>11 perhaps we could mark them by Intervener.</p> <p>12 And so Exhibit Number 1, (sic) we</p> <p>13 propose would be the responses to the pre-asks by the</p> <p>14 CMMG, the Coalition of Manitoba Motorcycle Group.</p> <p>15</p> <p>16 --- EXHIBIT NO. MPI-2: PUB-MPI Pre-Asks Responses</p> <p>17 - April 30, 2020.</p> <p>18</p> <p>19 MR. STEVEN SCARFONE: The -- the third</p> <p>20 exhibit, then, would be the responses to the pre-asks</p> <p>21 that were sent by the Public Utilities Board, of which</p> <p>22 there are four (4) that were circulated.</p> <p>23</p> <p>24 --- EXHIBIT NO. MPI-3: Responses to pre-asks by</p> <p>25 PUB</p>	13

14	<p>1 MR. STEVEN SCARFONE: And the last</p> <p>2 exhibit would be the responses to the pre-asks of the</p> <p>3 CAC -- the CAC, but I -- I see that largely, it -- it</p> <p>4 would be the minutes that were circulated. So a lot</p> <p>5 of the pre-asks that were sent in by My Friend Mr.</p> <p>6 Williams came in the form of an -- of an area of</p> <p>7 inquiry, but one (1) of which that we've circulated,</p> <p>8 and we'll ask it to be marked as an exhibit, Exhibit</p> <p>9 number 4 would be the board of directors draft minutes</p> <p>10 from April 15, 2020, and April 22nd, 2020.</p> <p>11</p> <p>12 --- EXHIBIT NO. MPI-4: MPI Board meeting minutes</p> <p>13 - April 30, 2020</p> <p>14</p> <p>15 MR. STEVEN SCARFONE: So I believe</p> <p>16 those are the only exhibits that -- that we need to</p> <p>17 mark at this time, Madam Chair.</p> <p>18 And just before we begin the question-</p> <p>19 and-answer session, I -- just to -- want to make a --</p> <p>20 a brief comment about the --</p> <p>21 MS. KATHLEEN MCCANDLESS: If -- if I</p> <p>22 could maybe have a suggestion, Mr. Scar -- Scarfone.</p> <p>23 If we could have every -- all the parties introduce</p> <p>24 themselves, and then we will get into the opening</p> <p>25 submissions?</p>	16
15	<p>1 MR. STEVEN SCARFONE: Absolutely.</p> <p>2 Sure.</p> <p>3 MS. KATHLEEN MCCANDLESS: Thank you.</p> <p>4 DR. BYRON WILLIAMS: Byron Williams,</p> <p>5 representing the Consumers' Association of Canada, the</p> <p>6 Manitoba branch. Livestreaming -- viewing, Ms.</p> <p>7 Katrine Dilay, also legal counsel, and Ms. Gloria</p> <p>8 Desorcy, executive director.</p> <p>9 THE PANEL CHAIRPERSON: Thank you.</p> <p>10 DR. DARREN CHRISTLE: Kristen</p> <p>11 Schubert, which is judicial hearing assistant and</p> <p>12 Darren Christle, PUB secretary.</p> <p>13 THE PANEL CHAIRPERSON: Thank you.</p> <p>14 Counsel on the livestream, Ms. Meek?</p> <p>15 MS. CHARLOTTE MEEK (by phone): Good</p> <p>16 morning. Charlotte Meek, counsel for CMMG.</p> <p>17 THE PANEL CHAIRPERSON: And counsel</p> <p>18 for IBAM, Mr. Unfried?</p> <p>19</p> <p>20 (BRIEF PAUSE)</p> <p>21</p> <p>22 THE PANEL CHAIRPERSON: I believe we</p> <p>23 were anticipating that Mr. Unfried would be joining,</p> <p>24 but at some point, he can chime in. Thank you.</p> <p>25 Mr. Scarfone...?</p>	17
16	<p>1 MR. STEVEN SCARFONE: Yes. One (1)</p> <p>2 thing further, Madam...</p> <p>3</p> <p>4 (BRIEF PAUSE)</p> <p>5</p> <p>6 OPENING COMMENTS CONTINUED BY BOARD</p> <p>7 COUNSEL:</p> <p>8 MS. KATHLEEN MCCANDLESS: Thank you,</p> <p>9 Madam Chair. I'm just going to proceed with my</p> <p>10 opening remarks, then I understand Mr. Scarfone has</p> <p>11 some comments to make, and then I -- I'm not sure if</p> <p>12 any of the other participants have opening remarks. I</p> <p>13 know Mr. Williams does not.</p> <p>14 Ms. Meek, do you have any opening</p> <p>15 remarks to make?</p> <p>16 MS. CHARLOTTE MEEK: I was not</p> <p>17 planning on making opening statements.</p> <p>18 MS. KATHLEEN MCCANDLESS: Thank you.</p> <p>19 As you mentioned this morning, Madam Chair, Mani --</p> <p>20 Manitoba Public Insurance is applying to the Public</p> <p>21 Utilities Board for a directive that MPI issue to</p> <p>22 ratepayers a percentage of their annualized premiums</p> <p>23 for universal compulsory automobile insurance policies</p> <p>24 in force and earning premium on March 15, 2020,</p> <p>25 through a special rebate in an amount equal to the</p> <p>approximate sum of \$58 million by May 31, 2020, or as</p>	18
17	<p>1 soon thereafter as is reasonably practicable.</p> <p>2 With respect to the evidence filed in</p> <p>3 this proceeding, there are five (5) PUB exhibits to</p> <p>4 enter on the record at this time.</p> <p>5 They are Exhibit PUB-1, the notice of</p> <p>6 virtual hearing, dated April 27, 2020.</p> <p>7</p> <p>8 --- EXHIBIT NO. PUB-1: Notice of virtual Public</p> <p>9 hearing dated April 27,</p> <p>10 2020</p> <p>11</p> <p>12 MS. KATHLEEN MCCANDLESS: Exhibit PUB-</p> <p>13 2 is the Board's rules of practice and procedure.</p> <p>14</p> <p>15 --- EXHIBIT NO. PUB-2: The Public Utilities</p> <p>16 Board's Rules of Practice</p> <p>17 and Procedure</p> <p>18</p> <p>19 MS. KATHLEEN MCCANDLESS: Exhibit PUB-</p> <p>20 3 is a letter from Darren Christle to MPI and all</p> <p>21 Interveners of record, dated April 27, 2020, issuing</p> <p>22 direction for the procedure of this application.</p> <p>23</p> <p>24 --- EXHIBIT NO. PUB-3: PUB letter to MPI and past</p> <p>25 Interveners re: MPI 2021</p>	19

18	<p>1 Special Rebate Application 2 - April 27, 2020 3 4 MS. KATHLEEN MCCANDLESS: Exhibit PUB- 5 4 is the PUB Pre-Ask questions to MPI, dated April 29, 6 2020. 7 8 --- EXHIBIT NO. PUB-4: PUB-MPI Pre-Ask questions 9 (1-4) - April 29, 2020 10 11 MS. KATHLEEN MCCANDLESS: And Exhibit 12 PUB-5 is a written comment from a member of the 13 public, which was posted on the Board's website. 14 15 --- EXHIBIT NO. PUB-5: Public comment regarding 16 Application - April 30, 17 2020. 18 19 MS. KATHLEEN MCCANDLESS: Those are 20 all the exhibits. 21 We have this morning set aside for a 22 question-and-answer session with representatives from 23 MPI. The session will provide the Board and 24 Interveners of record with an opportunity for further 25 clarification and understanding of the rebate</p>	20	<p>1 you. I was actually going to jump in. I haven't 2 received anything from MPI in terms of response to the 3 pre-asks. I'm not sure if that was sent by email at 4 some point? 5 MR. STEVEN SCARFONE: Well, I -- I 6 expect that there are people listening and that that 7 will be sent as -- as this unfolds, if -- if not in 8 the next couple minutes, you'll be receiving those. 9 MS. CHARLOTTE MEEK (by phone): Okay, 10 thank you. 11 MR. STEVEN SCARFONE: So, Madam Chair, 12 MPIC, of course, is here on a special rebate 13 application, and the relief sought is approval of a 50 14 million -- \$58 million rebate to the ratepayers as -- 15 as a percentage of their annualized premiums. The 16 special rebate application is brought before this 17 Board under Section 44 of the Public Utilities Board 18 Act. 19 And the Corporation as set out in the 20 application is also seeking relief under rule 36 that 21 would allow the Board to make a -- a variation of the 22 previous orders to allow for the rebate to occur. 23 And you're going to hear from Mr. 24 Johnston and Mr. Giesbrecht about the application 25 itself, but to suffice to say, the application makes</p>
19	<p>1 application. 2 In terms of the order of questioning 3 this morning, counsel for CAC, Mr. Williams, will 4 proceed first, followed by Ms. Meek, counsel for CMMG. 5 I will proceed after counsel for CMMG has completed 6 her questioning. 7 Tomorrow morning's oral submissions are 8 scheduled to begin at 9:00 a.m. and will be completed 9 no later than noon. We are conducting the hearing 10 under challenging circumstances, and I would like to 11 thank everyone for their patience and cooperation. 12 Those are my opening remarks, Madam Chair. 13 THE PANEL CHAIRPERSON: Thank you, Ms. 14 McCandless. Mr. Scarfone...? 15 16 OPENING COMMENTS CONTINUED BY MPI: 17 MR. STEVEN SCARFONE: Thank you, Madam 18 Chair. I was going to say I just want to clarify or 19 correct, perhaps -- I think I may have indicated for 20 Exhibit number 2, the pre-asks numbered in -- five (5) 21 in total. I believe there are six (6) that MPIC has 22 responded to in Exhibit number 2, and I just wanted to 23 confirm as -- particularly with Ms. Meek, that she has 24 received responses to her client's pre-asks. 25 MS. CHARLOTTE MEEK (by phone): Thank</p>	21	<p>1 it clear, I believe, that MPIC finds itself in a very 2 strong financial position, and therefore finds itself 3 in a position to offer some immediate financial relief 4 to its ratepayers by returning premiums collected for 5 accidents that did not occur during the last couple 6 months. And that, of course, is due to the pandemic. 7 This application, it's important to 8 remember, Madam Chair, was put together in very short 9 order for approval by the Board to expedite the return 10 of excess capital to MPIC customers in a timely manner 11 and in a time of financial need. 12 But this is the important point to 13 recall. Not all customers will be receiving the 14 benefit of this rebate, if approved. The excess 15 capital now being held in the RSR is largely the 16 result of claims costs being well below forecast 17 because people are working from home and they're 18 driving less. Those people are those that register 19 private passenger vehicles, because those are the 20 vehicles, Madam Chair, and the occupants of those 21 vehicles that are at risk. 22 So you will hear evidence that the 23 Corporation has set aside cash that would otherwise 24 have been invested to fund the rebate, if so approved. 25 And -- and that is simply all the Corporation needs to</p>

22	<p>1 say, I believe. 2 I trust that the panel members have 3 read the application, and we can now proceed with the 4 questions for Mr. Johnston and Mr. Giesbrecht. 5 THE PANEL CHAIRPERSON: Thank you, Mr. 6 Scarfone. Mr. Christle, could you please have the 7 witnesses affirm? 8 9 LUKE JOHNSTON, Sworn 10 MARK GIESBRECHT, Sworn 11 12 THE PANEL CHAIRPERSON: Thank you. 13 Mr. Williams...? 14 15 CROSS-EXAMINATION BY DR. BYRON WILLIAMS: 16 DR. BYRON WILLIAMS: Yes. Thank you, 17 and good morning. 18 Mr. Johnston, I'll -- I'll have a few 19 questions to you, and then a few -- a somewhat 20 lengthier, but not too lengthy, discussion with Mr. 21 Giesbrecht. 22 Sir, we'll come to your estimate of 23 COVID-19 impacts on claims incurred in just a second, 24 but in terms of the factual backdrop to this 25 application, it's that we're in the provincial state</p>	24	<p>1 agreed? 2 MR. LUKE JOHNSTON: That's correct. 3 And those -- each of those three (3) estimates have, I 4 guess, progressively weaker strength, one (1) being 5 essentially in-hand, we know; the second one, probably 6 a pretty reliable estimate of the very near future, 7 and then beyond that, we haven't -- they attempted to 8 -- to estimate what the further impacts could be. 9 DR. BYRON WILLIAMS: And -- and thank 10 you for an -- for that, Mr. Johnston. Be -- in 11 essence, in understanding the estimate of 58 million, 12 it's important to understand that it assumes no 13 impacts on claims costs related to COVID-19 after May 14 16th, 2020 -- after May 15th, excuse me. 15 MR. LUKE JOHNSTON: That's correct. 16 DR. BYRON WILLIAMS: Without being in 17 any way critical, recognizing the time frame and the 18 challenges of estimating, your estimate assumes 19 business as usual on Manitoba roads after May 15th? 20 MR. LUKE JOHNSTON: Essentially, yeah, 21 if -- in terms of forecast numbers, we are assuming we 22 revert to normal frequency after that date. 23 DR. BYRON WILLIAMS: And to the extent 24 that it's not business as usual, that people continue 25 to work at home or practice social distan --</p>
23	<p>1 of emergency related to COVID-19, agreed? 2 MR. LUKE JOHNSTON: Agreed. 3 DR. BYRON WILLIAMS: And with that 4 state of emergency come realities such as more people 5 working at home, some businesses and -- and services 6 being closed, and kids staying home from school, no 7 doubt to the displeasure of their parents? 8 MR. LUKE JOHNSTON: That's right. 9 DR. BYRON WILLIAMS: And a consequence 10 of the combination of these factors is that people are 11 driving less, and that at least between March 15th and 12 April 15th, there were less collisions? 13 MR. LUKE JOHNSTON: Yes. From the 14 data we have, it's -- it's very apparent that 15 exposures is -- is down. 16 DR. BYRON WILLIAMS: And for the 17 purposes of this application, the Corporation has 18 developed an estimate of 58 million in COVID-19 19 related claims incurred reductions, comprised -- at 20 the risk of asking a compound question -- of three (3) 21 elements, namely, an observed \$29 million reduction in 22 claims costs from March 16th to April 15th, an assumed 23 \$29 million reduction in claims costs from April 16th 24 to May 15th, and no assumed impacts on claims costs 25 from May 16th to March of 2020 to March 31st of 2021,</p>	25	<p>1 distancing, there is a possibility that Covid-19 2 impacts on collision data will persist beyond May 15th 3 of 2020, agreed? 4 MR. LUKE JOHNSTON: Agreed. 5 DR. BYRON WILLIAMS: And Mr. Johnston, 6 can I -- can you and I or can you agree that neither 7 you or I or Donald Trump can predict when the impacts 8 of COVID-19 upon us will end? 9 MR. LUKE JOHNSTON: We -- we cannot. 10 DR. BYRON WILLIAMS: We cannot 11 predict? 12 MR. LUKE JOHNSTON: We cannot predict 13 perfectly or -- we're making a -- a kind of a best 14 estimate, but that's -- that's the best we can do. 15 DR. BYRON WILLIAMS: Mr. Johnston, you 16 play a leadership role not only in claims forecasting, 17 but in dynamic capital adequacy testing, modelling as 18 well. Agreed? 19 MR. LUKE JOHNSTON: Agreed. 20 DR. BYRON WILLIAMS: And in your work 21 on claims forecasting and Dynamic Capital Adequacy 22 Modelling, it's fair to say that you observed -- you 23 have observed a relationship between claims incurred 24 and claims expenses, with changes in claims expenses 25 tending to be positively correlated with changes in</p>

26	<p>1 claims incurred. Would that be fair, sir?</p> <p>2 MR. LUKE JOHNSTON: That's correct.</p> <p>3 DR. BYRON WILLIAMS: And sir, so to</p> <p>4 the extent that claims incurred moved down, you would</p> <p>5 generally expect that claims expenses also tend to</p> <p>6 move down. Would that be fair?</p> <p>7 MR. LUKE JOHNSTON: In a general</p> <p>8 sense, yes. As you can appreciate now, and I'm sure</p> <p>9 you've seen maybe some comments in the media, our</p> <p>10 ability to instantly react to such a dramatic change</p> <p>11 on -- on operational expenses isn't going to be quite</p> <p>12 as fast. But that -- that is of course the reality if</p> <p>13 there's 60 percent less claims, anyone that handles</p> <p>14 claims would be in less need, I guess, to put it</p> <p>15 simply.</p> <p>16 DR. BYRON WILLIAMS: Mr. Johnston, as</p> <p>17 vice-president and chief actuary, it's your role to</p> <p>18 stay alive to trends and claims, including deviations</p> <p>19 from normal patterns, correct?</p> <p>20 MR. LUKE JOHNSTON: That's right.</p> <p>21 DR. BYRON WILLIAMS: And given your</p> <p>22 high level of professional excellence, you will</p> <p>23 continue to actively monitor the ongoing effects, if</p> <p>24 any, of COVID-19 beyond May 15th, 2020, correct?</p> <p>25 MR. LUKE JOHNSTON: That's correct. I</p>	28	
27	<p>1 don't -- I can't recall if we were doing this last</p> <p>2 year, but we are at the stage now where we update our</p> <p>3 entire forecasting model on a monthly basis.</p> <p>4 It's about a -- it's about a month lag</p> <p>5 to -- to reporting those numbers. But even going into</p> <p>6 next hearing with the assumption of a -- a September</p> <p>7 update and things like that, we're definitely staying</p> <p>8 on top of those forecasts every month.</p> <p>9 DR. BYRON WILLIAMS: And that part of</p> <p>10 your job becomes even more critical, just given the</p> <p>11 dramatic impact you've seen on claims reductions in --</p> <p>12 in -- from mid-May to -- mid-March to mid-April,</p> <p>13 agreed?</p> <p>14 MR. LUKE JOHNSTON: Agreed.</p> <p>15 DR. BYRON WILLIAMS: So we can be</p> <p>16 confident that MPI will be monitoring the impacts of</p> <p>17 COVID-19 on claims incurred in the May to June period,</p> <p>18 and in the June to July period, agreed?</p> <p>19 MR. LUKE JOHNSTON: Agree claims and</p> <p>20 really all other aspects of operations expenses,</p> <p>21 investments premium.</p> <p>22 DR. BYRON WILLIAMS: Mr. Johnston, I'm</p> <p>23 not sure if we need to turn it, but just to -- because</p> <p>24 you're being cited here, perhaps if we could go to the</p> <p>25 MPI application, page 15 of 27, and I believe it's line</p>	<p>1 23.</p> <p>2 And Mr. Johnston, you see there on line</p> <p>3 23 and 24 a -- the statement that the -- the proposed</p> <p>4 57 million rebate from Basic is according to MPI's</p> <p>5 chief actuary, a capital release of excess monies now</p> <p>6 being held in the RSR.</p> <p>7 Do you see that statement, sir?</p> <p>8 MR. LUKE JOHNSTON: I do.</p> <p>9 DR. BYRON WILLIAMS: And that's an</p> <p>10 accurate statement, sir?</p> <p>11 MR. LUKE JOHNSTON: That's right.</p> <p>12 Specific to this application. So just -- just to be</p> <p>13 clear, there is other money in the RSR, but for this</p> <p>14 particular application there is a -- an estimated 58</p> <p>15 million excess, yes, that will be there.</p> <p>16 DR. BYRON WILLIAMS: Okay. Mr.</p> <p>17 Johnston, I'm going to turn my attention without --</p> <p>18 hoping not to offend you in any way, to Mr.</p> <p>19 Giesbrecht. Feel free if there's a question that I</p> <p>20 pose to him that's more relevant to you, to intervene.</p> <p>21 Mr. Giesbrecht, I wonder if we can go</p> <p>22 to pro forma 5, which appears towards the back of the</p> <p>23 application.</p> <p>24 And Mr. Giesbrecht, this looks at the</p> <p>25 MPI statement of operations as was forecast back in</p>	29

30	<p>1 actually, as compared to the fall forecast, rise by 2 \$7.5 million, sir? 3 MR. MARK GIESBRECHT: Correct. 4 DR. BYRON WILLIAMS: So, in essence, 5 at least in this application, moving in opposite 6 directions of claims incurred? 7 MR. MARK GIESBRECHT: Yes, and there's 8 one primary explanation for that. It's -- it's simply 9 a reclass of certain expenses that previously had been 10 included in claims incurred. 11 So that aside, it would be basically be 12 more flat, in essence. But there were certain claims 13 expenses relating to some of our software that is 14 directly tied to our shops that we felt was more 15 appropriately classified as a claims expenses, rather 16 than a -- a claims incurred. 17 So it's -- it forms part of the claims 18 costs, but just we changed the bucket in which it 19 lies. 20 DR. BYRON WILLIAMS: And so just so I 21 understand, sir, if we removed those numbers, you -- 22 your suggestion is that in terms of claims expense it 23 would be flat, not declining? 24 MR. MARK GIESBRECHT: Roughly 25 speaking, yes.</p>	32
31	<p>1 DR. BYRON WILLIAMS: And sir, if we go 2 up to line 13, being total earned revenues, that 3 number stays relatively flat between the forecasts in 4 the fall and the -- the numbers underlying this 5 application? Going down a little bit, around 4.7 6 million? 7 MR. MARK GIESBRECHT: Yes, they -- 8 there's a slight decline based on continued decreases 9 in the volume and upgrade factors, but generally 10 speaking it -- it's fairly flat. 11 DR. BYRON WILLIAMS: And Mr. 12 Giesbrecht, you would agree that there has -- it would 13 be reasonable to expect that there's been a 14 significant adverse effect in March and April of 15 Covid-19 on the Manitoba economy and on Manitobans, 16 would that be a fair statement, sir? 17 MR. MARK GIESBRECHT: I think that's a 18 fair statement, yes. 19 DR. BYRON WILLIAMS: Jobs have been 20 lost, businesses have been closed, and savings have 21 been depleted. Is that a fair statement, sir? 22 MR. MARK GIESBRECHT: Yes, agreed. 23 DR. BYRON WILLIAMS: And while we 24 don't know how long it will last, it would be fair to 25 expect persistence in the economic effect of COVID-19</p>	33

34	<p>1 we'll be able to conclude a bit more con --</p> <p>2 conclusively when we have that better data available</p> <p>3 to us. We have seen a little bit of change in those</p> <p>4 behaviours. I know that we have had a number of press</p> <p>5 releases talking about the different options available</p> <p>6 to customers, and we will continue to monitor what</p> <p>7 those behaviours look like and, if necessary, adjust</p> <p>8 our GRA.</p> <p>9 DR. BYRON WILLIAMS: Thank you. Mr.</p> <p>10 Giesbrecht, this is an unusual application for MPI</p> <p>11 brought on an expedited basis during a provincial</p> <p>12 state of emergency, agreed?</p> <p>13 MR. MARK GIESBRECHT: Agreed.</p> <p>14 DR. BYRON WILLIAMS: And MPI is</p> <p>15 seeking to review and vary two (2) Orders of the</p> <p>16 Public Utilities Board, being 159/'18 and 176/'19, to</p> <p>17 the extent that they do not require the issuance of</p> <p>18 rebates, agreed?</p> <p>19 MR. MARK GIESBRECHT: Agreed.</p> <p>20 DR. BYRON WILLIAMS: And you'll recall</p> <p>21 that Manitoba Public Insurance presented a Capital</p> <p>22 Management Plan during the last General Rate</p> <p>23 Application that was approved by the Public Utilities</p> <p>24 Board for a two (2) year period -- trial period,</p> <p>25 correct?</p>	36	
35	<p>1 MR. MARK GIESBRECHT: Correct.</p> <p>2 DR. BYRON WILLIAMS: And as compo --</p> <p>3 compared to that Capital Management Plan, sir, one (1)</p> <p>4 difference between the RSR rebate being proposed is</p> <p>5 that MPI anticipates and is seeking a one (1) time</p> <p>6 rebate of excess reserves today rather than a capital</p> <p>7 release through lower rates over the next three (3)</p> <p>8 years.</p> <p>9 That would be one (1) difference</p> <p>10 compared to the Capital Management Plan, sir?</p> <p>11 MR. MARK GIESBRECHT: Yes. Simply</p> <p>12 put, I would characterize it as an acceleration of</p> <p>13 that -- that capital release rather than reducing</p> <p>14 future rates. Given the need and the -- the nature of</p> <p>15 the current pandemic, it's an acceleration of that</p> <p>16 rebate in the form of a -- of a cash rebate.</p> <p>17 DR. BYRON WILLIAMS: So it's a one (1)</p> <p>18 time payment via a cheque instead of a capital release</p> <p>19 over the next three (3) years through lower insurance</p> <p>20 rates, correct?</p> <p>21 MR. MARK GIESBRECHT: Correct.</p> <p>22 DR. BYRON WILLIAMS: And would another</p> <p>23 difference, sir, be that this is a one (1) time rebate</p> <p>24 paid to all eligible policy -- policyholders at the</p> <p>25 same time of the year rather than paid to ratepayers</p>	<p>1 through lower rates at staggered times during the year</p> <p>2 as their insurance becomes due? Would that be fair?</p> <p>3 MR. MARK GIESBRECHT: That's fair.</p> <p>4 DR. BYRON WILLIAMS: I wonder if we</p> <p>5 could turn to Figure 10, and Madam Chair, if -- with</p> <p>6 your permission, I'm just a little dry. I'm going to</p> <p>7 try and social distance and get some water, and I</p> <p>8 apologize for not having the foresight to do that.</p> <p>9 THE PANEL CHAIRPERSON: By all means,</p> <p>10 Mr. Williams.</p> <p>11 DR. BYRON WILLIAMS: I -- I see that</p> <p>12 someone's being kind enough to do that.</p> <p>13</p> <p>14 (BRIEF PAUSE)</p> <p>15</p> <p>16 DR. BYRON WILLIAMS: I'll say, that</p> <p>17 was a first for me to actually be served water at the</p> <p>18 Public Utilities Board, and I think it's a tradition</p> <p>19 we should look at instituting in the future.</p> <p>20 THE PANEL CHAIRPERSON: We'll take</p> <p>21 that under advisement.</p> <p>22</p> <p>23 CONTINUED BY DR. BYRON WILLIAMS:</p> <p>24 DR. BYRON WILLIAMS: Mr. Giesbrecht,</p> <p>25 if we look at Figure 10, this provi -- takes a look at</p>	37

38	<p>1 percent rate increases and no capital releases, sir?</p> <p>2 MR. LUKE JOHNSTON: Correct.</p> <p>3 DR. BYRON WILLIAMS: Mr. Giesbrecht --</p> <p>4 and Ms. Schubert, if you can just scroll a little back</p> <p>5 up the page. That's super.</p> <p>6 Mr. Giesbrecht, going back to the</p> <p>7 concept of the capital management plan, a central</p> <p>8 element of that plan was a transfer of capital from</p> <p>9 Extension to Basic should the Extension MCT ratio of</p> <p>10 the Extension reserve exceed 200 percent at fiscal</p> <p>11 year end, correct?</p> <p>12 MR. MARK GIESBRECHT: Yes. The plan</p> <p>13 entails a transfer of any excess capital for Extension</p> <p>14 that we -- will be moved to Basic, yes.</p> <p>15 DR. BYRON WILLIAMS: And excess is in</p> <p>16 excess of 200 percent, sir?</p> <p>17 MR. MARK GIESBRECHT: Correct.</p> <p>18 DR. BYRON WILLIAMS: And if we go to -</p> <p>19 - under the column 2019/20, line 10, we -- we can see</p> <p>20 that at the time that MPI made its compliance</p> <p>21 forecast, it was projecting a \$75 million transfer</p> <p>22 from Extension to Basic at -- at or about fiscal year</p> <p>23 end 2019/2020, agreed?</p> <p>24 MR. MARK GIESBRECHT: Agreed.</p> <p>25 DR. BYRON WILLIAMS: Kristen, if we</p>	40	
39	<p>1 can go down on this page to line 6 and 7. Proceed</p> <p>2 down the page. Yes, thank you.</p> <p>3 In the -- in the current context, it's</p> <p>4 fair to say that there was no transfer of that -- of -</p> <p>5 - of an excess reserves from Extension to Basic at --</p> <p>6 at the fiscal year end of 2019/20.</p> <p>7 Is that right, sir?</p> <p>8 MR. MARK GIESBRECHT: Right. So we</p> <p>9 are currently in the midst of closing our 2019/2020</p> <p>10 books, and in the past, we had used an estimation to</p> <p>11 move the required capital over. So in the last two</p> <p>12 (2) years, we had transferred and included those</p> <p>13 results in the fiscal year.</p> <p>14 This year, given the volatility within</p> <p>15 the -- the month of March with the pandemic, we had</p> <p>16 decided to wait until after year end. We had closed</p> <p>17 the actual books and had the final numbers, and then</p> <p>18 that -- that transfer would happen shortly after year</p> <p>19 end is closed. So it had not happened in 2019/2020 as</p> <p>20 --</p> <p>21 DR. BYRON WILLIAMS: So is -- as our</p> <p>22 clients understand this, rather than applying the</p> <p>23 Extension capital transfer, MPI suggests it's received</p> <p>24 government approval to immediately rebate 52 million</p> <p>25 from Extension in May of 2020, correct?</p>	<p>1 MR. MARK GIESBRECHT: Correct. What -</p> <p>2 - what otherwise would have transferred via the normal</p> <p>3 mechanism is now to be transferred via this one (1)</p> <p>4 time special rebate.</p> <p>5 DR. BYRON WILLIAMS: Mr. Giesbrecht,</p> <p>6 just to get mathematical clarification, is MPI</p> <p>7 suggesting that at the fiscal year end of 2019/20,</p> <p>8 Extension reserves in excess of 200 percent MCT were</p> <p>9 \$52 million?</p> <p>10 MR. MARK GIESBRECHT: So there --</p> <p>11 those estimates were done at different points in time,</p> <p>12 and so as we were looking at the evolution of the</p> <p>13 pandemic, we were discussion with government what our</p> <p>14 different options were, what our capital position was</p> <p>15 forecasting to be.</p> <p>16 At a point in time prior to the</p> <p>17 production of this application, that -- that forecast</p> <p>18 had a \$52 million estimate. That's been updated to</p> <p>19 seventy-five (75), and the final number will be a</p> <p>20 little bit different than both of those in the end,</p> <p>21 which we will know soon as we're close to closing off</p> <p>22 our -- our actual books.</p> <p>23 DR. BYRON WILLIAMS: Sir, do you</p> <p>24 anticipate the -- the number, the final number to be</p> <p>25 in excess of 75 million?</p>	41

42	<p>1 remaining capital and then whatever profitability we 2 got from Extension in 2021.</p> <p>3 DR. BYRON WILLIAMS: And thank you, 4 but our client is focussed on the 2019/20 year end. 5 I don't know if pro forma Extension 6 number 3 would -- our client is seeking clarity. 7 First of all, let's confirm that at 8 fiscal year end, March 31st, 2020 for Extension there 9 was more than 52 million over and above the 200 10 percent MCT target for Extension. Agreed? 11 MR. MARK GIESBRECHT: There could very 12 well be. However, the final numbers are not yet 13 complete. These remain forecasted, so there -- there 14 very well could be. However, the final numbers are 15 yet to be determined. 16 DR. BYRON WILLIAMS: When will those 17 numbers be determined, sir? 18 MR. MARK GIESBRECHT: In the coming 19 weeks. 20 DR. BYRON WILLIAMS: Is it your 21 expectation that they will be higher than 52 million? 22 MR. MARK GIESBRECHT: That's a -- a 23 strong possibility. 24 DR. BYRON WILLIAMS: And significantly 25 higher, sir? In the range of tens of millions?</p>	44	<p>1 ratepayers given -- MPI's ratepayers given the 2 financial circumstances of MPI, correct? 3 MR. MARK GIESBRECHT: True. These are 4 extraordinary times and we know we are looking to work 5 with government to do what we can to provide relief to 6 ratepayers. 7 DR. BYRON WILLIAMS: And as opposed to 8 the Capital Management Plan, what this rebate does is 9 -- is get money in consumer's hands in two (2) months, 10 rather than over three (3) years. 11 Would that be fair, sir? 12 MR. MARK GIESBRECHT: Fair. 13 DR. BYRON WILLIAMS: And as opposed to 14 the Capital Management Plan, all consumers get the 15 money near the time they need it most instead of 16 eligible consumers, instead of having to wait for 17 their annual renewal time. Agreed? 18 MR. MARK GIESBRECHT: Agreed. 19 DR. BYRON WILLIAMS: And at a time of 20 seemingly unremitting bad news, this rebate could be 21 perceived as an important good news signal from MPI 22 that is responding to -- to the needs of its 23 ratepayers. Agreed? 24 MR. MARK GIESBRECHT: Agreed. And we 25 feel it's important that we respond to the times and</p>
43	<p>1 MR. MARK GIESBRECHT: I wouldn't say 2 tens. It could be 10 to 20, potentially. 3 DR. BYRON WILLIAMS: Thank you. 4 MR. MARK GIESBRECHT: I just should 5 add, you know, we are in time of un -- unprecedented 6 volatility and we are seeing financial impacts daily 7 in terms of impacting our investment portfolio, the 8 valuation of our future employee benefits, pension 9 obligations and those kind of things. 10 And so until we have the final-final 11 numbers, I don't want to lock anything down quite yet. 12 So these are estimates and they have been changing 13 rapidly over the past weeks, and will continue to 14 change in the coming weeks as well. 15 DR. BYRON WILLIAMS: Mr. Giesbrecht, 16 one (1) of the policy rationales for choose -- 17 choosing an immediate one time rate rebate from Basic 18 rather than following the capital management plan, is 19 that the financial position of MPI had significantly 20 improved at the same time as the position of many of 21 its ratepayers had declined. Agreed? 22 MR. MARK GIESBRECHT: Agreed. 23 DR. BYRON WILLIAMS: And driving the 24 focus on a one time rate rebate is the sense that 25 there was a -- an urgent need to support Manitoba's</p>	45	<p>1 be prudent about our long-term forecasts and impact on 2 our financial liability. 3 However, it's only prudent that we -- 4 we do this. 5 DR. BYRON WILLIAMS: Mr. Giesbrecht, 6 apart from the Capital Management Plan and the one- 7 time only cheque, were any other rate rebate 8 mechanisms considered by Manitoba Public Insurance? 9 MR. MARK GIESBRECHT: We have been 10 looking at potential for credits to be applied against 11 future bills and -- and that kind of thing. And due 12 to our systems and technology, it was deemed as a very 13 difficult ask or -- or to make those system changes 14 required to apply it to an upcoming bill. 15 And in -- in consultation with 16 government, we felt it also made the most sense to get 17 cash in people's hands, so that decision was made. 18 DR. BYRON WILLIAMS: And in terms of - 19 - we'll call that the crediting customers accounts, 20 that's something that Manitoba Public Insurance might 21 contemplate in the future? Or crediting their bills, 22 excuse me. 23 MR. MARK GIESBRECHT: Potentially, 24 depending on how things unfold. Right now our plan is 25 that we have the special rebate application and we'll</p>

46	<p>1 continue to monitor claims trending going forward. 2 So that's a possibility, but I wouldn't 3 say they were actively looking to do that in the near 4 future. 5 DR. BYRON WILLIAMS: In terms of the 6 tech -- I'm sorry, Mr. Johnston, go ahead, please. 7 MR. LUKE JOHNSTON: Outside of this 8 emergency situation, as -- as I think everyone is 9 aware, the intent was to essentially put a line on the 10 customer's renewal saying capital release amount x, 11 rather than any form of rebate. 12 13 (BRIEF PAUSE) 14 15 DR. BYRON WILLIAMS: We may come back 16 to that. 17 From an insurance perspective, is it 18 fair to say that MPI is rebating funds on the basis of 19 eligible policies as a straight percentage of premium? 20 Would that be fair? 21 MR. LUKE JOHNSTON: I can answer this. 22 We -- the -- we are refunding as a percentage of -- of 23 premium, yes. 24 DR. BYRON WILLIAMS: Would it -- 25 again, with the provisional all other things being</p>	48
47	<p>1 equal, would it be fair to say that ratepayers or 2 households with more cars will receive more rebate 3 money? 4 MR. LUKE JOHNSTON: That's correct. 5 DR. BYRON WILLIAMS: And would it be 6 fair to say that ratepayers or households with more 7 expensive cars will receive more rebate money, all 8 other things being equal? 9 MR. LUKE JOHNSTON: Yes, all other 10 things being equal. There's a -- outside of 11 percentage of premium, it's -- it's difficult to think 12 of other fair options. 13 For example, if we were to just cut a 14 cheque for the same amount to every policy holder, you 15 -- you could have situations where the cheque is more 16 than their entire premium, if they're a moped or 17 something like that. 18 So it's hard to find another solution 19 outside of premiums that's considered equitable. 20 DR. BYRON WILLIAMS: This has been 21 premised on insurance risk, in essence, sir? 22 MR. LUKE JOHNSTON: Correct, 23 especially in a -- in a Basic rate setting environment 24 where one of the main assumptions is everyone has the 25 same profitability and that's zero.</p>	49
	<p>1 DR. BYRON WILLIAMS: Okay. Would 2 fleets like the Manitoba Hydro fleet receive -- be 3 eligible for rebates or fleets like that corporate 4 fleet? 5 MR. LUKE JOHNSTON: Fleets are 6 eligible. Using the -- the same rules, as long as 7 they're -- they're enforced. 8 Again, a good point relating to 9 percentage of premium. Someone is not using their 10 car, they're not paying any premium, so to give them a 11 rebate based on paying nothing would -- wouldn't 12 really make a lot of sense. 13 So they have to be in operation, in 14 earning premiums, to get the rebate. 15 DR. BYRON WILLIAMS: And by in 16 operation, you mean in operation as of March 5 -- 17 15th, 2020, sir? 18 MR. LUKE JOHNSTON: That's correct, 19 yeah. 20 DR. BYRON WILLIAMS: Mr. Giesbrecht, 21 in terms of the funding of the rebate, would it be 22 fair to suggest that about 80 million of the rebate is 23 funded by cash at hand, with the rest funded from 24 anticipated excess revenues over costs in the two (2) 25 months in question, being March to April and then</p>	

50	<p>1 held back about \$85 million in cash so it was 2 available to pay out our obligations as they came due. 3 DR. BYRON WILLIAMS: So as we stand 4 today, we wouldn't be expecting MPI to be selling 5 equities at this highly volatile time to finance the 6 rebate, for example, sir? 7 MR. MARK GIESBRECHT: I wouldn't 8 expect to be selling much, if any. Again, we'll look 9 at, in the next two (2) weeks, how things progress and 10 what happens in the markets. But as of now, we do not 11 expect any meaningful sell-off of our invested assets. 12 DR. BYRON WILLIAMS: And sir, just 13 moving forward past the May 15th time frame, does MPI 14 anticipate keeping more cash at hand than -- than 15 normal as we try and feel our way out of the COVID-19 16 related emergency? 17 MR. MARK GIESBRECHT: Yes, I would 18 expect that we would hover on the higher side of -- of 19 our expected range, given some of the uncertainties, 20 but, you know, we do expect to see some cash 21 generation based on reduction in claims. 22 DR. BYRON WILLIAMS: Okay. And the 23 higher end, sir, just what -- what -- what does the 24 "higher end" mean? 25 MR. MARK GIESBRECHT: So our</p>	52	
51	<p>1 established range is \$60 to \$100 million in cash. We 2 -- we tend to look around eighty (80) as our kind of 3 midpoint or target, so that would be the range. 4 DR. BYRON WILLIAMS: Okay. Thank you. 5 With apologies to Mr. Scarfone, I 6 didn't get the exhibit number, which is embarrassing 7 because there's so few. But in terms of the board of 8 director meeting draft minutes, MPI was kind enough to 9 provide two (2): one dated Wednesday, April 15th, 10 2020; and one dated Wednesday, April 22nd. 11 MR. STEVEN SCARFONE: Yes, Mr. 12 Williams, those were marked as Exhibit number 4, those 13 redacted minutes from those board of directors 14 meetings. 15 DR. BYRON WILLIAMS: Thank you for 16 that, sir. 17 Mr. Giesbrecht, based on your 18 experience as a senior executive, in terms of 19 initiation rate application -- rate applications 20 generally, that responsibility rests with the MPI 21 board, with guidance from MPI management. Would that 22 be your experience over your time at MPI? 23 MR. MARK GIESBRECHT: Yes, the board 24 is -- is kept apprised and ultimately approves our 25 direction, yes.</p>	<p>1 DR. BYRON WILLIAMS: And in terms of 2 approving your direction, it would be your experience 3 that they would indeed approve a -- a minute of the 4 board approving specific elements of the rate 5 application. 6 MR. MARK GIESBRECHT: Typically, yes, 7 yeah. 8 DR. BYRON WILLIAMS: If we turn, sir, 9 to CAC -- or, sorry, Exhibit 4, excuse me, Wednesday, 10 April 15th, 2020. On entry 20-047, Excess Capital, 11 you'll see a statement that: 12 "The members were supportive of the 13 providing a credit to customers and 14 excess capital to government." 15 Do you see that statement, sir? 16 MR. MARK GIESBRECHT: I do. 17 18 (BRIEF PAUSE) 19 20 DR. BYRON WILLIAMS: Mr. Giesbrecht, 21 factually, has there been any transfer of excess 22 capital to government? 23 MR. MARK GIESBRECHT: No. 24 25 (BRIEF PAUSE)</p>	53

54	<p>1 worked in conjunction with government as the pandemic 2 evolved. We have looked to different alternatives, 3 what was the best course of action, and, you know, we 4 consulted with all of our stakeholders, including our 5 ultimate shareholder, the government, as well as our 6 board of directors, in making that determination. 7 8 (BRIEF PAUSE) 9 10 DR. BYRON WILLIAMS: Would it be fair 11 to state it in this manner, sir, that the special rate 12 application results from direction of the MPI board, 13 with guidance from management and the support of the 14 minister and the government as stakeholder? 15 MR. MARK GIESBRECHT: I believe that 16 to be a -- a fair statement, yes. 17 DR. BYRON WILLIAMS: If we can just 18 turn to page 17, line 6, towards the bottom, Ms. 19 Schubert. 20 You'll see here, Mr. Giesbrecht, a 21 statement that: 22 "Rather than applying the Extension 23 capital transfer, MPI has instead 24 received government approval to 25 immediately rebate 52 million from</p>	56
55	<p>1 Extension in May of 2020." 2 You see that statement, sir? 3 MR. MARK GIESBRECHT: I do. 4 DR. BYRON WILLIAMS: What, if any, 5 approval is Manitoba Public Insurance suggesting it 6 requires from the government to rebate these monies to 7 consumers? 8 MR. MARK GIESBRECHT: Given the 9 extraordinary times that we are in and -- and the 10 potential for a rebate cheque that we had contemplated 11 and are now applying for, we had entered into 12 conversations and discussion with government looking 13 at different options, and we had sought out their 14 blessing or approval in that process because we want 15 to make sure that we have -- you know, that we 16 consider all different avenues available to us, given, 17 again, these extraordinary times. 18 So -- and that said, you know, we have 19 the alignment of both our board of directors and 20 government to proceed with this rebate. 21 DR. BYRON WILLIAMS: Going just back 22 and noting the time, going back to Exhibit 4 and the 23 reference 20-047, Excess Capital, recognizing, sir, 24 that there was no transfer of excess capital to 25 government, what is contemplated by that language?</p>	57

58	<p>1 THE PANEL CHAIRPERSON: Certainly, 2 thank you. 3 4 --- EXHIBIT NO. CMMG-1: Photos of Road Conditions 5 of Manitoba 6 7 --- EXHIBIT NO. CMMG-2: Winnipeg Manitoba April 8 Weather Conditions 9 10 CROSS-EXAMINATION BY CMMG: 11 MS. CHARLOTTE MEEK (by phone): Thank 12 you. So CMMG acknowledges the intention of the rebate 13 as proposed by MPI and the importance of providing the 14 economic belief to Manitobans here in this difficult 15 time. While CMMG was pleased to see that 16 motorcyclists were included in the release from 17 Extension, and CMMG is concerned that MPI has excluded 18 motorcyclists from the rebate from Basic. 19 I believe most of my questions could be 20 directed toward Mr. Johnston, but if Mr. Giesbrecht is 21 in a better position to answer any, feel free. 22 So Mr. Johnston, MPI is proposing a 23 rebate based on the capital released from both the 24 Extension and the Basic. 25 Is that correct?</p>	60
59	<p>1 MR. LUKE JOHNSTON: I'm doing my best 2 to -- to hear you, but I think you said 3 MPI is rebating both Extension and capital on Basic? 4 MS. CHARLOTTE MEEK (by phone): Yes. 5 MR. LUKE JOHNSTON: That's correct. 6 MS. CHARLOTTE MEEK (by phone): Sure. 7 Can you hear me okay, or is it... 8 MR. LUKE JOHNSTON: It's -- it's not 9 bad. I'm -- I'm a little hard of hearing, so -- but 10 I'll do my best. 11 MS. CHARLOTTE MEEK (by phone): Okay. 12 Okay. I will try and speak up. 13 MR. LUKE JOHNSTON: If I can't, I'll 14 just ask for a repeat, then. 15 MS. CHARLOTTE MEEK (by phone): Okay. 16 Maybe if I do it this way. Is this a little bit 17 better? 18 MR. LUKE JOHNSTON: It sounds -- that 19 sounds fine. Thanks. 20 MS. CHARLOTTE MEEK (by phone): Okay. 21 MPI's application has indicated that the motorcycle 22 class will receive an exten -- a -- a rebate from 23 Extension, but are not eligible for the rebate from 24 Basic. Is that correct? 25 MR. LUKE JOHNSTON: That's correct.</p>	61
60	<p>1 MS. CHARLOTTE MEEK (by phone): Okay. 2 And MPI's application provides an explanation of the 3 Capital Management Plan, or the CMP, and this is on 4 page 15 of the MPI application. 5 And MPI indicates that where there is a 6 balance of the RSR, or the Rate Stabilization Reserve 7 exceeds the 100 percent MCT, that a capital release is 8 triggered under the Capital Management Plan. 9 Is that correct? 10 MR. LUKE JOHNSTON: That's -- that's 11 correct in the traditional way the -- the Capital 12 Management Plan is -- is used. That's right. 13 MS. CHARLOTTE MEEK (by phone): Right. 14 And that usually comes as a relief of the excess 15 capital incrementally over a number of years in the 16 form of reduced premium rates for insured. 17 Is that correct? 18 MR. LUKE JOHNSTON: That's right. 19 MS. CHARLOTTE MEEK (by phone): And 20 you'd agree with me that the rate reduction through 21 the Capital Management Plan would be applied to all 22 the major classes proportionally, correct? 23 MR. LUKE JOHNSTON: That's correct, 24 but just to -- just to be clear, the -- the main 25 assumption of the Capital Management Plan is that</p>	61
61	<p>1 everyone's contributing equally to that benefit. 2 So there is -- in -- in -- for Basic 3 insurance, everyone is priced to break even, and the 4 Capital Management Plan assumes that any surcharges or 5 rebates should be collected equally. 6 This special rebate does not meet those 7 assumptions. The amount saved by MPI right now can be 8 identified to a specific group and time period, which 9 would -- is not the case when we, for example, earn -- 10 earn more income than we expect on the -- our equity 11 portfolio, or -- or something like that. 12 So that's the reason for the unique 13 treatment in this case. 14 MS. CHARLOTTE MEEK (by phone): Right. 15 So MPI is -- is focussing on the additional excess 16 income from the March 15th to the May 15th period? 17 MR. LUKE JOHNSTON: Yeah. So to put 18 it simply, if -- since this rebate is -- is purely 19 based on claims reductions from the pandemic, or 20 assumed claim reductions, if the pandemic did not 21 occur, MPI's forecast would not be impacted by the 58 22 million, in -- in theory, and no one would get this 23 rebate, including motorcycles. 24 MS. CHARLOTTE MEEK (by phone): Right. 25 And so in -- in the application that MPI submitted,</p>	61

<p style="text-align: right;">62</p> <p>1 they've submitted that the proposed rebate is 2 tantamount for a release under CMP, but -- but what 3 they're suggesting is that instead of a gradual relief 4 in the form of premium reductions, that MPI is 5 proposing that the rebate be offered in a lump sum 6 capital release. 7 Is that correct? 8 MR. LUKE JOHNSTON: That's right, and 9 -- and we -- we talked a little bit this -- at this -- 10 the prehearing conference, I believe, that the best 11 method to -- to provide relief would have been to 12 simply cut rates at -- at the time. So say at the 13 beginning of April, we knew the situation we were in. 14 We could say, you know, we're really confident that 15 the -- the rates for the month of April can be 40 16 percent lower, for example, and -- and do that. 17 And that would obviously provide a -- a 18 very direct and obvious benefit to the people at that 19 time. That's very complicated with -- with policy 20 years overlapping, and -- and rate approval processes. 21 That was seen as a -- something that would take a long 22 time and be very complex. 23 MS. CHARLOTTE MEEK (by phone): Right. 24 MR. LUKE JOHNSTON: So the -- the 25 decision was made to attempt to quantify the rebate</p>	<p style="text-align: right;">64</p> <p>1 this had flown through the RSR, that -- and followed 2 the Capital Management Plan, then -- then it 3 definitely would have followed that process. 4 What we're saying here is this -- this 5 is very special circumstances, and -- and utilizing 6 that process at this time, we're asking to pause that 7 and provide immediate rebate to the customers impacted 8 right now. 9 MS. CHARLOTTE MEEK (by phone): Okay. 10 And -- and the intention is, here, I understand from 11 MPI, is -- is in order to get money into the hands of 12 Manitobans who are struggling due to the economic 13 impacts of COVID-19 more quickly, correct? 14 MR. LUKE JOHNSTON: That is the 15 intention, but to do it in an equitable way, so -- 16 MS. CHARLOTTE MEEK (by phone): 17 Correct. 18 MR. LUKE JOHNSTON: -- you know, if 19 the -- we are not providing a relief to snowmobiles, 20 or any other seasonal vehicle that isn't operating at 21 this time. So the -- the release of capital with a 22 rebate isn't just a cheque. It is tied to -- to risk 23 and -- and the reductions from the classes that we 24 believe have -- have reduced risk. And our 25 expectation, of course, coming to the PUB, is that --</p>
<p style="text-align: right;">63</p> <p>1 and -- and give it to the same customers that would 2 have got a rate decrease at that time, if we were able 3 to do that. 4 MS. CHARLOTTE MEEK (by phone): Right. 5 So had a rate decrease been provided, that would have 6 been provided across all motorcyc -- or all vehicle 7 classes? 8 MR. LUKE JOHNSTON: If we could have 9 done a rate decrease, it would have been provided -- 10 yeah, not -- not having done it, I can't see a 11 compelling reason why we would have excluded certain 12 classes from decreased rates. 13 The -- the message we're saying here 14 for motorcycles is motorcycles do not actually pay 15 insurance premiums in March and April, so we could 16 give discounted rates, but there is no rates being 17 paid, so by definition, that would -- would be zero. 18 MS. CHARLOTTE MEEK (by phone): Right. 19 And I -- and I understand MPI's position about the 20 period of time that we're talking about, but just to 21 confirm, had the relief been done under the normal 22 process with the Capital Management Plan of a relief 23 in the form of premium reductions, it would have been 24 across vehicle -- all vehicle classes? 25 MR. LUKE JOHNSTON: Yes. Like, if</p>	<p style="text-align: right;">65</p> <p>1 that we have to provide evidence that we're rebating 2 as equitably as possible, and that's -- that's what 3 we're -- we're doing, here. 4 MS. CHARLOTTE MEEK (by phone): Okay. 5 And so you've kind of alluded to this already, but in 6 providing this rebate, MPI has required that it be 7 based on Basic premium that are in force and earning 8 premium as of March 15, 2020, correct? 9 MR. LUKE JOHNSTON: Correct. 10 MS. CHARLOTTE MEEK (by phone): All 11 right. And MPI has provided kind of two (2) reasons 12 as to why the motorcycle class has been disqualified 13 for the Basic rebate. If we can go to page 23 of the 14 application, the top of the page. 15 16 (BRIEF PAUSE) 17 18 MS. CHARLOTTE MEEK (by phone): Sorry, 19 mine's being a bit slow, here. I'm just going to wait 20 a minute to see where we are. 21 MR. LUKE JOHNSTON: I -- I didn't hear 22 that, sorry. 23 MS. CHARLOTTE MEEK (by phone): Sorry. 24 I'm just saying my -- my presentation screen is -- is 25 being a bit slow. I'm not sure if everybody can see</p>

66	<p>1 the page right now.</p> <p>2 MR. LUKE JOHNSTON: I can see page 23,</p> <p>3 if that's --</p> <p>4 MS. CHARLOTTE MEEK (by phone): Okay.</p> <p>5 Good. Okay. That just might be my computer being a</p> <p>6 little bit slow. Okay.</p> <p>7 So there are two (2) reasons that MPI</p> <p>8 has provided. The first reason, I'm going to just</p> <p>9 give a summary here, is that there are only few</p> <p>10 motorcyclists on the road during the two (2) month</p> <p>11 period that has been identified from March 15th to May</p> <p>12 15th, coupled with the fact that MPI defines the</p> <p>13 riding season for motorcyclists as May 1st to</p> <p>14 September 30th.</p> <p>15 Is that fair?</p> <p>16 MR. LUKE JOHNSTON: That is fair, and</p> <p>17 -- and that is -- is not paying premiums during March</p> <p>18 and April.</p> <p>19 MS. CHARLOTTE MEEK (by phone): Okay.</p> <p>20 And the second reason is that MPI is indicating that</p> <p>21 motorcycle premiums are only earned by MPI during the</p> <p>22 riding season, which falls between May 1st and</p> <p>23 September 30th.</p> <p>24 Is that fair?</p> <p>25 MR. LUKE JOHNSTON: That's right.</p>	68	
67	<p>1 MS. CHARLOTTE MEEK (by phone): Okay.</p> <p>2 So if we just look at that first reason first, would</p> <p>3 you agree that based on weather and road conditions of</p> <p>4 this year and in 2020, motorcyclists were likely on</p> <p>5 the road for at least half of the identified period?</p> <p>6 So from about April 15th to May 15th?</p> <p>7 MR. LUKE JOHNSTON: Would some</p> <p>8 motorcycles have been on the road this -- there's --</p> <p>9 I've definitely been passing them in the last few</p> <p>10 days. So the -- yes, there would be motorcycles on</p> <p>11 the road.</p> <p>12 But again, MPI is saying we can't</p> <p>13 refund premium that wasn't paid. There's nothing paid</p> <p>14 in those months.</p> <p>15 And so there's -- there's no evidence</p> <p>16 of a financial loss in terms of a premium, even if</p> <p>17 there were relatively minor changes to claims</p> <p>18 frequency.</p> <p>19 MS. CHARLOTTE MEEK: Okay, but in</p> <p>20 terms of risk, you would acknowledge that</p> <p>21 motorcyclists were riding, potentially from as early</p> <p>22 as April 17th onwards.</p> <p>23 MR. LUKE JOHNSTON: I'm sorry, I</p> <p>24 couldn't make out that question. If you could repeat</p> <p>25 it, please?</p>	<p>1 MS. CHARLOTTE MEEK: Sure.</p> <p>2 In terms of -- of the risk factor that</p> <p>3 MPI is covering, motorcyclists were on the road from</p> <p>4 the period of April 17th onwards.</p> <p>5 MR. LUKE JOHNSTON: There's definitely</p> <p>6 been motorcycles on -- on the road at this time.</p> <p>7 There's no question about that.</p> <p>8 We do talk in the rate application,</p> <p>9 like outside of what I mentioned already on premiums,</p> <p>10 the vast majority of motorcycles are insured as</p> <p>11 pleasure use as well. So that's another reason why we</p> <p>12 couldn't anticipate significant -- or at least not the</p> <p>13 same reductions in frequency from motorcycles relative</p> <p>14 to -- to vehicles that are used to go to work every</p> <p>15 day.</p> <p>16 But that is not the basis for the</p> <p>17 exclusion per -- for one and two. It does rely on the</p> <p>18 fact that motorcycles aren't paying premium at that</p> <p>19 time.</p> <p>20 MS. CHARLOTTE MEEK: Right. But part</p> <p>21 of the reason that MPI is -- is excluding</p> <p>22 motorcyclists is because one (1) of the reasons is</p> <p>23 that there are fewer motorcyclists on the road during</p> <p>24 that time and they're suggesting that the riding</p> <p>25 season is defined as May 1st onwards.</p>	69

70	<p>1 earned by MPI. Am I correct in saying that?</p> <p>2 MR. LUKE JOHNSTON: In general earning</p> <p>3 premiums mean that you owe MPI money and you have to</p> <p>4 pay it at some point.</p> <p>5 So paid and earned are -- are very</p> <p>6 similar. The -- you would -- someone might pay their</p> <p>7 insurance policy for the entire year, last year, and</p> <p>8 then earn the premium 300 -- for 365 days.</p> <p>9 So that's the distinction. So we don't</p> <p>10 -- that's why we don't look at the day you paid. We</p> <p>11 look at whether you're actually earning and -- and if</p> <p>12 -- if the vehicle is in force and earning premiums on</p> <p>13 that day, that means you are -- you are paying money</p> <p>14 for using the vehicle on that day.</p> <p>15 MS. CHARLOTTE MEEK: Right. So an</p> <p>16 earned premium is kind of an accounting methodology</p> <p>17 that is used by insurance companies that, as you say,</p> <p>18 it's not based on when the premium is collected, it's</p> <p>19 deemed unearned at that time.</p> <p>20 But once the insurance company covers</p> <p>21 the risk period, then it would be deemed, in an</p> <p>22 accounting perspective, as an earned premium once that</p> <p>23 risk period has expired. Would that be fair to say?</p> <p>24 MR. STEVEN SCARFONE: Ms. Meek, I</p> <p>25 heard your question but Mr. Johnston is -- is</p>	72
71	<p>1 struggling to hear you.</p> <p>2 MS. CHARLOTTE MEEK: Okay.</p> <p>3 MR. STEVEN SCARFONE: I understand</p> <p>4 you're asking for the clarification between an earned</p> <p>5 premium and a paid premium, is that --</p> <p>6 MS. CHARLOTTE MEEK: Yeah.</p> <p>7 MR. LUKE JOHNSTON: So perhaps another</p> <p>8 way to look at this -- the only reason motorcycles</p> <p>9 have seasonal earnings is because of a program that we</p> <p>10 created, I believe with the help of CMMG, to have</p> <p>11 seasonal rating.</p> <p>12 MS. CHARLOTTE MEEK: Right.</p> <p>13 MR. LUKE JOHNSTON: In -- in the past</p> <p>14 if a motorcyclist wanted to ride their motorcycle in</p> <p>15 March, they would come in and they'd have to pay for</p> <p>16 March premium, the same as any other month, and have</p> <p>17 to guess when the season was going to start, for</p> <p>18 example.</p> <p>19 But they would have to pay. We do the</p> <p>20 seasonal earnings to avoid motorcyclists having to</p> <p>21 have that hassle of guessing when the season is going</p> <p>22 to start and we picked May to September to earn the</p> <p>23 premiums.</p> <p>24 So in theory you can essentially ride</p> <p>25 for free in those outside months, and without having</p>	73

74	<p>1 vehicles that are not -- that are, you know, off-</p> <p>2 season vehicles, such as motorcycles, snowmobiles, or</p> <p>3 other ORVs, things like that.</p> <p>4 MS. CHARLOTTE MEEK: Right. So it's -</p> <p>5 - it's to make up for the reduction of claims costs</p> <p>6 between March and May, and so because MPI has not</p> <p>7 earned premiums on motorcycles at that time, they're</p> <p>8 being excluded at this time?</p> <p>9 MR. LUKE JOHNSTON: Correct. We're</p> <p>10 not earning premiums and there's not a -- an</p> <p>11 expectation or evidence that motorcycles are</p> <p>12 contributing at this magnitude during that period</p> <p>13 because they're not, in general, either paying premium</p> <p>14 or exposed at this level.</p> <p>15 I -- I agree with you, motorcyclists</p> <p>16 are on the road today. But again, that is not</p> <p>17 something that they're paying for directly in this --</p> <p>18 at this time.</p> <p>19 MS. CHARLOTTE MEEK: I'm -- you'd</p> <p>20 agree with me, Mr. Johnston, that MPI has not</p> <p>21 technically earned premiums for any other vehicle</p> <p>22 class, up to and including the May 15th, 2020 date, as</p> <p>23 of yet?</p> <p>24 MR. LUKE JOHNSTON: As of yet, we have</p> <p>25 not. But obviously being a monopoly and having a --</p>	76
75	<p>1 the entire vehicle population, it's a -- it's a pretty</p> <p>2 strong assumption to -- to assume that for the most</p> <p>3 part vehicles will continue to earn.</p> <p>4 MS. CHARLOTTE MEEK: Okay. You'd</p> <p>5 agree with me, Mr. Johnston, that the riding season is</p> <p>6 not in any way representative of the coverage offered</p> <p>7 or the service provided by MPI in the sense -- if I</p> <p>8 can rephrase that.</p> <p>9 MPI still covers motorcycles for the</p> <p>10 entire year, not just the riding season?</p> <p>11 MR. LUKE JOHNSTON: I believe you said</p> <p>12 motorcycles are covered for the entire year if they</p> <p>13 keep their policy enforced, not just the riding</p> <p>14 season, if that's true --</p> <p>15 MS. CHARLOTTE MEEK: Yes.</p> <p>16 MR. LUKE JOHNSTON: -- yes, that's</p> <p>17 true.</p> <p>18 MS. CHARLOTTE MEEK: And motorcyclists</p> <p>19 are still paying premiums outside of the riding</p> <p>20 season, in the sense of premiums are still being</p> <p>21 collected by MPI, but they are not deemed earned until</p> <p>22 the riding season. Is that correct?</p> <p>23 MR. LUKE JOHNSTON: I can't recall how</p> <p>24 we do the -- the financing. But it -- it definitely</p> <p>25 would not surprise me if -- if financing plans and</p>	77

78	<p>1 pre-asks and I'd like to just have some follow-up 2 questions if -- if that's okay, if time is permitting? 3 THE PANEL CHAIRPERSON: Yes, please 4 proceed. 5 MS. CHARLOTTE MEEK: Thank you. And I 6 -- we -- we can maybe start with MPI exhibit number 6, 7 so this is CMMG Pre-Ask 1. So we can just focus on 8 the chart at the bottom of the page. 9 So the request was that MPI provide the 10 motorcycle numbers for this figure. And I'm just 11 noting that the last column of this figure hasn't been 12 provided. 13 Is there -- is there any reason as to 14 why that number was not able to be provided, or was it 15 just a -- an issue of time? 16 MR. LUKE JOHNSTON: So you -- you 17 believe there should be a column 7 there, is that what 18 you're asking? 19 MS. CHARLOTTE MEEK: Yes. If we go to 20 page 22 of page 27 of the application, on figure 13 at 21 the bottom of the page there's a seventh column there 22 that gives you the average dollar rebate for policies 23 enforced on March 15th, 2020, which seems to be 24 excluded from the figure that was provided. 25 And I'm just wondering if there's any</p>	80
79	<p>1 apologize. 2 MR. STEVEN SCARFONE: -- to Exhibit 2 3 and then -- and then the specific pre-ask number. 4 5 CONTINUED BY MS. CHARLOTTE MEEK: 6 MS. CHARLOTTE MEEK (by phone): I 7 understand. Thank you for clarifying that. 8 So just to clarify the record here, we 9 are on Exhibit Number 2, Pre-Ask 1. If we can go to 10 page 2 of that, I think that's where we were. 11 So the first point that MPI has made is 12 that the motorcycle class has no in-force policies. 13 So that's not quite accurate. There are policies that 14 are in force; they are just not earning premium as of 15 March 15th, 2020, as we've previously discussed. 16 MR. LUKE JOHNSTON: Yeah, I think to - 17 - to -- to get this accurate, you have to read their 18 -- the rest of the sentence. So "no in-force policies 19 earning premium" -- that is the -- that's the 20 statement, yeah. 21 MS. CHARLOTTE MEEK (by phone): Right. 22 MR. LUKE JOHNSTON: Yeah. 23 MS. CHARLOTTE MEEK (by phone): So if 24 we took out "earning premium," it would be accurate to 25 say that there are in-force policies.</p>	81
78	<p>1 reason as to why that was excluded. 2 MR. LUKE JOHNSTON: My apologies, I 3 don't know why that would have been excluded. 4 MS. CHARLOTTE MEEK: Okay, but we have 5 most of the other numbers. 6 MR. LUKE JOHNSTON: We'll make sure we 7 update the record if -- if necessary. 8 MS. CHARLOTTE MEEK (by phone): Thank 9 you. And -- and if I -- if we could go back to 10 Exhibit 6, please, Kristen. If we go to page 2. 11 MR. STEVEN SCARFONE: Ms. Meek, if I 12 could just interject, just so the record is clear -- 13 MS. CHARLOTTE MEEK (by phone): Sure. 14 MR. STEVEN SCARFONE: -- I know that 15 your -- the responses to your client's pre-asks are 16 marked as such on the screen, but just for ease of 17 reference, MPIC this morning marked the responses to 18 your client's pre-asks all together as Exhibit Number 19 2. 20 MS. CHARLOTTE MEEK (by phone): Oh, I 21 understand. Okay, so all of the -- the pre-ask 22 questions from CMMG are Exhibit 2? 23 MR. STEVEN SCARFONE: Yes, and then -- 24 so you can just refer -- 25 MS. CHARLOTTE MEEK (by phone): Oh, I</p>	<p>1 MR. LUKE JOHNSTON: Yes. Yeah, 2 there's -- there's -- there's in-force policies. 3 That's true. 4 MS. CHARLOTTE MEEK (by phone): Thank 5 you. And again, I think we've talked about this, and 6 I don't know if the Board requires further 7 clarification, but maybe I'll just my exhibits that 8 I've prepared anyway. 9 The second point on this page indicates 10 that motorcycle major classes do not contribute 11 significantly -- significantly to the lower claims 12 frequency between March 15th and May 15th. And if we 13 could just go to CMMG Exhibit 1, please. 14 15 (BRIEF PAUSE) 16 17 MS. CHARLOTTE MEEK (by phone): And 18 just for reference here, this is a Twitter update of, 19 like, a Winnipeg traffic Twitter account, and if you 20 scroll gradually down for me, Kristen. 21 It goes -- starts from April 29th, and 22 it goes back. It doesn't have every single day, but 23 it provides some idea of the road conditions 24 throughout the two (2) weeks prior to today, and 25 demonstrating that the roads are clear, so would be</p>

<p style="text-align: right;">82</p> <p>1 reasonable for motorcyclists to be out on the road. 2 There's no ice or snow on the road. Is that correct? 3 MR. LUKE JOHNSTON: I've seen 4 motorcyclists out, so yeah, that's a decision for them 5 to make, but if they think it's safe, sure. 6 MS. CHARLOTTE MEEK (by phone): Sure. 7 MR. LUKE JOHNSTON: Yeah. 8 MS. CHARLOTTE MEEK (by phone): Thank 9 you, Kristen. And if we could go to CMMG Exhibit 2. 10 And this is just to give us an idea of 11 what the temperature ranges are from about the 17th 12 onwards, so that's exactly where we need to be. 13 And there are only three (3) days that 14 are below 11 degrees Celsius, which would indicate 15 that it was warm enough weather for some motorcyclists 16 to be on the road. Would you agree? 17 MR. LUKE JOHNSTON: Again, that's -- 18 that's -- that's a choice, but plus 14 -- I don't see 19 why motorcyclists couldn't ride in plus 14, sure. 20 MS. CHARLOTTE MEEK (by phone): Thank 21 you. 22 MR. LUKE JOHNSTON: Yeah. 23 MS. CHARLOTTE MEEK (by phone): 24 Kristen, if we could just go back to Exhibit 2, then, 25 please.</p>	<p style="text-align: right;">84</p> <p>1 (BRIEF PAUSE) 2 3 MS. CHARLOTTE MEEK (by phone): So if 4 I could just go back again -- sorry, Kristen -- to 5 Exhibit 2. We're just at the second page. Perfect. 6 Thank you. 7 So the third point here is that MPI is 8 saying that they cannot confirm that the same volume 9 of policies in the motorcycle class will be in force 10 between May 1st and May 15th, given the current 11 environment. And so that's implying that it's 12 possible that people might cancel their policies. 13 Is that correct? 14 MR. LUKE JOHNSTON: That's true. 15 Motor -- motorcyclists, as I'm sure you're aware, have 16 -- have different needs and affordability of -- of -- 17 of insurance and such, so most of these vehicles are 18 registered as pleasure. If there was financial 19 hardship, it would not shock me if someone chose to 20 not insure their motorcycle for a certain amount of 21 time just to save on premiums. 22 MS. CHARLOTTE MEEK (by phone): Right, 23 but you would agree with me that this similarly -- is 24 similar to the vehicle class. You cannot confirm that 25 the same volume of policies will be in force in the</p>
<p style="text-align: right;">83</p> <p>1 MR. STEVEN SCARFONE: So Ms. Meek, 2 just to -- sorry, it's Steve Scarfone again. Sorry to 3 interject. 4 MS. CHARLOTTE MEEK (by phone): Okay. 5 MR. STEVEN SCARFONE: Earlier, you 6 asked Mr. Johnston a question that was premised on a 7 date that I believe you said was April 17. 8 MS. CHARLOTTE MEEK (by phone): Yeah. 9 MR. STEVEN SCARFONE: So is that -- 10 are these exhibits that you're making reference to -- 11 are those from the basis of that date that you've put 12 to Mr. Johnston? 13 MS. CHARLOTTE MEEK (by phone): Yes. 14 So from the 17th of April to the end of the month, 15 there are only three (3) days where the temperature 16 high was not above 11 degrees. 17 And then the other photograph provides 18 evidence from the 17th of April onwards demonstrating, 19 obviously, not every day, but for a majority of the 20 days, clear road conditions that don't have any snow 21 or ice on the road, which I would submit make it 22 reasonable that motorcyclists could be riding. And I 23 believe Mr. Johnston agreed with me somewhat on those 24 facts. 25</p>	<p style="text-align: right;">85</p> <p>1 future. 2 MR. LUKE JOHNSTON: Yeah, for any veh 3 -- I think I heard the question. For any vehicle, I 4 can't absolutely confirm that -- that the policy will 5 be in force on -- on May 15th. That's true, if that 6 was the question. 7 MS. CHARLOTTE MEEK (by phone): Okay. 8 Okay. I'm just reviewing some of these other pre- 9 asks. I think I've covered a number of these points. 10 If we could go to Exhibit 2, Pre-Ask 11 Number 3, please, Kristen. 12 13 (BRIEF PAUSE) 14 15 MS. CHARLOTTE MEEK (by phone): Maybe 16 you could just tell me when you're there. My 17 computer's being a little bit slow. Is it up on the 18 screen now? 19 MR. LUKE JOHNSTON: Sorry, I -- I can 20 see the question, yes. 21 MS. CHARLOTTE MEEK (by phone): Okay, 22 great. So the -- this question was asked in relation 23 to the implementation strategy that MPI had outlined 24 in their application and the cost of implementation of 25 this -- this proposed rebate. And in the second</p>

86	<p>1 sentence of this response, MPI has indicated that: 2 "MPI would expect to incur 3 additional costs to print and mail 4 cheques to its customers in the 5 motorcycle class." 6 Wouldn't it be fair to say, Mr. 7 Johnston, that MPI is already printing cheques and 8 mailing cheques to those motorcyclists with Basic 9 policies under the Extension rebate? 10 MR. LUKE JOHNSTON: Yeah, like, this 11 is a very literal description. Obviously, if we pay 12 any amount of additional cheques, there's a 13 incremental cost. The -- I don't want to make anybody 14 think that this is a massive cost. Obviously, as per 15 your point, it's the -- it's the same queries. 16 There -- there would be, relative to 17 the -- the queries we have today, this would set us 18 back a little bit to change it. Obviously, we're 19 pursuing on the basis of approval. 20 So if -- if anything was changed to 21 include or modify the query in any way, I believe the 22 current estimate is about a week if -- if we're using 23 the same queries and then possibly as much as two (2) 24 weeks if it was a totally different idea, just to -- 25 just in approximate terms.</p>	88
87	<p>1 MS. CHARLOTTE MEEK (by phone): Okay. 2 And you'd agree with me, Mr. Johnston, that the 3 motorcycle class, similarly to any other vehicle 4 class, would have suffered the economic impacts of the 5 COVID-19 pandemic? 6 MR. LUKE JOHNSTON: Again, we're not 7 trying to pay a rebate here as an attempt to quantify 8 any kind of personal suffering. What MPI does is it 9 collects premiums and pays claims. We have evidence 10 that these -- the premiums we've collected are quite a 11 bit more than necessary for the claims that were 12 reported in this period. 13 We've done a calculation of those 14 savings and tried to rebate that -- those funds to the 15 customers that we think most equitably deserve those 16 amounts because they've overpaid on premiums at that 17 time. 18 MS. CHARLOTTE MEEK (by phone): Okay. 19 Thank you very much, Mr. Johnston. Those are my 20 questions. 21 MR. LUKE JOHNSTON: Thank you. 22 THE BOARD CHAIR: Sorry, Mr. Johnston, 23 just as a follow-up. My understanding is that MPI's 24 proposing to send out one (1) cheque representing the 25 Basic rebate and the Extension rebate for -- for</p>	89

90	<p>1 THE PANEL CHAIRPERSON: Okay, we will</p> <p>2 proceed. Ms. McCandless...?</p> <p>3</p> <p>4 CROSS-EXAMINATION BY BOARD COUNSEL:</p> <p>5 MS. KATHLEEN MCCANDLESS: Thank you,</p> <p>6 Madam Chair. And this morning, MPI filed a number of</p> <p>7 responses to pre-asks that were sent on behalf of the</p> <p>8 Board yesterday, so thank you for that.</p> <p>9 The majority of our questions that have</p> <p>10 been answered and already put on the record, so I -- I</p> <p>11 just have some follow-up in terms of what ground was</p> <p>12 covered by Mr. Williams and Ms. Meek this morning.</p> <p>13 Before I do that, though, just a couple</p> <p>14 matters of housekeeping. So first, I'll address these</p> <p>15 questions to you, Mr. Johnston.</p> <p>16 Would you accept that the Corporation</p> <p>17 bears the onus of proof to substantiate the rebate</p> <p>18 application?</p> <p>19 MR. LUKE JOHNSTON: We do.</p> <p>20 MS. KATHLEEN MCCANDLESS: Thank you.</p> <p>21 And the Corporation bears the onus of establishing</p> <p>22 that the proposed rebate is just and reasonable?</p> <p>23 MR. LUKE JOHNSTON: Yes.</p> <p>24 MS. KATHLEEN MCCANDLESS: Thank you.</p> <p>25</p>	92	
91	<p>1 (BRIEF PAUSE)</p> <p>2</p> <p>3 MS. KATHLEEN MCCANDLESS: Now MPI</p> <p>4 Exhibit number 4 is the response to PUB-MPI pre-ask</p> <p>5 number 3. And we'll just have it up on the screen for</p> <p>6 your reference. Ms. Meek did have a number of</p> <p>7 questions for you, Mr. Johnston, with respect to the</p> <p>8 motorcycle treatment in the rebate application.</p> <p>9 So if we could go to that Exhibit</p> <p>10 number 4, please, Kristen.</p> <p>11</p> <p>12 (BRIEF PAUSE)</p> <p>13</p> <p>14 MS. KATHLEEN MCCANDLESS: So the</p> <p>15 questions here that were asked of MPI were:</p> <p>16 "a) What portion of the motorcycle</p> <p>17 riding season falls within the March</p> <p>18 15th to May 15th period, and b)</p> <p>19 Please indicate how MPI could</p> <p>20 recognize this within the RSR rebate</p> <p>21 proposal."</p> <p>22 And then we see that the response at a)</p> <p>23 below, there are one hundred and fifty-three (153)</p> <p>24 days in the riding season between May 1, 2020, and</p> <p>25 September 30, 2020. The fifteen (15) days between May</p>	<p>1 1, 2020, and May 15, 2020, represents approximately 10</p> <p>2 percent of the riding season, yes?</p> <p>3 MR. LUKE JOHNSTON: That's right.</p> <p>4 MS. KATHLEEN MCCANDLESS: And then MPI</p> <p>5 at b) says it's unable to recognize this within the</p> <p>6 rebate application, because it cannot predict how --</p> <p>7 how many -- I think that should read "many" --</p> <p>8 motorcycle policies will be in force and earning</p> <p>9 premium on May 1, 2020, and to whom those policies</p> <p>10 will be issued, yes?</p> <p>11 MR. LUKE JOHNSTON: That's right, and</p> <p>12 we -- we admitted that that's true for any vehicle.</p> <p>13 Motorcycles, again, I want to emphasize about 90</p> <p>14 percent of these are pleasure use, and much of what</p> <p>15 we're talking about now is the inability to go to</p> <p>16 work, school, daycare, et cetera.</p> <p>17 This is a -- a different population</p> <p>18 where almost all the vehicles are pleasure, so it</p> <p>19 isn't obvious how someone might behave given the</p> <p>20 vehicle -- a pleasure use is generally like an</p> <p>21 optional use. You don't need it to go to work, so</p> <p>22 they -- it's quite possible they can cancel premium.</p> <p>23 MS. KATHLEEN MCCANDLESS: In terms of</p> <p>24 the earning period in this application, what</p> <p>25 proportion of the earning period applies for all</p>	93

<p style="text-align: right;">94</p> <p>1 And the proportion that would apply to motorcycles 2 would be 10 percent as compared to the 16.7 percent? 3 MR. LUKE JOHNSTON: The math in -- in 4 part A is the -- that -- that stretch of time reflects 5 that -- that exposure period. 6 Again, just -- not to overemphasize 7 this, but we are looking at observed claims reductions 8 or observed reduced exposure for impacted vehicles 9 over stretch of time. At -- at this point in time, I 10 have no evidence to support that motorcycles will see 11 a 60 percent frequency reduction. 12 So when we say "earned," we -- we -- we 13 mean exposure. It's not clear, and I have no way of 14 providing evidence to support that motorcycles would 15 see 10 percent of their riding season have a 60 16 percent reduction in frequency. 17 MS. KATHLEEN MCCANDLESS: Okay. And 18 so that 60 percent, I think you're -- just for the 19 purposes of clarification, that's the ratio of 10 20 percent to 16.7 percent, correct? So the earning 21 period for motorcycles versus all other vehicles? 22 MR. LUKE JOHNSTON: Purely on 23 earnings? Yes. Yeah. 24 MS. KATHLEEN MCCANDLESS: And so maybe 25 just to clarify again, so then my understanding is</p>	<p style="text-align: right;">96</p> <p>1 calculation, et cetera. 2 But yeah, we've no issue giving updates 3 on how the pandemic has impacted different vehicle 4 types as part of the GRA, IRs, for example. Again, we 5 only have basically one (1) month of actuals. 6 MS. KATHLEEN MCCANDLESS: Thank you. 7 And I -- I will have some more questions for you in a 8 moment. I just wanted to ask Mr. Giesbrecht one (1) 9 question in follow-up to the questions from Mr. 10 Williams about the Extension results. 11 I -- I gather that there may be an 12 adjustment to 2019/'20 results after the books are 13 closed until the financial statements. 14 Would that be accurate? 15 MR. MARK GIESBRECHT: That's true. 16 MS. KATHLEEN MCCANDLESS: So there may 17 be an adjustment in 2019'20 to transfer Extension 18 access that is not reflected yet in this application. 19 Would that be fair? 20 MR. MARK GIESBRECHT: There may be 21 additional excess capital that we flow back in 22 2020/'21, but not in the year 2019/2020. 23 MS. KATHLEEN MCCANDLESS: And now this 24 question is either for Mr. Johnston or Mr. Giesbrecht. 25 What -- what would MPI say is the key</p>
<p style="text-align: right;">95</p> <p>1 that motorcycles, bearing in mind that ratio, has 60 2 percent of the exposure that all other vehicles do? 3 MR. LUKE JOHNSTON: In normal times. 4 So if -- in -- in the case of the rebate, we're 5 saying, it's not normal times. If normal exposure is 6 a hundred, we're seeing forty (40) in terms of costs. 7 That's why we're doing the rebate. 8 So just counting days, your math is -- 9 is correct. Counting actual exposure to normal claims 10 costs on a break-even basis, not -- not -- it's not 11 equal. Yeah. 12 MS. KATHLEEN MCCANDLESS: MPI is 13 planning to give rebates to pleasure use private 14 passenger vehicles? 15 MR. LUKE JOHNSTON: That's true. 16 MS. KATHLEEN MCCANDLESS: And if MPI 17 does eventually see a -- a reduction in motorcycle 18 claims, is MPI looking at doing anything in the future 19 with respect to that? 20 MR. LUKE JOHNSTON: That's a good 21 question. So as we spoke this morning with Mr. 22 Williams, we'll definitely be continuing to track 23 this. The motorcyclists will -- if there is, say, for 24 example, slightly better experience, that would 25 obviously feed into their normal ratemaking</p>	<p style="text-align: right;">97</p> <p>1 or central evidence that the Board should be looking 2 to to ensure that granting the rebate sought would not 3 result in future rate increases to policyholders? 4 MR. LUKE JOHNSTON: So a -- a very 5 good question. So we've collected a -- a month of -- 6 of data. The results are compelling. As you -- you 7 know, if you been here for years, collision frequency, 8 particularly outside of winter, is extremely stable. 9 To see weekly results come in at 40, 50, 60 percent 10 under budget is -- is obviously unheard of. 11 We have that money in hand, 12 essentially. The claims didn't -- didn't come in. We 13 have evidence, at least initially, that there wasn't 14 drastic changes in -- and, you know, everyone 15 cancelling their insurance. 16 We don't believe it's a -- a stretch to 17 suggest that we'll see reduced frequency for at least 18 a month. Recognize that we didn't go, you know, push 19 it out four (4) or five (5) months. We didn't think 20 that was appropriate. We obviously don't know when 21 this is going to -- going to end. But we thought an 22 extra month was definitely a reasonable assumption. 23 And then as you've seen now that you 24 have some of the actual results from '19/'20, MPI is 25 in a very strong financial position. If we were an</p>

98	<p>1 insurer that, for example, had a lot invested in the 2 stock market, and we really took a major hit, and the 3 MCT was in trouble, and -- and all -- and all of that, 4 this question would be -- the -- the whole rebate idea 5 would be a bit more difficult. 6 How -- how do we rebate when we're in - 7 - in dire straits, right? We're not in dire straits 8 at all. We're -- we have more -- excess funds in 9 Basic and Extension. So even if our projections are a 10 little bit off on premium or claims, it's not going to 11 put us in a -- in a detrimental position. 12 THE BOARD CHAIRPERSON: Sorry, can I 13 just ask a quest -- point of clarification. 14 Mr. Johnson, when you said you pushed 15 it out a month, is this the April 15 to May 15 period 16 you're talking about, or are you talking about a -- a 17 month from May 15th? 18 MR. LUKE JOHNSTON: So we have 19 evidence for that first month of March to April 15th-- 20 THE BOARD CHAIRPERSON: Yeah. 21 MR. LUKE JOHNSTON: -- and then we 22 thought it was reasonable to do one (1) more. 23 THE BOARD CHAIRPERSON: Second month - 24 - this -- 25 MR. LUKE JOHNSTON: Yeah.</p>	100
99	<p>1 THE BOARD CHAIRPERSON: -- it's the 2 assumed month? 3 MR. LUKE JOHNSTON: Yeah. 4 THE BOARD CHAIRPERSON: Okay. Thank 5 you. 6 MR. LUKE JOHNSTON: And to be clear, 7 we -- we know it's just not going to stay at the exact 8 same reduction for the next month. The reality is if 9 -- if -- say it's, you know, 50 percent reduction now, 10 it's going to start recovering a little bit, and 11 probably extend a little beyond May 15th. Like, 12 that's realistic. 13 But in -- in general, what we think -- 14 we're comfortable with the two (2) months, and of 15 course, we'll report to the Board what's -- what's 16 actually happened as it does. Yeah. 17 MR. MARK GIESBRECHT: And I'll just 18 add to that -- that response. One (1) way of looking 19 at our ability to pay the rebate is again looking at 20 the tracking of our capital position and our MCT. 21 And if I just look back at the last 22 number of quarters and go back a couple years, at 23 February 2018, our Basic MCT was 44 percent. That 24 tracked -- at -- at February 2019, to 52 percent for a 25 slight improvement, then into this current fiscal</p>	101

<p style="text-align: right;">102</p> <p>1 we -- if we were to try to parse in the hundreds of 2 different rating classification, that'd be a -- a very 3 messy exercise. 4 So our approach was, especially for 5 rebates, to use the broadest interpretation as 6 possible, and that -- given that as -- as an entire 7 fleet, our results were about 60 percent under budget 8 on frequency, that group we thought would be 9 appropriate to rebate to. And the only groups that we 10 excluded were ones that we -- we thought it was pretty 11 obvious that they were not part of that experience in 12 any way. 13 And again, it's nothing -- I don't have 14 any bad feelings for the motorcyclists or anything. 15 It's just they clearly weren't driving in March, and 16 they didn't contribute to that or pay any premiums, so 17 anyone that meets those kind of criteria, like 18 snowmobiles or other ORVs, aren't in the rebate as 19 proposed. 20 MS. KATHLEEN MCCANDLESS: So I think, 21 then, there's a recognition that not all territories 22 and classes may experience a similar reduction. There 23 -- there could be some variation, yes? 24 MR. LUKE JOHNSTON: Definitely. Like, 25 there's -- there's no way that this is perfectly the</p>	<p style="text-align: right;">104</p> <p>1 So just -- Mr. Giesbrecht can chime in 2 if my numbers are off, but at a high level, 100 3 million would probably generate about a 50 million 4 offsetting impact on -- on fixed income related to the 5 assets backing the pension. So it's not one to one, 6 but a partial offset. 7 MR. MARK GIESBRECHT: Yes, I believe 8 about 40 percent would be roughly the hedge ratio. 9 MR. LUKE JOHNSTON: Thanks. 10 MS. KATHLEEN MCCANDLESS: Thank you. 11 Now, Mr. Johnston or Mr. Giesbrecht, either of you or 12 both of you may respond to this one. If this trend of 13 reduced claims continues, does MPI anticipate making 14 further adjustments later this year? 15 MR. LUKE JOHNSTON: So as mentioned, 16 we're -- we're finishing year end. We'll continue to 17 produce a monthly forecast for our executive and -- 18 and -- and board and -- including up into and 19 including the -- what's probably the last possible 20 update would be about the September or so update for 21 the Public Utilities Board. So yeah, we'll continue 22 to stay on top of those. 23 The difficulty, depending on how long 24 this pandemic continues, will be, of course, how long 25 the claims savings continue or whatever other impacts</p>
<p style="text-align: right;">103</p> <p>1 same for every vehicle or territory. But on the 2 whole, of active vehicles, we know that it is 60 3 percent. 4 MS. KATHLEEN MCCANDLESS: And then 5 with respect to the Basic MCT, what would happen to 6 the MCT if the discount rate applicable to the pension 7 valuation dropped back down by 1 percent to the level 8 that it was previously at? 9 MR. MARK GIESBRECHT: I can give a 10 ballpark estimate. One (1) percent, subject to check, 11 I would say somewhere to the tune of \$100 million. It 12 -- so it is quite dramatic, and we have seen movement 13 in -- in interest rates since the end of March, and -- 14 and that'll continue to -- to move. 15 It is a -- it's a long-term, you know, 16 valuation, and it is -- it's a unrealized paper 17 movement; however, it will impact the calculation of 18 the MCT if it goes up or down. 19 MR. LUKE JOHNSTON: If I -- if I can 20 just add to that, we have to be cautious not to look 21 at the pension valuation liability side in isolation, 22 so there are supporting assets. If you think about 23 our Basic claims portfolio, we've completely hedged 24 that portfolio for interest rates. Pension is not 25 completely hedged; it's about half fixed income.</p>	<p style="text-align: right;">105</p> <p>1 are -- are happening. To date, we've assumed that 2 next year is kind of back to normal, so hopefully 3 that's true. 4 But when we're doing rate making and 5 other calculations in the -- in the future, we're 6 probably going to have to look back at this period and 7 say, That's probably an outlier. Might need to 8 exclude that. 9 MS. KATHLEEN MCCANDLESS: Thank you. 10 And in terms of that monthly reporting to the board, 11 is that something that could be provided to the Board 12 -- the Public Utilities Board as well on an ongoing 13 basis? 14 MR. LUKE JOHNSTON: Yeah. Our 15 expectation was, at least through the IR process, it 16 would be reasonable -- you know, What's your latest 17 update on the rate indication? Especially given the 18 pandemic, we figured that would be a popular request, 19 so we've no issue providing those updates. It -- it's 20 about a month lag from the end of the month, just 21 recognizing all the -- every forecast has to be re -- 22 redone. 23 MS. KATHLEEN MCCANDLESS: Thank you. 24 And if there is a trend of reduced claims, and MPI 25 were to make some sort of an adjustment, another one,</p>

106	<p>1 does MPI have in mind what mechanism it might use to 2 do so? 3 4 (BRIEF PAUSE) 5 6 MR. MARK GIESBRECHT: We'll have to 7 monitor how things evolve and -- and assess what is 8 the best cor -- course of action at that -- at that 9 point in time. We're hopeful that the pandemic is 10 starting to move in the right direction and things are 11 moving towards a new normal and a -- and a rebate like 12 this wouldn't be necessary. 13 But if things continue and there are 14 dramatic reductions in claims that continue for a 15 lengthy period of time, then it would -- we'd have to 16 consider an option like this again, potentially. 17 MR. LUKE JOHNSTON: The -- the 18 magnitude of the impact, obviously, is pretty 19 critical. You know, issuing a rebate for \$10 million 20 would -- wouldn't make a lot of sense. So we just 21 happen to be in a position right now where 100 million 22 or so is a sizeable amount that it makes sense to 23 issue seven hundred thousand (700,000) cheques. 24 But if we were to come here and say, 25 Okay, we'll only -- you know, we think maybe we're</p>	108	
107	<p>1 going to make an extra \$10 to \$15 million, that -- 2 it'd be tough to justify warranting a -- a rebate 3 cheque for such an amount. So it'd have to be pretty 4 substantial. That would -- that would be -- 5 MS. KATHLEEN MCCANDLESS: Thank you, 6 and I apologize for jumping around. Just one (1) last 7 question. The valuation date for the pension, was 8 that March 31? 9 MR. MARK GIESBRECHT: Yes. 10 MS. KATHLEEN MCCANDLESS: Thank you. 11 Those are all my questions. 12 THE PANEL CHAIRPERSON: Thank you, Ms. 13 McCandless. 14 Mr. Gabor...? 15 THE BOARD CHAIRPERSON: I don't know 16 who I'm directing this to, but it'll either be Mr. 17 Johnston or Mr. Giesbrecht. Do you gentlemen know the 18 term "snowbirds"? 19 MR. LUKE JOHNSTON: I do. Like, so, 20 like, someone going down south for the winter? 21 THE BOARD CHAIRPERSON: Yeah, so I'll 22 -- I'll -- I'll define it as people who are not in 23 Manitoba during the period January 1st to March 31st 24 and are -- are down either in the United States or 25 some other place to avoid winter.</p>	<p>1 People buy insurance for the full year 2 but are away for the first three (3) months of the 3 year, so they're not driving their vehicle here. Are 4 they eligible for the rebate? 5 MR. LUKE JOHNSTON: So right now, if 6 in your example, they put their policy in for, say, 7 March 20th, and so they weren't here -- 8 THE BOARD CHAIRPERSON: No, what I'm 9 saying is they're paying -- they're -- they're -- they 10 pay their premiums every year for the full year. It's 11 just that they're not driving their vehicle. 12 MR. LUKE JOHNSTON: I see. So yeah, 13 that kind of goes back to our inability to, you know, 14 fine tune every -- every rebate amount. If they were 15 paying and they participated in the 60 percent claims 16 reduction, we're saying, Yeah, you should get the 17 rebate. 18 THE BOARD CHAIR: Okay. If -- if you 19 could clarify something in relation to your 20 application, on page 19, there's a forecast 68.6 21 million capital transfer anticipated from Extension to 22 Basic. That didn't happen, correct? 23 MR. MARK GIESBRECHT: So as of 24 2019/'20, there has been no transfer at year end at 25 this point in time. That's correct.</p>	109

110	<p>1 going to do a re-direct on this question, so maybe 2 I'll answer it any -- now. So Mr. Williams was kind 3 of implying that we had a whole bunch of Extension 4 money sitting there, in the tens of millions of 5 dollars. If you go -- not -- not to necessarily over- 6 complicate this, but EPF-3, which is page 15 of our 7 application -- sorry, of the exhibits, pardon me. 8 THE BOARD CHAIR: Okay. Sorry, 'E' -- 9 EPF-3... 10 MR. LUKE JOHNSTON: So if you look in 11 the '19/'20 column, you'll see at the bottom of that 12 '19/'20 column, it says a 371 percent MCT ratio. If 13 we had followed the Capital Management Plan rules, 14 that would be 200 percent. So just really quick math, 15 if you look a line -- about one (1) line up, it says: 16 "Minimum capital required, 100 17 percent MCT." 18 Our minimum capital for Extension is 19 200 percent MCT, so that would mean we need about 75 20 million to maintain our 200 percent MCT ratio. If you 21 look above that, it says: 22 "Capital available, 139.7 million." 23 The difference between 139 and about 75 24 million is I think about 64 million, subject to check. 25 We're rebating 52 million of that, and then about an</p>	112
111	<p>1 extra 12 million will flow into the next year and re - 2 - be rebated as a part of the following year's full 3 transfer to Basic. Is that -- does that make sense? 4 THE BOARD CHAIRPERSON: Right. So I - 5 - I guess my point is that the difference is flowing 6 into the next year. 7 MR. LUKE JOHNSTON: Absolutely, yeah. 8 And no impact at all on the GRA because the -- all 9 monies would be transferred before the start of the 10 '20/'21 rating year. 11 THE BOARD CHAIRPERSON: Right. As I 12 take it, it may simply be a timing issue? 13 MR. LUKE JOHNSTON: Correct, yeah. 14 15 (BRIEF PAUSE) 16 17 THE BOARD CHAIRPERSON: Sorry, those 18 are my questions. 19 THE PANEL CHAIRPERSON: Ms. 20 Hainsworth, do you have any questions? 21 MS. CAROL HAINSWORTH (by phone): No, 22 I have no questions. Thank you. 23 THE PANEL CHAIRPERSON: Thank you. 24 Mr. Vanderwater...? 25 MR. ROBERT VANDERWATER (by phone):</p>	113
110	<p>1 No, I'm fine. Thanks very much. 2 THE PANEL CHAIRPERSON: Thank you. I 3 have one (1) point, just as a matter of clarification 4 so that I can confirm my understanding of this. 5 Page 16, to which you referred, Mr. 6 Scarfone, talked about the proposed rebate being 7 tantamount to a capital release under the CMP. That 8 capital release would be applicable to all vehicle 9 classes. Is that correct? 10 MR. LUKE JOHNSTON: Capital releases 11 would be applied equally on the assumption that, 12 again, we charge everyone breakeven rates. If we have 13 a good year, we assume that everybody contributed, so 14 that's why we do it that way, yeah. 15 THE PANEL CHAIRPERSON: Thank you. 16 Anything further? Mr. Scarfone...? 17 18 RE-DIRECT EXAMINATION BY MR. STEVEN SCARFONE: 19 MR. STEVEN SCARFONE: Thank you, Madam 20 Chair, just a few questions on redirect to both Mr. 21 Johnston and Mr. Giesbrecht. 22 Perhaps the -- the best place to start 23 is just to follow up on a question that was just put 24 to you, Mr. Johnston, from Mr. Gabor, on the excess 25 capital in the Extension reserve.</p>	113

<p style="text-align: right;">114</p> <p>1 Giesbrecht jump in if he wishes. 2 PF3, just in -- in simple terms on the 3 lines 18 and 19, you can see the -- you know, without 4 applying for any rate changes MCT is projected to rise 5 up to 172 percent. Obviously that'll never happen 6 because we'll make applications to bring it back to 7 100. 8 But one (1) thing when we had kind of 9 the initial call, MPI noted that the Board for the 10 first time would see just how good of a year MPI had 11 in 19/20, just as an example. I believe reported 12 claims were about \$114 million under budget in the 13 year, which is a remarkable result. 14 So we were going to be coming to this 15 CRA with a very -- very good results anyways. And the 16 pandemic situation, unfortunately for customers, but 17 not so much for us, has actually resulted in even 18 better results, so we really felt the need to -- to 19 act, given the amount of monies we had -- or we're 20 making from this situation. 21 MR. STEVEN SCARFONE: And Mr. 22 Giesbrecht, did you have anything to add to my 23 question to Mr. Johnston? 24 MR. MARK GIESBRECHT: No, I think the 25 numbers are quite clear that, you know, based on the</p>	<p style="text-align: right;">116</p> <p>1 those numbers. This is -- if we did not rebate, you 2 could add that money to this forecast, to this already 3 very good forecast, so we're very strong position. 4 MR. STEVEN SCARFONE: A question for 5 Mr. Johnston following up on some questioning by Mr. 6 Williams at the CAC. 7 You recall, Mr. Johnston, that Mr. 8 Williams suggested to you that the proposed rebate 9 could be perceived as a good news story for MPIC? 10 MR. LUKE JOHNSTON: It -- it could. I 11 do think there's a -- a -- when MPI reports, you know, 12 we're 60 percent under budget on claims frequency, I 13 think there's -- I think expectation that MPI does -- 14 does something about that. 15 So good news story or the right thing 16 to do, however you want to interpret it, agreed. 17 MR. STEVEN SCARFONE: And -- and that, 18 of course, would be the result of the return of some 19 premiums paid by customers during the rebate period. 20 Is that right? 21 MR. LUKE JOHNSTON: That's right. 22 MR. STEVEN SCARFONE: And so following 23 up on that, sir, the impact of the rebate or perhaps 24 better phrased, the pros and cons of the rebate, the 25 \$58 million rebate, if approved, won't obviously be</p>
<p style="text-align: right;">115</p> <p>1 current run rates at the capital position as it stands 2 today, it's forecasted to -- to grow, had we not make 3 any changes in the future. 4 And so, that suggests that future rate 5 decreases might be available if the same trending 6 continues. 7 So again, all else equal, we had -- we 8 likely been coming, as Mr. Johnston alluded to, in 9 future GRAs for potential rate decreases. And so by 10 rebating \$58 million, which is predicated fully on 11 additional claim savings over and above what we've 12 already experienced, there will be no hindrance or 13 necessary rate increases going forward. 14 MR. STEVEN SCARFONE: Okay, and I just 15 wanted to confirm with you gentlemen, because you can 16 read these pro formas better than I can, but my 17 reading of them is that after the rebate of \$110 18 million, if you combine what's in PF3 and EPF3, there 19 would be an excess of \$600 million of total equity 20 available to the Corporation? 21 MR. MARK GIESBRECHT: Yes, it would be 22 in excess of 600 million, yes. 23 MR. LUKE JOHNSTON: And again, just to 24 be clear, this isn't the -- these forecasts include 25 all the rebates so that the -- they're not excluding</p>	<p style="text-align: right;">117</p> <p>1 available to reduce the rates in future GRAs, correct? 2 MR. LUKE JOHNSTON: If we said you 3 know what, we don't really know what will happen 4 because of this pandemic situation and let's just wait 5 and see and allowed our -- our RSR to grow, it would - 6 - it would have come forward and propose that it's 7 been distributed through the -- the Capital Management 8 Plan. 9 We just felt that that length of time 10 was just unreasonable under the circumstances. 11 MR. STEVEN SCARFONE: Right. So if -- 12 if the Board was to approve the Basic rebate of \$58 13 million, that money won't be applied to the 20/21 GRA 14 in the form of a rate decrease? 15 MR. LUKE JOHNSTON: That's right, and 16 -- and as you've heard a little bit today from -- from 17 motorcycles, for example, not -- not everybody likes 18 that application, like the way that's being applied. 19 So if there was a capital release 20 provision, it -- it -- yes, it would have gone to 21 everyone, motorcycles, ORVs, based on what was paid in 22 the previous year. That's a long lag. 23 On the opposite end of that spectrum, 24 if MPI had paid or distributed these funds through 25 lower premiums, that would have meant lower broker</p>

118	120
<p>1 commissions, for example, lower premium taxes, things 2 like that that are tied directly to premium. 3 So by not paying this out through a 4 premium reduction, brokers for example, save from 5 having to have lower commission in the following year. 6 MR. STEVEN SCARFONE: So, do I take 7 that to mean that a rate reduction would, like we saw 8 last year, would normally result in a reduction to 9 some of MPI's expenses? 10 MR. LUKE JOHNSTON: That's -- that's 11 right, to the extent that MPI pays any expenses that 12 are related to premium paid, premium tax and 13 commission would be the most obvious ones. There may 14 be some other on the financing side, but the two (2) 15 big ones would be brokers are about 3.2 percent, and 16 premium taxes are about 3 percent. 17 So by -- if we had done re -- capital 18 release provisions, we would not have had to pay those 19 -- those amounts. 20 21 (BRIEF PAUSE) 22 23 MR. STEVEN SCARFONE: If I could have 24 Exhibit 2, CMMG Pre-Ask number 3 back up on the 25 screen, please. Thank you, Kristen.</p>	<p>1 applicable. 2 So yes, for every dollar that you pay 3 to a different excluded vehicle type, it's a dollar 4 less going to other customers. 5 MR. STEVEN SCARFONE: And to date, 6 sir, just to confirm, the motorcycle class hasn't 7 contributed any premiums to MPIC during the proposed 8 rebate period? 9 MR. LUKE JOHNSTON: To date no 10 premiums have been contributed. I get that there's a 11 -- an argument being made that at least part of the 12 season is in that 60 day period. But what we can say 13 is we have no evidence that motorcycles are 14 contributing to the massive rate -- or sorry, claims 15 frequency reduction today, and that's I guess the 16 secondary reason for excluding them, premium, not 17 paying premium for the majority of the period and no 18 evidence of participation in the -- the claim savings 19 would be the second one. 20 MR. STEVEN SCARFONE: Mr. Giesbrecht, 21 on page 6 of the application, page 6 of Exhibit 1, at 22 figure 2, Mr. Williams asked Mr. Johnston, I believe, 23 about the cancellation policies and customers that may 24 have put their vehicle on lay up insurance. 25 I understand, sir, that through Mr.</p>
119	121
<p>1 So council for the CMMG, Mr. Johnston, 2 brought your attention to this particular response. 3 I want to draw your attention to the 4 last paragraph of that response, which reads: 5 "Should the rebate calculation 6 methodology be material of change. 7 The additional time required to pull 8 data and revise the rebate 9 calculation for 700,000 customers 10 would likely mean delay in the 11 issuance of the cheques." 12 Firstly, is that the approximate number 13 of customers that MPIC has identified for a rebate? 14 MR. LUKE JOHNSTON: On an approximate 15 basis, yes. 16 MR. STEVEN SCARFONE: And so do I take 17 that to mean, sir, that if for example the motorcycle 18 class was included in the proposed rebate, that those 19 700,000 customers would have their rebate reduced? 20 MR. LUKE JOHNSTON: That's -- that's 21 right. And again, that's -- we're trying to 22 distribute the rebate as -- as fairly as possible. 23 The 58 million doesn't change in 24 totality whether you decide to include motorcycles or 25 other vehicles that are -- we're suggesting are not</p>	<p>1 Johnston's response that some of those numbers weren't 2 yet finalized. 3 Do you have anything that you want to 4 add to what appears in Figure number 2? 5 MR. MARK GIESBRECHT: Yes. So we have 6 discovered that there were some errors in the initial 7 table that were provided. There -- there is no 8 meaningful change in any of the assumptions going 9 forward. 10 However, we should correct the record, 11 and so I do have the numbers that I can -- I can speak 12 into the record. With respect to cancellations in 13 2019, and I'll speak to week 12 and onward, in week 12 14 there were 3,297 cancellations, followed by 3,460, 15 3,454, 3,394, and 3,198. 16 And then cancellations for the year 17 2020, for those same weeks, were 3,252, 3,443, 3,704, 18 2,513, and 3,123. 19 And then moving to layups. For 2019, 20 beginning in week 12 we had 2,103, 2,746, 3,514, 21 3,671, 4,521. 22 And for week 12 of 2020, was 2,620, 23 3,671, 4,372, 3,701, and 4,632. 24 And so what this suggests is that 25 there's -- there's no meaningful change in the</p>

<p style="text-align: right;">122</p> <p>1 cancellations from what we had previously reported. 2 On the layup side, there are a little 3 bit of a -- a larger year-over-year change; however, 4 I'm only talking a few thousand policies, and 5 therefore, it doesn't change in any meaningful way our 6 revenue forecasts. 7 MR. LUKE JOHNSTON: Just an additional 8 point on that. As you know, Basic -- the -- at least 9 the intent is to break even. As customers switch to 10 layup and buy Extension policies, those policies are 11 profitable. At least, they're sold with a profit 12 target in mind. So there is a little bit of interplay 13 between the two (2). 14 If -- if the two (2) lines of business 15 -- if more vehicles go on layup, MPI will likely make 16 more profit on Extension, and premiums will go down a 17 bit on Basic and up on Extension. That would simply 18 mean transferring more funds from Extension to Basic 19 at the end of the year. It's not -- by no mean a 20 perfect match, but if premiums are down a little bit 21 on Basic, there is a bit of a hedge on Extension. 22 MR. STEVEN SCARFONE: And Mr. 23 Johnston, again, dealing with the questions put to you 24 by Ms. Meek, the riding period, as I understand it, 25 commences May 1, correct?</p>	<p style="text-align: right;">124</p> <p>1 MR. LUKE JOHNSTON: In terms of hard 2 evidence such as claims numbers, I don't -- obviously, 3 I don't have those 'cause it hasn't happened yet. The 4 -- again, I'll reiterate about -- I don't know if I 5 quoted this, but about 90 percent of motorcycles are 6 on pleasure use. It's not obvious to me what that 7 behaviour will look like. 8 You know, in -- in some ways, if you 9 are at home, it may give yourself more opportunity to 10 ride a motorcycle. The -- some of the -- you know, 11 the CMMG was showing pictures of roads and all of that 12 that you can drive. Well, that isn't really making 13 the case for reduced frequency. That -- if we're 14 making -- if the case is being made that lots of 15 motorcycles are out driving right now, that's kind of 16 a case against the fact that they're going to be 60 17 percent in frequency reduction. 18 I don't know that, but again, re -- 19 recognizing that this vehicle group is about a 90 20 percent pleasure use, it's -- it's different, for 21 sure, and -- and yeah. Like, if -- well, we'll 22 obviously report on what ac -- what actually happens 23 with motorcycles, but intuitively, I have no reason to 24 believe they're going to be 60 percent under budget. 25</p>
<p style="text-align: right;">123</p> <p>1 MR. LUKE JOHNSTON: The earning period 2 for which we -- we start charging motorcycles a 3 premium, if they're in force, is May 1. 4 MR. STEVEN SCARFONE: And the proposed 5 rebate period before this Board ends May 15th. Is 6 that correct? 7 MR. LUKE JOHNSTON: That's right. 8 MR. STEVEN SCARFONE: And I know that 9 you indicated that it's -- the Corporation is not at 10 this time able to predict how many of those motorcycle 11 policies will be earning premiums in those last two (2) 12 weeks, but do you have any sense of what the claims 13 experience might be on a go-forward basis for the 14 balance of the rebate period? 15 MR. LUKE JOHNSTON: In terms of hard 16 evid -- 17 THE BOARD CHAIRPERSON: Sorry, sorry, 18 the balance of the rebate period we're talking about 19 is two (2) weeks -- 20 MR. STEVEN SCARFONE: Yes. 21 THE BOARD CHAIRPERSON: -- to May 22 15th? 23 MR. STEVEN SCARFONE: Yes, from -- 24 THE BOARD CHAIRPERSON: Okay, no, I 25 just wanted to make sure. Okay.</p>	<p style="text-align: right;">125</p> <p>1 MR. STEVEN SCARFONE: And just give me 2 one (1) moment, Madam Chair. That may be all my 3 questions. 4 5 (BRIEF PAUSE) 6 7 MR. STEVEN SCARFONE: Thank you. I'm 8 sorry about that. Those are all the questions on re- 9 direct for MPIC. 10 THE PANEL CHAIRPERSON: Thank you, Mr. 11 Scarfone. 12 Mr. Gabor...? 13 THE BOARD CHAIRPERSON: Yeah, I've 14 just got one (1) issue related to your re-direct, Mr. 15 Scarfone, and I didn't make a note of it. 16 Can you go back two (2) pages -- can 17 you -- can you advise me where you were two (2) pages 18 ago, where it said -- you had the comment about seven 19 hundred thousand (700,000) people and that there would 20 be a delay in calculating... 21 MR. STEVEN SCARFONE: Sure. 22 THE BOARD CHAIRPERSON: I'm just 23 trying to... 24 MR. STEVEN SCARFONE: That was Exhibit 25 number 2, the Pre-Ask of the CMMG number 3.</p>

126	<p>1 THE BOARD CHAIRPERSON: Thank you. 2 Can you go there, Kristen? Right, thank you. Thanks 3 very much. 4 Mr. Johnston, has MPI already 5 calculated what the -- what the figures are for the 6 rebates to the individual policyholders? 7 MR. LUKE JOHNSTON: So yeah, the two 8 (2) queries have been built and are going through all 9 the checks. We're obviously trying to -- you know, if 10 this is approved, we're ready as quickly as possible. 11 And if it's not, then we'll -- we'll -- we'll have to 12 go back and -- and fix it, but we're pretty close. 13 Not -- that's purely from a -- a 14 numbers perspective. Actually printing cheques and 15 all that is a different story, but -- 16 THE BOARD CHAIRPERSON: Yeah, that's a 17 different matter. But in terms of determining the 18 actual amounts per -- per policyholder. 19 MR. LUKE JOHNSTON: That's right, 20 yeah. 21 THE BOARD CHAIRPERSON: Okay. It says 22 here: 23 "Would likely mean delaying the 24 issuance by an unknown amount of 25 time."</p>	128
127	<p>1 I mean, are we talking -- if it's not 2 exactly those numbers and you have to make 3 adjustments, are we talking a few days? Are we 4 talking a week? Are we talking two (2) weeks? I 5 mean, "an unknown amount of time" really doesn't say - 6 - say much. 7 MR. LUKE JOHNSTON: Agreed. 8 Recognizing that these are -- are loose -- I'm not the 9 IT person by any means -- what I was told is if we're 10 essentially using the same queries and we wanted to, 11 you know, include a different group or something, 12 we're probably looking at a -- you know, a couple days 13 to re-run all that stuff. It takes computer time and 14 such. And then there's some IT time to run these 15 checks and tests and all that. And then that's 16 approaching a week. 17 THE BOARD CHAIRPERSON: The -- well, 18 the IT time to run the checks, you're going to need 19 anyways no matter what the numbers are. 20 MR. LUKE JOHNSTON: Sorry, I should 21 have clarified. In terms of just the -- the actual 22 calculation amount, so to run -- even just run the 23 systems at night to do these things so we don't eat 24 our computing power during the day, I'm told, takes a 25 couple days, and then there's a bunch of system</p>	129

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1 (BRIEF PAUSE)
2
3 THE PANEL CHAIRPERSON: Mr.
4 Scarfone...?
5 MR. STEVEN SCARFONE: Ms. Meek, yes,
6 I'm told by Mr. Giesbrecht that we can provide that
7 response to you and --
8 MS. CHARLOTTE MEEK (by phone): Okay,
9 and -- and then it can be included in the exhibit as
10 well so that I can use it?
11 MR. STEVEN SCARFONE: Yes.
12 MS. CHARLOTTE MEEK (by phone): Thank
13 you very much.
14 MR. STEVEN SCARFONE: Yes. So I might
15 only add, Madam Chair, just following up on the
16 comments of Mr. Gabor and Mr. Johnston's evidence
17 that, you know, things are happening in the works, as
18 it -- as it were.
19 And it may be a little presumptuous.
20 There's a lot for the panel to digest, but the
21 Corporation would like the -- the panel to give some
22 consideration to -- perhaps, if they are satisfied, of
23 issuing an Order off the bench, with reasons to
24 follow. So that's just something that the Board might
25 take away for consideration.

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1 THE PANEL CHAIRPERSON: We will
2 certainly consider that, yes. Thank you.
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4 --- Upon adjourning at 11:44 a.m.
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7 Certified Correct,
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10 _____
11 Donna Whitehouse, Ms.
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“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2021 SPECIAL REBATE APPLICATION

HEARING

Before Board Panel:

Irene Hamilton, QC - Panel Chair

Robert Gabor, QC - Board Chair

Carol Hainsworth - Board Member

(by phone)

Robert Vanderwater - Board Member

(by phone)

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

May 1, 2020

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<p>1 APPEARANCES</p> <p>2</p> <p>3 Kathleen McCandless)Board Counsel</p> <p>4 Robert Watchmen (by phone))Board Counsel</p> <p>5</p> <p>6 Steven Scarfone)Manitoba Public</p> <p>7 Michael Triggs (by phone))Insurance</p> <p>8 Anthony Guerra (by phone))</p> <p>9</p> <p>10 Byron Williams)CAC(Manitoba)</p> <p>11 Katrine Dilay (by phone))</p> <p>12</p> <p>13 Charlotte Meek (by phone))CMMG</p> <p>14</p> <p>15 Curtis Unfried)IBAM</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 LIST OF EXHIBITS</p> <p>2</p> <p>3 EXHIBIT NO. DESCRIPTION PAGE NO.</p> <p>4 MPI-5 MPI Pre-ask 5 138</p> <p>5 MPI-6 MPI's revised figure 2 of the</p> <p>6 application 139</p> <p>7 MPI-7 Revised pre-ask 1 for CMMG 139</p> <p>8 MPI-8 MPIC closing submission 139</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
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137	<p>1 If you could try and connect with him again? 2 MR. ROBERT VANDERWATER: Bob 3 Vanderwater. I'm here. 4 THE PANEL CHAIRPERSON: Excellent. 5 Good morning. 6 MR. ROBERT VANDERWATER: Good morning. 7 THE PANEL CHAIRPERSON: Charlotte 8 Meek...? 9 MS. CHARLOTTE MEEK (by phone): Good 10 morning. I'm here. 11 THE PANEL CHAIRPERSON: Good morning. 12 Curtis Unfried...? 13 MR. CURTIS UNFRIED: All right. Good 14 morning. 15 THE PANEL CHAIRPERSON: Good morning. 16 And is Katrine Dilay on as well? 17 DR. BYRON WILLIAMS: I believe Ms. 18 Dilay is listening in. 19 THE PANEL CHAIRPERSON: Okay. All 20 right, that's everyone. Thank you. 21 Ms. McCandless...? 22 MS. KATHLEEN MCCANDLESS: Good 23 morning, Madam Chair. Thank you. 24 25 (BRIEF PAUSE)</p>	139	<p>1 MR. STEVEN SCARFONE: You're welcome. 2 And MPI Exhibit Number 6 is the revised figure 2 at 3 the application, and that was the figure that spoke to 4 a number of cancellations and layups, and Mr. 5 Giesbrecht read in to the record those new figures. 6 So that exhibit reflects that evidence from yesterday. 7 8 --- EXHIBIT NO. MPI-6: MPI's revised figure 2 of 9 the application 10 11 MR. STEVEN SCARFONE: MPI Exhibit 12 Number 7 is a revised version of the pre-ask number 1 13 for the CMMG. 14 15 --- EXHIBIT NO. MPI-7: Revised pre-ask 1 for CMMG 16 17 MR. STEVEN SCARFONE: And lastly, MPI 18 Exhibit Number 8 is the closing submission of MPIC. 19 20 --- EXHIBIT NO. MPI-8: MPIC closing submission 21 22 MR. STEVEN SCARFONE: And so before 23 MPIC begins going through its closing remarks, we have 24 here in attendance with us Mr. Graham, the president 25 and CEO of Manitoba Public Insurance, and he would</p>
138	<p>1 MS. KATHLEEN MCCANDLESS: So this 2 morning, we are proceeding with oral submissions from 3 MPI and Interveners on the application. We will 4 finish by noon. 5 Before we proceed, I just wanted to say 6 thank you to everyone for their cooperation. We had 7 an application filed on Monday, and we'll be wrapping 8 up a public hearing by Friday that couldn't have been 9 done without everyone's efforts in getting here, so 10 thank you very much. 11 THE PANEL CHAIRPERSON: Mr. 12 Scarfone...? 13 MR. STEVEN SCARFONE: Thank you, Madam 14 Chair. Just before MPI begins, there were a couple 15 further exhibits that were circulated after we ended 16 yesterday, so I'll read those into the record. 17 MPI Exhibit Number 5 is the pre-ask 5 18 that was inadvertently not included with the pre-asks, 19 and I'd just have Ms. Meek confirm that she now has 20 that response. 21 22 --- EXHIBIT NO. MPI-5: MPI Pre-ask 5 23 24 MS. CHARLOTTE MEEK (by phone): Yes, I 25 received that. Thank you very much.</p>	140	<p>1 like to make a few remarks about the application and 2 provide some context to the Board in MPIC bringing 3 this application before you. 4 THE PANEL CHAIRPERSON: Mr. Graham...? 5 6 (BRIEF PAUSE) 7 8 REMARKS BY MR. BENJAMIN GRAHAM: 9 MR. BENJAMIN GRAHAM: Thank you, panel 10 and Interveners. I'm -- I'm -- obviously, I'm not 11 here to steal any of Mr. Scarfone's thunder, but I am 12 here, if needed, to take any sort of final questions 13 or queries. As I -- as I'm sure you're aware, we've 14 really been trying to raise that level of 15 transparency, and it sort of stops at the top, so if 16 there are any questions that need to be asked, I'm 17 obviously here to answer them. Unfortunately, I was 18 unable to attend yesterday due to some prior 19 commitments. 20 Firstly, yesterday, I did note some 21 comments about government direction. I just wanted to 22 be very clear that we, at MPI, have been brainstorming 23 a number of options with the government as well as 24 community representatives over the last six (6) weeks. 25 Some of them have been work-from-home solutions for</p>

<p style="text-align: right;">141</p> <p>1 our staff, handing over COVID testing sites, using our 2 service centres for COVID testing requirements. The 3 fifth one was handed over yesterday. 4 We've been heavily involved in 5 discussions with the union about work sharing 6 arrangements, et cetera. We've handed over forty- 7 eight (48) staff to assist shared services when it 8 comes to their warehousing operations for PPE. 9 We're looking at alternative and 10 groundbreaking strategies to start driver examinations 11 again. We'll be doing that in cooperation with 12 Saskatchewan. 13 And the last, but not least, and the 14 reason why we are here, is a number of financial 15 relief proposals that we put forward to government to 16 try and assist customers through this difficult time. 17 I also want to make note that the MPI 18 Board, as well as the executive team, remain deeply 19 committed to being fiscally prudent. Capital 20 Management Plan and the appropriate MCT targets remain 21 a very clear focus for us at MPI. 22 Prudence regarding this rebate is 23 easily reflected through the two (2) months that we 24 are proposing, and we will not jeopardize the future 25 financial health of MPI by over-predicting claims</p>	<p style="text-align: right;">143</p> <p>1 Utilities Board, has allowed MPI to be in the strong 2 financial position we are currently in to apply for 3 this rebate. 4 As I mentioned yester -- as was 5 mentioned yesterday, I apologize, I understand the 6 need for the panel to assess this application 7 appropriately. We are working on this rebate and the 8 underlying work as we speak, and we will continue to 9 do so over the weekend. 10 As mentioned by Mr. Scarfone, if a 11 verbal order could be issued at the end of this 12 hearing, i.e., today, we would greatly appreciate 13 that, with a written order to follow. I would like to 14 mention that it is not something that is expected, but 15 if possible, that would be greatly appreciated. 16 Thanks again for your time, and before 17 I hand over to Steve, again, I would accept any 18 questions now or throughout the morning, if 19 appropriate. 20 21 (BRIEF PAUSE) 22 23 THE PANEL CHAIRPERSON: Mr. 24 Scarfone...? 25</p>
<p style="text-align: right;">142</p> <p>1 results flowing through June, July, and beyond. 2 Unfortunately, I don't own a crystal 3 ball. We've used this approach before, and I think 4 the best example of that could be the use of naive 5 interest rates through our GRA application. 6 At this point, I believe that future 7 savings beyond this current rebate would flow through 8 the traditional GRA or CMP approach, depending on the 9 claims results moving forward. 10 We do appreciate -- back to Kathleen's 11 point -- we do appreciate the flexibility shown by 12 this Board, as well as the Interveners in attending 13 this hearing. These savings could have flowed through 14 the next GRA with significant rate reductions being 15 requested, but we have heard through the government 16 and through our customers that the long -- that the 17 wider community needs this money in their hands now. 18 Despite this, they might not receive as 19 much as they would have if we had gone through the 20 traditional GRA process, talking mostly here around 21 the premium taxes that we need to pay on this premium, 22 as well as the commissions that have already been sent 23 to the broker community. 24 The work that we have been doing, 25 supported by many stakeholders, including the Public</p>	<p style="text-align: right;">144</p> <p>1 FINAL SUBMISSION BY MPIC: 2 MR. STEVEN SCARFONE: Thank you, Madam 3 Chair. Just before I begin, I'd like to thank my 4 colleague, Mr. Guerra, for helping me put together our 5 closing presentation. Kristen, if you could advance 6 to Slide 2. Thank you. 7 So we're here today, Madam Chair, 8 obviously in the midst of a pandemic, historically a 9 first and hopefully the last of its kind. 10 At page 4 of the application, the 11 Corporation asked that these extraordinary 12 circumstances be considered when assessing the nature 13 and the content of this application. 14 MPI submits that this Board should not 15 be tempted to analyse the application like it would a 16 General Rate Application. MPIC is proposing this 17 rebate only because there is an ongoing economic 18 crisis, and the nuances that normally go -- go into 19 rate setting were not the priority when this 20 application was put together over the weekend. 21 A 1:100 year event perhaps for DCAT 22 purposes, but auto insurance we say is, obviously, a 23 very small part of how this has impacted everyone in 24 the province, in the nation, of all ages, of all 25 demographics.</p>

145	<p>1 We have heard repeatedly over the years</p> <p>2 that the RSR is for unforeseen events and the proposed</p> <p>3 rebate would be paid from the RSR, the Rate</p> <p>4 Stabilization Reserve, which is Basic's capital</p> <p>5 reserve. Seems like a good time to make use of what</p> <p>6 the public might perceive as MPIC's rainy day fund.</p> <p>7 There are pros and cons to this</p> <p>8 application. The pros of course, Mr. Williams</p> <p>9 mentioned the perception of a feel-good story, people</p> <p>10 getting unexpected money to help buy groceries, pay a</p> <p>11 utility bill, et cetera.</p> <p>12 But on the other hand, as Mr. Graham</p> <p>13 just said, MPIC and all its Basic customers, not just</p> <p>14 the motorcyclists, would perhaps benefit more from</p> <p>15 rate decreases over the next three (3) years, in part</p> <p>16 because it would reduce expenses, lowering commissions</p> <p>17 paid to brokers, lowering premium taxes. These</p> <p>18 savings are now lost with the proposed rebate. Those</p> <p>19 are some of the cons.</p> <p>20 But that is not the bigger issue here,</p> <p>21 Madam Chairperson. Manitobans need the money today</p> <p>22 and not tomorrow. Next slide, please, Kristen.</p> <p>23 So MPI did, indeed, enter this pandemic</p> <p>24 on strong financial footing. You'll see there that</p> <p>25 the Corporation experienced favourable financial</p>	147
146	<p>1 performance because of lower than anticipated claims</p> <p>2 experience and prudent management of its investments</p> <p>3 and operating expenses. So that was before the</p> <p>4 pandemic brought this about.</p> <p>5 The Corporation was anticipating</p> <p>6 another rate decrease in October, and the evidence</p> <p>7 that we heard yesterday confirms that statement. Mr.</p> <p>8 Giesbrecht said yesterday that the capital position of</p> <p>9 the Corporation has considerably improved over the</p> <p>10 last couple of years. You'll see there that back in</p> <p>11 February of 2018, the Basic MCT was at just 44</p> <p>12 percent, and then in February 2019 a slight</p> <p>13 improvement, until last year it grew up towards 90</p> <p>14 percent, and now we hover around 100 percent.</p> <p>15 And you'll see his last indication</p> <p>16 there, that the drop going forward, because the</p> <p>17 substance of the rebate is based on claim savings</p> <p>18 assumed to happen between that period, that is the</p> <p>19 rebate period, he anticipates that the Corporation</p> <p>20 will remain in a strong financial position after the</p> <p>21 rebate, and that's important.</p> <p>22 Mr. Johnston reiterated Mr.</p> <p>23 Giesbrecht's evidence about the financial position of</p> <p>24 the Corporation. He indicated one (1) thing when we</p> <p>25 had that initial call. MPI noted that the Board for</p>	148

<p style="text-align: right;">149</p> <p>1 would suggest to this panel that that's pretty good. 2 And Ms. McCandless yesterday asked an 3 important question. She wanted to know what the 4 Corporation could point to, to give this Board the 5 confidence that the Corporation can afford the rebate, 6 because what we don't want to happen, and certainly 7 what this Board doesn't want to happen, is MPI coming 8 back in October, or even next October, and saying you 9 remember that rebate from the spring of 2020, well, we 10 need that money back; that is not going to happen, 11 Madam Chairperson. 12 The evidence is that the CMP, the 13 Capital Management Plan, will continue to work as 14 presented last year to this Board for approval, and 15 everyone, all major vehicle classes, will enjoy the 16 benefit of a rate decrease. 17 Before you the slide reads that: 18 "Rebating is responsible and 19 affordable and it touches upon 20 investments." 21 An understandable area of enquiry from 22 the Board and the Interveners, and that's reflected in 23 the pre-asks. 24 We are all aware of the current 25 volatility of the market and -- and what's been</p>	<p style="text-align: right;">151</p> <p>1 Government called to enquire about returning money to 2 Manitobans, MPIC was ready. MPIC did not have to say, 3 sorry, all our money is tied up in bonds, we'd have to 4 strip those down, we'd have to sell equities at a 5 substantial loss. 6 They were ready to return premiums to 7 Manitobans. So I would suggest that someone somewhere 8 knows what they're doing on the investment side. 9 And I want to be careful, of course, 10 when -- when tooting the MPI horn, because markets, as 11 we know, can be volatile and there has been some 12 recent criticism directed at MPI for the absence of 13 return-seeking assets, for hedging inflation risk over 14 performance. But for today at least, Madam 15 Chairperson, those decisions are working out well for 16 MPI and its customers. 17 The rebate aligns with the Capital 18 Management Plan. The proposed rebate is tantamount to 19 a capital release under the CMP; that is the evidence 20 in the application. 21 The monies from Extension, the proposed 22 monies from Basic are still flowing to the Basic 23 ratepayers. That is the intent of the Capital 24 Management Plan. We're doing it now in a more direct 25 and immediate manner than envisioned under the Capital</p>
<p style="text-align: right;">150</p> <p>1 described as a bear market. So can the Corporation 2 afford the proposed rebate? A short answer, yes. And 3 will investments have to be sold to fund the rebate? 4 The short answer is no. 5 The Corporation, I might suggest, is 6 flush with -- with cash, not colloquially but 7 literally. The cash position on the ledger, the books 8 of the Corporation, was arranged in anticipation of 9 pandemic contingencies, and that's the evidence at 10 page 10 of the application. The Corporation had the 11 foresight to do that. 12 And so I might be so bold as to suggest 13 from the Board's perspective it would be easy to see 14 how the Panel members might be impressed with the 15 manner in which the Corporation has handled its 16 investments. 17 Madam Chairperson and Mr. Gabor, and -- 18 and Ms. Hainsworth and Mr. Vanderwater on the 19 telephone, you're all aware of the recent history, the 20 asset/liability management study that was done, MPIC 21 having segregated its portfolios, the decision to 22 remove growth assets from the Basic portfolio, and now 23 the bonds that remain have not sustained the kind of 24 losses that the equities have. 25 All of this means that when the</p>	<p style="text-align: right;">152</p> <p>1 Management Plan. And so the -- the application speaks 2 about a pause in the transfer component of the CMP. 3 The CMP is still working, it's just a 4 pause in the transfer component from Extensions to 5 Basic. And that is in order to respond to the 6 pandemic. 7 And it's important to remember as well, 8 Madam Chair, the Capital Management Plan does not 9 contemplate rebates. MPI thought it would never again 10 rebate, but here we are, which speaks to the 11 uniqueness of the situation we're in. And next slide 12 please, Kristen. Thank you. 13 The proposed rebate MPI says is fair 14 and equitable. It is the best option from a list of 15 non-perfect options. 16 So if we compare the proposed rebate 17 rules to an alternative that might include 18 motorcycles, we run into some decision-making 19 problems, I would suggest. 20 And if you have -- Kristen, if you pull 21 up -- it wasn't brought up yesterday, but there are an 22 indication at some of the complaints that we expect as 23 a result of this rebate at pages 24 and 25 of the 24 application. 25 So right there, if you scroll back up.</p>

<p style="text-align: right;">153</p> <p>1 Sorry, back down. Right there, problem number 1. 2 This is where it begins and -- and the 3 Corporation, as I said, is trying to anticipate some 4 of the problems that -- that customers might bring to 5 our attention when the rebate is -- is provided. The 6 first one being the customer reports not receiving the 7 rebate cheque. 8 Number 2, scrolling down, Kristen, 9 thank you. The customer disputes non-entitlement or 10 the amount of the entitlement. And that's an 11 interesting one. 12 Customer disputing non-entitlement, 13 well the motorcyclists immediately come to mind, 14 because as we know from the application, the 15 Corporation has decided that they aren't entitled for 16 reasons I'll touch upon shortly. 17 The second one might be the amount of 18 the entitlement. We expect there'll be complaints 19 brought to our attention about that. 20 Now, I don't fault the media for doing 21 this, because these are the questions they ask, but 22 the media has reported that the rebate will be about 23 \$140 to \$160 per customer. 24 If the motorcyclists are included, that 25 amount will go down. And you can bet that there will</p>	<p style="text-align: right;">155</p> <p>1 of private passenger vehicles. 2 So in short, Madam Chair, the timing of 3 this rebate did not work out for the motorcyclists. 4 And there's no evidence that 5 motorcycles or other seasonal vehicles have 6 contributed to the COVID-related reductions. That is 7 the 29 million that we know we save in claims costs 8 beginning April 15th. 9 And there's no way, as Mr. Johnston 10 said yesterday, to confirm that a motorcycle policy 11 will be in force on May 1, which is today. No 12 justification to find that motorcycles will contribute 13 to future COVID reductions in this rebate period. And 14 that's the assumed reduction in claims, beginning 15 April 15th to May 15th. The second month of the 16 rebate period. 17 Another important point, and I -- I 18 expect Ms. Meek will have something to say about this, 19 but almost all motorcycles are registered as pleasure 20 use. Ninety percent was the evidence from Mr. 21 Johnston yesterday. 22 Therefore, there's no impact to them of 23 not going to work or to school, and it's reasonable to 24 believe that some motorcyclists will be cancelling 25 their policy this summer because they need the money.</p>
<p style="text-align: right;">154</p> <p>1 be a number of complaints about the amount of the 2 entitlement from the 700,000 customers that we're 3 expecting between 140 and 160. 4 And so these are considerations that we 5 ask the Board to -- to thought -- to think about when 6 deciding on MPIC's rebate rules and whether they're 7 fair and equitable. Because as I -- as I've 8 indicated, the Corporation took what we believe is the 9 best option from a list of non-perfect options. 10 And if we can go back to the slide 11 presentation, Kristen, please. You'll see there that 12 there's no perfect method of determining who gets the 13 rebate. 14 And as it pertains to motorcycles on 15 the next slide please, Kristen, Mr. Johnston's 16 evidence yesterday was that no premiums have been 17 contributed by the motorcyclists. And so it wouldn't 18 be fair, in his view, to rebate the motorcycle group 19 when they haven't contributed to the monies that were 20 received by the Corporation during the rebate period. 21 So really, the essence of this 22 application is that claims costs are considerably down 23 due to the pandemic, and the Corporation has collected 24 too much premium. But we haven't collected that 25 premium from the motorcyclists, only from the owners</p>	<p style="text-align: right;">156</p> <p>1 As stated yesterday by Mr. Johnston, 2 they may actually have more accidents, with more time 3 to ride during this pandemic. 4 Next slide please, Kristen. Thank you. 5 So, just in closing, the Corporation is 6 asking that this Board give careful consideration to 7 the application but grant leave to accept the 8 application outside the prescribed timeframes, and of 9 course, Madam Chair, I'm talking about the -- the 10 Board's ability to make a variation to those orders 11 beyond the 30 day time period under the -- under the 12 prescribed time frames. 13 And -- and the relief that we're 14 seeking, as I indicated in my opening, is to vary 15 those directives in the past two Orders to the extent 16 that they do not require the issuance of rebates. 17 And -- and just -- just so that you're 18 clear, because I wasn't, about why the release 19 mentions both Orders, I'm told that some of the 20 policies that were -- that the Corporation collected 21 premiums on beginning March, those rates fall back to 22 the Order from two (2) GRAs ago. And so we need both 23 of those Orders varied, to the extent they don't 24 reference issuing a rebate. 25 The -- the Order we expect would also</p>

157	<p>1 direct MPIC to issue the special rebate as indicated</p> <p>2 there as a percentage of their annualized premiums for</p> <p>3 insurance policies in force and earning premium</p> <p>4 beginning on March 15th, 2020. That was the date that</p> <p>5 the Corporation picked for the reasons set out in the</p> <p>6 applications.</p> <p>7 The rebate is equal to \$58 million,</p> <p>8 that amount is fixed, as we heard yesterday. And</p> <p>9 we've put a date in there by May 31, 2020 or as soon</p> <p>10 as can be practically done.</p> <p>11 The Corporation says it's just and</p> <p>12 reasonable to issue the proposed rebate, and the</p> <p>13 methodology that we proposed, including the rebate</p> <p>14 rules, are just and reasonable, the best of the</p> <p>15 options the corporation considered.</p> <p>16 And subject to any questions that the</p> <p>17 Panel may have, that's the closing submission for</p> <p>18 MPIC.</p> <p>19 THE PANEL CHAIRPERSON: Thank you, Mr.</p> <p>20 Scarfone and thank you, Mr. Graham.</p> <p>21 Questions...?</p> <p>22 THE BOARD CHAIRPERSON: Mr. Scarfone,</p> <p>23 you raised this issue of the hundred and forty (140)</p> <p>24 to a hundred and sixty dollars (\$160). That depends</p> <p>25 on a lot of things.</p>	159	<p>1 insurance during the summer?</p> <p>2 MR. STEVEN SCARFONE: Yes.</p> <p>3 THE BOARD CHAIRPERSON: People driving</p> <p>4 cars may cancel their insurance during the summer as</p> <p>5 well.</p> <p>6 MR. STEVEN SCARFONE: The distinction</p> <p>7 there, though, being Mr. Johnston's evidence was 90</p> <p>8 percent of these bikes are for pleasure use --</p> <p>9 THE BOARD CHAIRPERSON: Right.</p> <p>10 MR. STEVEN SCARFONE: -- which would</p> <p>11 suggest that they're a secondary vehicle. So they're</p> <p>12 carrying that particular motorcycle on a policy while</p> <p>13 having a vehicle, a private passenger vehicle, to</p> <p>14 drive.</p> <p>15 THE BOARD CHAIRPERSON: But that's</p> <p>16 merely an assumption you're making. People may decide</p> <p>17 they've got two (2) vehicles; they can't afford two</p> <p>18 (2) vehicles; they're going to only have one (1) for</p> <p>19 the year because they've been laid off or whatever,</p> <p>20 correct?</p> <p>21 MR. STEVEN SCARFONE: That's correct,</p> <p>22 and -- and that's why I was careful to say that Mr.</p> <p>23 Johnston's evidence yesterday was it's reasonable to</p> <p>24 assume that given the economic crisis, that</p> <p>25 motorcyclists, some of them, may decide to cancel</p>
158	<p>1 MR. STEVEN SCARFONE: It does.</p> <p>2 THE BOARD CHAIRPERSON: Right?</p> <p>3 MR. STEVEN SCARFONE: Yes.</p> <p>4 THE BOARD CHAIRPERSON: Depends on the</p> <p>5 kind of vehicle you're driving.</p> <p>6 MR. STEVEN SCARFONE: Yes.</p> <p>7 THE BOARD CHAIRPERSON: Depends on the</p> <p>8 cost of the vehicle. Depends on the age of the</p> <p>9 vehicle. So whether or not motorcycles are involved</p> <p>10 in this, people may complain. Because I drive an</p> <p>11 eleven (11) year old vehicle, I may get a lower amount</p> <p>12 than somebody who -- who gets a -- who drives a newer</p> <p>13 vehicle, correct?</p> <p>14 MR. STEVEN SCARFONE: That's correct.</p> <p>15 THE BOARD CHAIRPERSON: And a more</p> <p>16 expensive vehicle.</p> <p>17 MR. STEVEN SCARFONE: That's correct.</p> <p>18 THE BOARD CHAIRPERSON: So you could</p> <p>19 be getting -- you could be getting complaints for</p> <p>20 whatever reason, expectations raised by the media or</p> <p>21 otherwise.</p> <p>22 MR. STEVEN SCARFONE: I agree with</p> <p>23 that, Mr. Gabor.</p> <p>24 THE BOARD CHAIRPERSON: Okay. You</p> <p>25 made the comment that motorcycles may cancel their</p>	160	<p>1 their policies --</p> <p>2 THE BOARD CHAIRPERSON: Right.</p> <p>3 MR. STEVEN SCARFONE: -- in this</p> <p>4 economic crisis.</p> <p>5 MR. BENJAMIN GRAHAM: If I can just --</p> <p>6 sorry.</p> <p>7 THE BOARD CHAIRPERSON: Sorry, yeah.</p> <p>8 MR. BENJAMIN GRAHAM: Mr. Gabor, if I</p> <p>9 can just touch on that. I mean, I -- I own both a --</p> <p>10 a private passenger vehicle and a motorcycle. If I</p> <p>11 was to cancel one (1) of those policies, it would</p> <p>12 obviously be the motorcycle.</p> <p>13 I -- I think it is a very broad</p> <p>14 assumption to say that there's going to be more</p> <p>15 cancellations. I think there might be more</p> <p>16 cancellations across the board. It's just that</p> <p>17 classification as a pleasure usage that means that</p> <p>18 they would probably be more inclined to cancel that as</p> <p>19 compared to their private passenger vehicle that could</p> <p>20 be used for transporting children to events, going to</p> <p>21 buy groceries, those types of things. I've tried to</p> <p>22 buy groceries on my motorbike before, and I can only</p> <p>23 take home a can of baked beans, so I would obviously</p> <p>24 have to cancel the motorcycle.</p> <p>25 THE BOARD CHAIRPERSON: Right. But if</p>

161	<p>1 you're a -- a household that has two (2) vehicles, 2 because of the financial situation people find 3 themselves in -- 4 MR. BENJAMIN GRAHAM: They'd be 5 cancelling a vehicle. 6 THE BOARD CHAIRPERSON: -- may be 7 cancelling a vehicle. 8 MR. BENJAMIN GRAHAM: Absolutely, 9 yeah. 10 THE BOARD CHAIRPERSON: Yesterday, Mr. 11 Scarfone, I raised this issue -- and you used the word 12 again in yours, which was "timing." And I -- I put 13 the question -- I believe Mr. Giesbrecht answered -- 14 which was, You've -- you seem to have \$12 million 15 extra in Extension that normally would have been 16 transferred to Basic. Because of the year end and -- 17 and numbers still coming in, the money will be -- will 18 remain in Extension and move towards the current year 19 -- 20 MR. STEVEN SCARFONE: Correct. 21 THE BOARD CHAIRPERSON: -- so it's an 22 issue of timing. Today's May 1st. If the pandemic 23 started today, motorcycles would be covered, correct, 24 because they're within your period? 25 MR. STEVEN SCARFONE: That's correct.</p>	163
162	<p>1 So I'm just wondering where the one 2 hundred and ten (110) to one hundred and forty (140) 3 may have come from? 4 MR. STEVEN SCARFONE: So the -- the 5 one hundred and ten (110) -- and it's not in evidence, 6 so I've -- I ask the Board for -- to consider that. 7 That was the number that the media reported, and I 8 don't know if Mr. Graham is able to speak to that 9 further, but the -- the range that the media reported 10 per customer was one forty (140) to one sixty (160). 11 THE PANEL CHAIRPERSON: Okay, thank 12 you. So there -- there is going to be -- it may not 13 be accurate. 14 MR. STEVEN SCARFONE: It may not be 15 accurate, yes. 16 MR. BENJAMIN GRAHAM: I can elaborate 17 on that, Madam Chairperson. It was very much an 18 archaic piece of mathematics that sort of figured out 19 if it was 110 million, based on the number of 20 vehicles, here's what it would kind of look like. I 21 think the number turned out being one hundred and 22 fifty-six dollars (\$156), so it was -- it could be, 23 let's just say one forty (140) to one sixty (160). 24 And obviously, now, unfortunately, that 25 might have set some expectations in the market, but</p>	164
162	<p>1 THE BOARD CHAIRPERSON: The fact of 2 when they pay the premiums, the fact that their 3 liability may have been covered -- 4 MR. STEVEN SCARFONE: Would meet both 5 the criteria. 6 THE BOARD CHAIRPERSON: They meet both 7 the criteria. Okay, I just wanted to make sure of 8 that. 9 Those are my questions. Thank you. 10 THE PANEL CHAIRPERSON: Thank you. 11 Ms. Hainsworth, do you have any 12 questions? 13 MS. CAROL HAINSWORTH (by phone): No, 14 I have no questions. Thank you. 15 THE PANEL CHAIRPERSON: Mr. 16 Vanderwater? 17 MR. ROBERT VANDERWATER (by phone): 18 No, I'm fine. Thank you. 19 THE PANEL CHAIRPERSON: Thank you. 20 I have one (1) question, Mr. Scarfone. 21 With regards to Figure number 13, which is -- shows a 22 number of things, but includes the average dollar 23 rebate for policies in force -- for private vehicles - 24 - or, private passenger vehicles, it says that the 25 average rebate is sixty-seven dollars (\$67).</p>	<p>1 we'll have to manage that through an appropriate 2 communication plan with customers moving forward. 3 THE PANEL CHAIRPERSON: Thank you, Mr. 4 Graham. Mr. Williams...? 5 6 FINAL SUBMISSIONS BY CAC: 7 DR. BYRON WILLIAMS: Yes, thank you, 8 and Ms. Schubert, I wonder -- Madam Chair, we did 9 share a two (2) page document titled "CAC Manitoba 10 Recommendations and Key Statutory Provisions." It's 11 not evidence. I'll be speaking to it verbally. I 12 don't know if you want it as an exhibit or not. I'm 13 not -- I'm not sure it's necessary, but I'm just 14 having that brought before you. 15 Before we -- before we start, our 16 clients certainly want to thank Manitoba Public 17 Insurance, their board, and their staff for their 18 really quite impressive efforts, their hard work, and 19 flexibility in responding so creatively with this 20 application on a -- on a timely basis. 21 And similarly, our clients have asked 22 us to thank the Public Utilities Board and its staff 23 for initiating a transparent, evidence-based, and 24 independent process on a timely basis. From our 25 clients' perspective, that is greatly appreciated.</p>

<p style="text-align: right;">165</p> <p>1 Our clients have three (3) main 2 recommendations in this matter. First, the Board 3 should find, pursuant to Section 26(3) of the Crown 4 Corporations Governance and Accountability Act, that 5 circumstances have changed substantially, enabling 6 this application to be brought forward and to review 7 previous Orders. 8 And the elements of that substantial 9 change are the intertwined realities of the COVID-19 10 pandemic, resulting in social and economic hardship 11 for many Manitobans and profoundly changing, at least 12 in the short term, the environment in which Manitoba 13 Public Insurance works; and secondly, the lower 14 collision and claims incurred costs experienced by MPI 15 as a result of the COVID-19 pandemic. In our clients' 16 views, that is a substantial change in circumstances, 17 warranting a variation in the previous orders. 18 Recommendation 2 is that in light of 19 these substantially changed circumstances, the PUB 20 should find that it is just and reasonable to review 21 and vary Orders 159/'18 and 178/'19 and suspend the 22 application of the Capital Management Plan approved by 23 the PUB in last year's GRA for fiscal 2020/'21 for the 24 purposes of issuing to ratepayers a percentage of 25 their annualized premiums in respect of universal</p>	<p style="text-align: right;">167</p> <p>1 26(3) of the Crown Governance Act. 2 If you look at it, there's some 3 important language in this section. It authorizes the 4 PUB when it's satisfied that the circumstances of a 5 corporation have changed substantially, it may, on its 6 own motion -- motion or, in this case, the application 7 of MPI review an Order made pursuant to this section 8 and modify the Order in any manner that the PUB 9 considers reasonable and just in the circumstances. 10 And that is the primary statutory 11 vehicle, in our client (sic) submission, in -- in 12 addition to -- to Section 44 of the PUB Act that 13 grants the PUB the authority to -- to make this 14 variation. 15 Mr. Scarfone spoke eloquently of this 16 this morning. Our clients do want to spend just a 17 couple minutes talking about the factual backdrop to 18 this application, as well as the financial backdrop to 19 this application. 20 And of course, the factual backdrop is 21 a provincial state of emergency related to COVID-19. 22 And along the -- of which the -- the Board can take 23 judicial notice. And along with the direct costs of 24 illness, and in some cases, death, there are profound 25 related costs in terms of jobs lost, savings depleted</p>
<p style="text-align: right;">166</p> <p>1 compulsory automobile insurance policies in force and 2 earning premiums on March 15th, 2020, through a 3 special rebate in an amount equal to the approximate 4 sum of \$58 million by May 31st or as soon thereafter 5 as reasonably practical. 6 Third, relying on its authority under 7 Section 26(3) of the Crown Corporations Governance and 8 Accountability Act to respond to substantially changed 9 circumstances and Section 44 of the PUB Act to grant 10 such further or other relief in addition to, or in 11 substitution for, that applied for by MPI, the PUB 12 should, in our clients' submission, direct Manitoba 13 Public Insurance to provide monthly filings for the 14 next four (4) months following the rebate period 15 regarding the impacts from the COVID-19 pandemic on 16 MPI -- the -- the -- the documents that Mr. Johnston 17 spoke of in terms of -- with the one (1) month lag in 18 our discussion yesterday -- and reserve the authority 19 to provide further emergency rate relief as is just 20 and reasonable for the '20/'21 year, including options 21 such as a further rebate, a credit to customer 22 account, or other relief, if the evidence warrants it. 23 Before going into our main submissions, 24 if Kristen could just move on this page just down a 25 little bit further, and we'll take a look at Section</p>	<p style="text-align: right;">168</p> <p>1 -- you can take this down now, Kristen -- and 2 businesses closed, and an attendant social anxiety for 3 far too many Manitobans. 4 And with the state of emergency comes 5 the reality of social distancing. More people working 6 at home, some businesses and services being closed, 7 and kids staying home from school. And the 8 mathematical consequence of that is that people are 9 driving less. There are less collisions. There are 10 lower physical damage claims, with significant 11 evidence from MPI for the March -- mid-March to mid 12 April period confirming that. There are dramatic 13 reductions in -- in physical damage costs, and a 14 reasonable expectation that Personal Injury Protection 15 Plan and comprehensive costs will be similarly 16 reduced. 17 These two (2) factors alone, the COVID- 18 19 pandemic and its consequences in terms of hardship, 19 as well as the lower claims incurred costs as a result 20 of the pandemic, in the respectful view of our client 21 (sic), should satisfy the Board that there's been a 22 substantial change in circumstances. 23 This Board, of course, is tasked with 24 looking at the health, the balance between ratepayers, 25 and the Corporation, not just today, but for the</p>

<p style="text-align: right;">169</p> <p>1 future. And so there is also an essential financial 2 backdrop to this application. 3 And if Kristen could pull up figure 10 4 from page 17 of 27 of the MPI application. Line 3, 5 the third column in, tells us that the projected 6 current forecast for Basic total equity at year's end 7 2021 is in excess of 530 million. And if you go down 8 to line 15, you'll see that's -- that's even after the 9 current forecast. 10 In our clients' view, the overall 11 health of the corporate -- Corporation is essential 12 financial context for this application. And the MPI 13 Basic monopoly, fueled by a very good winter in 14 '19/'20, and an expected for -- excuse me -- and a 15 forecasted \$100 million reduction in expected claims 16 in '20/'21 is projected to have over half a billion 17 dollars in reserves at year end, even after this 18 rebate -- this proposed rebate. 19 And as well, the non-rate -- rate 20 regulated but de facto Extension monopoly is poised 21 for another strong year, with projected net income in 22 excess of \$50 million. And if the Board's looking for 23 reference to that, that's APF Extension Pro Forma 24 number 3. 25 And before our client digs into the</p>	<p style="text-align: right;">171</p> <p>1 Madam Chair and members of the panel, 2 this is an emergency application, so our clients, like 3 MPI, will not be digging extensively into the details, 4 but there are some points that our clients want to 5 discuss in terms of the forecasting risks relating to 6 the Corporation, in terms of the reasonableness and 7 prudence of picking a rate rebate rather than follow - 8 - following the pathway set out in the Capital 9 Management Plan, and again, going back to the overall 10 health of the Corporation, and our clients will also 11 have a few comments about equity -- equity among 12 different classes of ratepayers, including 13 motorcycles. 14 So in digging into the details and in 15 modifying Board Order 20 -- or the -- the rate Orders 16 affecting the rebate, as it considers just and 17 reasonable, in our clients' view, it is appropriate 18 still for the Board to apply its long-standing 19 criteria from Board Order 98/'14. 20 Take a look at whether the forecasts 21 are reasonably reliable. Is MPI -- secondly, is MPI 22 acting in a prudent manner? Keep in mind the overall 23 health of the Corporation, and -- and test whether 24 rates are reasonab -- are reasonable and 25 nondiscriminatory between different classes.</p>
<p style="text-align: right;">170</p> <p>1 details, for just a moment, staying that the high 2 level, it is a combination of these factors, the 3 intersection of acute financial dis -- distress for 4 Manitobans, with significantly improved short-term 5 financial results for MPI, that convinces our client 6 that it is important to act, and that MPI is 7 financially capable of acting. 8 And it is the overall health of the 9 Corporation that leaves our client of the view that -- 10 that despite the risks and attendant uncertainty with 11 -- with the social and economic dislocation of COVID- 12 19, that it is appropriate and prudent to act. 13 So if we think of the just and 14 reasonable evaluation as a balancing act, there is 15 evidence that consumers are overpaying -- private 16 passenger consumers are overpaying in the mid March to 17 mid April time period, and likely to be over to -- 18 paying in the mid April to mid May time period. 19 And there is evidence that the 20 returning \$58 million will not materially impair the 21 overall health of the Corporation given both its 22 dominance in the Basic and Extension marketplaces, and 23 high to excessive reserves. And there is an urgent 24 need to act, given the financial distress that many 25 Manitobans are experiencing.</p>	<p style="text-align: right;">172</p> <p>1 And in looking at these criteria, the 2 principles that underlie it from the just and 3 reasonable perspective are the need to balance between 4 different classes of ratepayers, and between 5 ratepayers and the Corporation, and to keep in mind 6 intergenerational equity, to keep in mind today's 7 consumers, but future consumers. 8 Turning to forecasting, our client 9 would identify significant forecast uncertainty 10 underlying this application in three (3) distinct 11 ways. 12 First, there is uncertainty in terms of 13 the impact of COVID-19 on collisions and claims 14 incurred costs, especially after the May 15th period. 15 Secondly, there is forecast uncertainty 16 in terms of the impacts of COVID-19 on revenues. 17 And finally, there is forecast 18 uncertainty in terms of the impact of COVID-19 on 19 investment income, especially as it relates to 20 Extension and the road -- rate stabilization reserve. 21 This hearing is not a referendum on the 22 asset liability matching program. That conclusion 23 will not be available to us until many years down the 24 -- in the future, but it is important to be alive to 25 forecast uncertainty.</p>

<p style="text-align: right;">173</p> <p>1 And in terms of forecast uncertainty, 2 our clients want to speak to claims incurred to start 3 with. In our clients' respectful view, MPI has done a 4 particularly impressive job in terms of the grand -- 5 granularity of its physical damage collision -- 6 collision data and analysis for the one (1) month 7 period from mid-March to April 15th. Very impressive 8 job on the physical damage side. 9 There have been some simplifying 10 assumptions. The assumption of perfect correlation in 11 terms of the relationship between trends in physical 12 damage, comprehensive, and the Personal Injury 13 Protection Plan is oversimplified, but totally 14 understandable and reasonable given the emergent 15 circumstances. 16 So there's great data in terms of 17 physical damage. There's more uncertainty around the 18 other elements of that estimate, but it's a very 19 reasonable and strongly justifiable estimate as it 20 applies to the mid -- mid March to mid April period, 21 and certainly very reasonable to infer that same type 22 of development for -- from mid April to mid May. 23 The key area of uncertainty with regard 24 to claims incurred, and Mr. Johnston candidly conceded 25 this in oral questioning yesterday, it's the period</p>	<p style="text-align: right;">175</p> <p>1 developments in terms of claims incurred. 2 Mr. Johnston also candidly confirmed 3 yesterday the robust capability of Manitoba Public 4 Insurance to undertake a monthly monitoring of claims 5 incurred. They've been doing it for some time now, 6 with a one-month lag. 7 That is an ordinary course of business 8 now, at least as we understand Mr. Johnston, and an 9 expected course of business, and that again gives our 10 clients confidence that an Order beyond May 15th 11 asking for monitoring updates in terms of collisions 12 is both highly feasible and not unduly burdensome to 13 Manitoba Public Insurance. And frankly, Manitoba 14 ratepayers deserve that kind of information given the 15 dramatic change in claims incurred in -- in the mid- 16 March to mid-April period. 17 In terms of the estimates underlying 18 this application, our clients do wish to outline one 19 (1) other element of conservatism, not in a critical 20 way, recognizing the -- the emergency, but just to 21 note that this is also worthy of monitoring as we move 22 beyond May 15th. 23 And as Mr. Johnston noted yesterday, 24 there is a -- historically a positive correlation, a 25 positive relationship between claims incurred and</p>
<p style="text-align: right;">174</p> <p>1 after May 15th, which -- because in MPI's estimates -- 2 and again it's an emergency. We take no issue for the 3 purposes of this application. We just note it's 4 uncertain afterwards because their estimates assa -- 5 assume no COVID-19 effect on claims incurred after 6 that date. 7 So the assumption that it will be 8 business as usual on Manitoba roads is reasonable in 9 the context of the rate -- rate rebate but is 10 certainly worthy of monitoring to see if Manitobans 11 are likely to continue to overpay in the '20/'21 12 results as a consequence of COVID-19. 13 And as the Premier made clear this 14 week, the return to normal will be staged and there 15 will be the possibility of future setbacks, and as the 16 PUB Chair discussed with Mr. Johnston yesterday, it is 17 not clear when we will return to normal or to what 18 degree there will be a new normal. 19 Manitobans are still being encouraged 20 to work at home and to practice social distancing, and 21 to the extent that COVID-19 impacts such as working at 22 home, school closures, and social distancing extend 23 beyond May 15th, that is not in the forecast and that 24 may - underlining the word "may" only - suggest 25 material opportunities for ongoing positive</p>	<p style="text-align: right;">176</p> <p>1 claims expenses. Again, this is understandable in 2 light of the emergency application, that claims 3 expenses for 2020/'21 are currently projected to be 4 flat, leaving aside accounting judgments, and that 5 would be inconsistent with Mr. Johnston's 6 understanding of a positive correlation between claims 7 incurred and claims expenses. So again, there's 8 potential for positive development. 9 From our clients' perspective, this 10 should not affect the quantum of the rebate. There's 11 no certainty with that, and there will be a lag, but 12 it is certainly worthy of monitoring in the months 13 that follow May 15th. 14 So those are the two (2) elements of 15 forecasting from our clients' perspective that are -- 16 tend to be somewhat conservative, not a bad thing in 17 an emergency circumstance, but we want to flag those 18 because they raise the possibility for future positive 19 developments. 20 On the other side of the ledger, in 21 terms of where forecasting may be over-optimistic, is 22 the forecast of flat revenues for the '20/21 year, and 23 it is clearly a risk that a flat revenue forecast may 24 be over-optimistic in light of the decline in gross 25 domestic product related to COVID-19 and the risk that</p>

177	<p>1 Mr. Graham and Chairperson Gabor were talking about 2 earlier today of people not insuring as many vehicles 3 in -- in response to financial circumstances. 4 So there is a risk that Manitobans may 5 change their vehicle purchasing patterns or insurance 6 coverages in response to the economic distress and 7 uncertainty, and that would tend to pu -- push 8 revenues lower. 9 However, there is no evidence of that 10 before the Board today in the context of this 11 application, and no evidence to show a decline in 12 driver insurance patterns to support a reduction in 13 revenue estimates, and MPI confirms this at page 6 of 14 27 of its application. Customers to date have 15 cancelled or reduced coverage on less policies -- less 16 policies than they did during the weeks of mid March 17 to mid April 2019. 18 19 (BRIEF PAUSE) 20 21 DR. BYRON WILLIAMS: Our clients 22 appreciate learned counsel for MPI's comments about 23 investment risk, and our clients do see investment 24 risk as -- as a -- as a risk to Manitoba Public 25 Insurance. It's always a risk at times of economic</p>	179
178	<p>1 forecasting risk now, and they've already shared why 2 they think that it is reasonable and prudent to 3 provide rate relief in these emergency circumstances, 4 but under the headline of reasonableness and prudence, 5 our clients want to discuss why the RSR rebate is 6 reasonable as opposed to the methodology set out in 7 the approved Capital Management Plan. 8 As Mr. Johnson confirmed yesterday, and 9 just to be clear, this is a one-time 50 million -- \$58 10 million rebate from Basic. It is a capital release of 11 excess monies now being held in the RSR. So the 12 question of its reasonableness needs to be asked in 13 light of the fact that RSR rebates are not 14 contemplated under the Capital Management Plan and 15 given the two-year trial approval for that plan by the 16 PUB. 17 And our client is anxious not to be 18 distracted by sophistry on this issue. In our 19 clients' respectful view, the rate rebate plan being 20 presented is definitely not the Capital Management 21 Plan. It is distinct from the Capital Management 22 Plan. It is fundamentally different in three (3) 23 ways. 24 First, this is the one (1) time -- it 25 is a one (1) time rate rebate as opposed to rate</p>	180
178	<p>1 uncertainty and volatility. But in the short term 2 context of this application, the Basic portfolio of 3 over \$2 billion is comprised entirely of Government 4 and corporate bonds and unlikely in the short term to 5 be at material risk, for a couple reasons. 6 First of all, duration mass -- matching 7 of assets and liabilities materially reduces interest 8 rate risk. And secondly, bonds are significantly less 9 volatile, both in terms of -- as compared to equities, 10 both in terms of downside risk as well as in terms of 11 upside opportunity. 12 Our clients would note that there is 13 more forecasting risk and uncertainty in the much 14 smaller RSR and Extension investment portfolios, but 15 they are roughly a quarter -- well, the -- they're 16 significantly smaller than the Basic portfolio, and 17 you can see that volatility even in the results, 18 comparing February to March for those portfolios. 19 The Extension portfolios actually -- 20 shown a bit of improvement to March 31st as compared 21 to February, whereas the -- the RSR has shown a 22 deterioration, but that evidence is before you as 23 well. So there is an investment risk but not 24 primarily related to the Basic portfolio. 25 Our clients are going to leave</p>	<p>1 decreases over a three (3) year period. 2 Second, all eligible ratepayers are 3 being paid by cheque at the same time, rather than 4 having a reduction built into their rates and having 5 the release of that reduction staggered throughout the 6 renewal year, as their insurance becomes due. 7 Third, there was no transfer of excess 8 reserves from Extension to Basic after the end of 9 March 20th, and that is a central element of the 10 Capital Management Plan. 11 So this is not a tweak to the Capital 12 Management Plan, this is something that's 13 fundamentally different. It walks and it talks and it 14 look a lot like the Rate Stabilization Rebate 15 mechanism that has been used by the Board successfully 16 on a periodic basis to return excess returns at year- 17 end to ratepayers since the early 2000s. 18 But it does have one (1) important 19 distinction, even from that traditional mechanism, and 20 that is that the calculation of excess reserves 21 includes a recognition that there is an estimated 22 over-collection of revenues in the current year. A 23 real-time estimate, almost, of some 58 million. 24 So it's definitely not the capital 25 management plan, it's very analogous to the historic</p>

<p style="text-align: right;">181</p> <p>1 rate rebate mechanism which after fiscal year ends 2 rebated monies to customers with that one (1) 3 important and creative tweak. 4 And that is why it's for the purposes 5 of the Board's Order in -- in our client's view, the 6 Capital Management Plan has to be suspended for the 7 specific purpose of issuing the \$58 million rebate. 8 It's not a tweak. This is something fundamentally 9 different. 10 That doesn't mean that it is imprudent 11 of Manitoba Public Insurance to do so. While its 12 application is a clear implus -- implicit rejection of 13 the Capital Management Plan, for the specific purposes 14 of the COVID-19 emergency, it is not imprudent, it is 15 not unreasonable. 16 Rejecting the Capital Management Plan, 17 suspending it for the purposes of the rebate, is a 18 good choice and well-justified. 19 It gets money to consumers within two 20 (2) months as compared to staggered over three (3) 21 years. It gets money to consumers all at the same 22 time when they need it most, rather than staggered 23 over the insurance year. 24 And it is an important good news signal 25 in a time of seemingly unremitting stressful news.</p>	<p style="text-align: right;">183</p> <p>1 Our client (sic) does concur with MPI 2 that the funding mechanism for the rebate is prudent. 3 And it notes that MPI currently does not anticipate 4 having to liquidate invested funds to support the 5 rebate, because the rebate is being funded primarily 6 by cash on hand, as well as by revenues for the mid- 7 March to mid-May period in which there is a high 8 degree of confidence due to dramatically lower 9 collision rates that there will be an excess of 10 revenues. 11 So our client (sic) supports and 12 commends Manitoba Public Insurance for its prudent 13 approach in terms of anticipating this need and in 14 responding to it in a way that doesn't force the 15 liquidation of investment assets at a highly uncertain 16 time. 17 Kristen, if we can just go back to 18 figure 10 for a second, please. 19 Our clients did talk about the overall 20 health of the Corporation at -- at the outset of the 21 comments. And again, these are forecasts that our 22 clients do want to again point to line 3, the current 23 forecast of Basic total equity for 20/21, being over 24 530 million estimated forecast, excuse me. And for 25 2020/21/22 being over 600 million.</p>
<p style="text-align: right;">182</p> <p>1 And it is also a creative and innovative use of the 2 historic rebate tool, providing the near real-time 3 response to a dramatic drop in claims costs. 4 It should be applauded, but not 5 characterized as aligned with the Capital Management 6 Plan. It just ain't, or isn't, to use better grammar. 7 I should note that while our clients 8 applaud the innovative use of the rate rebate tool and 9 the suspension of the rate re -- release process 10 envisioned under the Capital Management Plans, our 11 clients do not endorse the MPI choice outside of the 12 regulatory pro -- process to reject the Capital 13 Management Plan for 2019/20, by declining to transfer 14 excess reserves in Extension to Basic. 15 They do not support the rejection of 16 the CMP for 19/20. And by leaving funds in expen -- 17 Extension above the 200 percent MCP, an amount which 18 is currently estimated to be in the range of \$12 19 million. 20 So that, our clients do not endorse, 21 but they say that that is, again, clear evidence that 22 we're outside the Capital Management Plan were open. 23 And that was a unilateral decision, to our clients' 24 knowledge, and certainly not made in a transparent 25 regulatory met -- way.</p>	<p style="text-align: right;">184</p> <p>1 And if we could just go down to the MCT 2 ratios, there you'll see anticipated in those two 3 years MCT ratios of 130 percent for 2020/21, and of 4 132 percent for 2020/21/22. 5 These are extremely healthy level of 6 reserves and the Board is aware that the level of 7 reserves in Extension are actually above 200 percent 8 MCT as well. 9 And our clients note, as well, that 10 Extension is forecast to have another good year in 11 2021 with net income in the range of -- of -- in 12 excess of 50, 5-0 million dollars. 13 And looking at the overall health of 14 the Corporation, our clients would also ask the Board 15 to keep in mind that it is likely that the target for 16 unregulated Extension is inflated, given the risks it 17 faced, due in part both to the absence of competition, 18 as well as the nature of the insurance risk, including 19 related to deductibles. 20 And our clients note the comment by the 21 PUB in last year's GRA, that the magnitude of 22 Extension reserves is of concern to the Board. 23 So from the big picture again, in terms 24 of the \$58 million rebate, our clients believe that 25 there is con -- there can be significant confidence</p>

<p style="text-align: right;">185</p> <p>1 that future ratepayers will not be unduly prejudiced. 2 In our clients' view there is a 3 powerful message in retained earnings, that MPI's 4 legal monopoly in Basic and defacto monopoly in 5 Extension is in extremely good shape, with a plausible 6 con -- conclusion that it is currently over-collecting 7 as compared to real risks. 8 A rebate now in response to a 9 substantial change in circumstances is unlikely to 10 prejudice future ratepayers, materially. 11 It is legitimate, staying on the issue 12 of risk, to ask: What about a bad winter? And again, 13 our client (sic) appreciates and thanks Manitoba 14 Public Insurance for undertaking a 1:100 year scenario 15 for catastrophic winter experience, which estimated 16 that would be 158 million. 17 And that scenario analysis suggests a 18 1:100 winter would still leave Basic total equity in 19 excess of 370 million with an MTA -- MCT ratio of 91 20 percent. And that scenario analysis buttresses our 21 clients' conclusions are not being put unreasonably at 22 risk by the application. 23 Madam Chair, just a couple more points, 24 and we want to turn to the appropriate allocation of 25 the rebate between customer classes.</p>	<p style="text-align: right;">187</p> <p>1 CMMG, our clients are not opposed to MPI's current 2 determination -- proposal to determine eligibility at 3 March 15th, 2020, for policies in force and earning 4 premiums. 5 CAC Manitoba, still on this point, also 6 is mindful of the urgency of returning excess reserves 7 to ratepayers and of -- of avoiding undue delays. 8 That being the sai -- said, if the PUB decides 9 differently from what MPI is proposing, and it decides 10 that it is just and reasonable to have a rebate for 11 Basic that is more inclusive of motorcyclists, a one 12 (1) week delay in issuing cheques would be regrettable 13 but not unreasonable, in the respectful view of CAC 14 Manitoba. 15 Going back to Mr. Johnston's point, 16 which I think was point 8 on MPI's slide regarding 17 this issue, in terms of the absence of evidence 18 regarding the impact of COVID-19 on motorcycle claims 19 incurred, if any, our clients' recommendation that the 20 PUB continue monitoring -- that four (4) month 21 monitoring period recommended by CAC Manitoba would 22 provide numbers when we're confident that 23 motorcyclists are on the road in terms of the impact 24 on their driving behaviour, collision experience, and 25 claims incurred.</p>
<p style="text-align: right;">186</p> <p>1 And obviously the primary issue here is 2 the dispute between MPI and CMMG, in terms of whether 3 motorcyclists should receive the Basic rebates. And 4 at least as our client understands the record, it is 5 understood that most motorcyclists will be receiving a 6 rebate from Extension. 7 But in terms of the Basic rebate, the 8 views of MPI and -- and CMMG are strongly held and 9 very different. 10 Our clients are more agnostic. In 11 considering the issue and the back and forth between 12 CMMG and MPI in the discussion yesterday, our client 13 would observe that the only argument it found per -- 14 at least somewhat persuasive was the suggestion by Mr. 15 Johnson -- Johnston that he does not have numerical 16 evidence to conclude whether actual motorcycle claims 17 and claims incurred in that mid-March to mid-April 18 period are going up or down. 19 And he appears to relate this lack of 20 evidence in part to the fact that 90 percent of 21 motorcycles are insured as pleasure insurance, which 22 means their use and risk patterns may differ 23 materially from private passenger class. 24 Again, while our client is 25 significantly more agnostic on the issue than MPI or</p>	<p style="text-align: right;">188</p> <p>1 So that may not be of much solace to 2 CMMG in terms of our clients' perspective, but that 3 monitoring period may give important evidence if we 4 can re -- to the extent that we can get insight in 5 terms of what's happening outside the May 15th period. 6 Before concluding its submissions, CAC 7 wishes to flag its concerns about three (3) specific 8 communication challenges in the record of this prozee 9 -- proceeding, which, in its respectful view, are at 10 risk of being understood (sic) by the public and could 11 undermine confidence in what, from CAC Manitoba's 12 perspective, is a prudent and reasoned response to a 13 substantial change in circumstances based on the 14 overall health of MPI. 15 And in making these comments about the 16 communication challenges, CAC Manitoba wishes in no 17 way to detract from the dynamic efforts of MPI staff 18 to develop a flexible and creative response to COVID- 19 19 or to communicate and coordinate its response with 20 the elected officials who are leading the emergency 21 response. So any critical comments that follow are 22 tempered by our understanding that the primary 23 motivation was to act prudently and reasonably but in 24 an expeditious and coordinated manner with government. 25 The communication challenges that our -</p>

<p style="text-align: right;">189</p> <p>1 - our client flags on the record of this proceeding 2 relate to language both from the MPI application and 3 Exhibit MPI Number 4, the board meeting minutes from 4 April 15th, 2020, respo -- regarding responsibility 5 for initiating the rate rebate. 6 At the MPI application, page 4, there's 7 a suggestion that the special rebate application 8 results from an announcement of the minister of Crown 9 services. At page 17, line 6 to 7, of the application 10 is a statement that: 11 "Rather than applying the Extension 12 capital transfer, MPI has instead 13 received government approval [those 14 words bolded] to immediately rebate 15 52 million from Extension in May 16 2020." 17 At Exhibit MPI-4, there is language in 18 the April 15th, 2020, mem -- mem -- minutes that the 19 members were supportive, and I'm paraphrasing here, of 20 -- well, actually, I'm not: 21 "The members were supportive of the 22 providing a credit to customers and 23 excess capital to government." 24 Again, our client (sic) realizes that 25 this was done in an emergency, done with the best of</p>	<p style="text-align: right;">191</p> <p>1 response to the emergency led by the 2 Province of Manitoba." 3 Our clients would like to finish where 4 they began by acknowledging the leadership of the MPI 5 board and the creative and hard work of the MPI staff 6 in developing an evidence-based response to the COVID- 7 19 emergency in an urgent but responsible manner. 8 Our recommendations, again, are to 9 suspend the application of the Capital Management Plan 10 for the purposes of issuing this special rebate; and 11 to direct MPI to provide monthly filings for the next 12 four (4) months, consistent with Mr. Johnston's 13 evidence yesterday; and to reserve the authority to 14 provide further emergency rate relief as is just and 15 reasonable as the evidence may suggest or not suggest 16 in the future. 17 Tha -- subject to any comments, our 18 clients would end their submissions. 19 THE PANEL CHAIRPERSON: Thank you, Mr. 20 Williams. Any questions...? 21 THE BOARD CHAIRPERSON: Mr. Williams, 22 I have a few questions, and they have to do with your 23 -- I guess they go to the issue of timing and your 24 recommendation under number three (3) about the 25 monthly filings and reserve the authority for the</p>
<p style="text-align: right;">190</p> <p>1 intentions, and -- and in haste. But these statements 2 run the risk of creating confusion about the mechanics 3 of the rebate and about the responsibility for 4 initiating rate applications under the statutory 5 framework. 6 As the evidence confirmed yesterday, 7 there was no transfer of excess capital to government. 8 This cheque is coming from MPI from their rebates. 9 And as reading of the statute makes clear, the 10 responsibility for determining whether to seek a rate 11 -- a rate rebate and bring forward an application to 12 the PUB is that of the MPI board. 13 MPI is not a government department. It 14 is a Crown corporation. It is created by statute with 15 a board, whose fiduciary duty lies to the Corporation 16 and its ratepayers. So in the respectful view of CAC 17 Manitoba, it may be helpful for the PUB -- in its 18 written reasons, if any -- to clarify, as confirmed by 19 Mr. Giesbrecht yesterday, that the special rate 20 application results from a direction of the MPI board 21 with guidance from mana -- management and support of 22 the minister. 23 And then we would add this language: 24 "And is representative of MPI's 25 contribution to a com -- coordinated</p>	<p style="text-align: right;">192</p> <p>1 board to provide further relief, including options 2 such as a rebate and credit to customer account. 3 So I'm trying to work this through. We 4 asked for monthly filings, and hypothetically, let's 5 say we get to August 15th, which is a month delay, 6 thirty (30) day lag. MPI's filed an application, a 7 GRA, in, as I understand it still, May. We've gone 8 through an IR process -- or we're in the middle of an 9 IR process. We get the filings. It appears that 10 there may be an argument for a rebate -- a further 11 rebate. 12 I guess my two (2) question to you are: 13 Number 1, how do we know they can pay for it? For -- 14 for this one, the evidence was they had \$80 million 15 cash and they had other liquid assets. 16 And Number 2, what's the impact on the 17 GRA because it would seem to me that all of a sudden 18 your numbers are just changing completely or 19 significantly? And do we have further rounds of IRs 20 to deal with amended numbers that occur after a rebate 21 has been issued? I'm just trying to understand it so 22 that -- that we can have sort of the most expeditious 23 but fair process going forward. 24 MR. STEVEN SCARFONE: Just before Mr. 25 Williams answers -- sorry, Mr. Williams -- on -- on</p>

193	<p>1 your question, Mr. Gabor, on the timing of it, the 2 Corporation has made Board counsel and the Interveners 3 aware that the May filing date is now not happening 4 and that the -- the General Rate Application will be 5 filed sometime in June, probably towards the end. 6 THE BOARD CHAIRPERSON: Okay. Thank 7 you. I didn't -- I didn't -- the last word I had was 8 that we were probably looking at the end of May or 9 June. Okay, so we're looking at a later period of 10 time. 11 But can you just provide comments on 12 that because what we -- we need to provide a level of 13 comfort to the public that there's a process, 14 everybody understands the process is a transparent 15 process? 16 So your comments, please. 17 DR. BYRON WILLIAMS: So the 18 hypothetical -- I -- I think I've heard, Mr. Chair, is 19 that if the evidence in August of 2020 suggests that 20 there is a ongoing dramatic impact on claims in -- 21 incurred, I -- I think that's what I -- I've heard. 22 And I think the question you're asking 23 is -- one is, how do they pay for it, but secondly, 24 how does it relate to the GRA process. 25 In our -- in our clients' thinking,</p>	195
194	<p>1 I believe the evidence of Mr. 2 Giesbrecht yesterday in terms of cash was that they 3 have a range of between sixty (60) and -- and a 4 hundred and that they would be leaning towards the 5 upper side. 6 Mr. Chair, that's a very live question 7 that we -- one can't answer until one sees a 8 circumstance, but that's kind of how our client (sic) 9 has been envisioning this working. 10 And from our clients' perspective, we 11 all hope that things get back to normal May 16th, but 12 there's something very dramatic that's happened in 13 rates and there is something in the short term that's 14 transformed what's going on in Manitoba. 15 Hopefully -- so given that and given 16 the evidence the Board has before it, it's important 17 to be alive and to at least be monitoring what's going 18 on, and especially hearing Mr. Johnston speak 19 yesterday, that this is now -- MPI has the capability 20 to do this as the ordinary course of business. 21 Mr. Chair, from our clients' 22 perspective, we don't see the reporting requirements 23 having to be unduly onerous. The analysis will be 24 done by MPI with the one (1) month lag. 25 Mr. Johnston and the MPI executive are</p>	196
194	<p>1 there is a question of, first of all, materiality, as 2 MPI stated yesterday and we would agree with them. If 3 it's in the 10 to \$20 million range, that's not 4 something that our clients would be -- that would just 5 be new -- new information that -- that would inform 6 the GRA and -- and not necessitate a -- any emergency 7 response. 8 If it's material, if it's another 50 to 9 whatever million dollars, then that may be a different 10 question. 11 What our clients would suggest is, 12 there's a couple of options at that point in time. If 13 it's really large and the emergency is ongoing, if 14 there is a second wave, then it would be open for the 15 Board to do something more emergent, or another option 16 would be to roll that into the GRA -- the GRA process 17 and -- and give notice to the parties that among the 18 options the Board is con -- considering is urgent 19 relief flowing from the GRA or a resumption of the 20 capital management process which the Board -- that's 21 kind of how our clients see that. 22 One (1) of the considerations would be, 23 is an emergency rebate actually practical in the sense 24 of -- or would it be cost prohibitive to MPI in that 25 they'd have to liquidate assets.</p>	<p>1 honourable people. If they detect that there's still 2 substantial material changes in claims incurred 3 experience, we can rely upon them to communicate that 4 to the Board in a -- a very summary statement. 5 Our client (sic) isn't looking to add 6 burdens. It's the same kind of reporting we would 7 expect they would provide to their own management. 8 MR. STEVEN SCARFONE: The Corporation 9 would consent to that reporting, Mr. Gabor, that 10 monthly reporting. We have no difficulty providing 11 that claims experience, monthly net income, during 12 this time. 13 THE BOARD CHAIRPERSON: Yeah. That 14 was my understanding from the testimony yesterday. 15 MR. STEVEN SCARFONE: Yeah. 16 THE BOARD CHAIRPERSON: Thank you. 17 Thank you, Mr. Williams. Thank you, Mr. Scarfone. 18 DR. BYRON WILLIAMS: And we appreciate 19 that from Manitoba Public Insurance. 20 THE PANEL CHAIRPERSON: Thank you. 21 Ms. Hainsworth, do you have any questions? 22 MS. CAROL HAINSWORTH (by phone): No. 23 I have no questions. Thank you. 24 THE PANEL CHAIRPERSON: Thank you. 25 Mr. Vanderwater...?</p>

197	<p>1 MR. ROBERT VANDERWATER (by phone):</p> <p>2 No. I'm fine, thank you.</p> <p>3 THE PANEL CHAIRPERSON: Okay. Thank</p> <p>4 you very much.</p> <p>5 We'd like to take a break for fifteen</p> <p>6 (15) minutes, so if we could come back, please, at 20</p> <p>7 to 11:00.</p> <p>8</p> <p>9 --- Upon recessing at 10:25 a.m.</p> <p>10 --- Upon resuming at 10:40 a.m.</p> <p>11</p> <p>12 THE PANEL CHAIRPERSON: Thank you very</p> <p>13 much. Ms. Meek...?</p> <p>14</p> <p>15 FINAL SUBMISSIONS BY CMMG:</p> <p>16 MS. CHARLOTTE MEEK (by phone): Thank</p> <p>17 you, Madam Chair. Good morning to the Board, MPI</p> <p>18 executives, and other Interveners.</p> <p>19 Similarly to Our Friends at CAC</p> <p>20 (Manitoba), CMMG would like to start off by thanking</p> <p>21 the Board and MPI for the efficiency with which this</p> <p>22 process has been conducted in order to provide</p> <p>23 financial relief to Manitobans during the current</p> <p>24 climate.</p> <p>25 Manitoba Public Insurance has brought</p>	199	<p>1 allow motorcyclists to be safely on the road. CMMG</p> <p>2 Exhibit 1 provided a selection of images between April</p> <p>3 17th and April 29th of road conditions illustrating</p> <p>4 roads were free of ice and snow.</p> <p>5 CMMG Exhibit 2 demonstrated temperature</p> <p>6 highs since April 17th exceeding 11 degrees for the</p> <p>7 majority of days. Mr. Johnston acknowledged that</p> <p>8 while it was a choice for motorcyclists, he didn't see</p> <p>9 why motorcyclists couldn't be riding through that time</p> <p>10 period.</p> <p>11 MPI is attempting to assert that as the</p> <p>12 riding season, as defined by MPI, only commences on</p> <p>13 May 1st, that MPI has no exposure to risk prior to</p> <p>14 that. This is simply inaccurate, as Mr. Johnston</p> <p>15 acknowledged that MPI provides insurance to the</p> <p>16 motorcycle class with active Basic policies year</p> <p>17 round. MPI, therefore, provides a service and covers</p> <p>18 claims outside of the riding season.</p> <p>19 This year, given weather conditions and</p> <p>20 road conditions, the opportunity for motorcyclists to</p> <p>21 begin riding arose well before May 1st. MPI's</p> <p>22 assumption that motorcyclists do not contribute</p> <p>23 significantly to the lower claims frequency between</p> <p>24 March 1st and May 15th -- or, sorry, pardon me, March</p> <p>25 15th and May 15th is not based in fact.</p>
198	<p>1 an application before this Board requesting an Order</p> <p>2 to allow a capital release of funds. These funds have</p> <p>3 built up through a significant reduction in collision</p> <p>4 frequency and, therefore, claims costs as a result of</p> <p>5 the COVID-19 pandemic.</p> <p>6 Through the requested wording of the</p> <p>7 Order by MPI, the recipients of the rebate have been</p> <p>8 limited to those ratepayers with insurance policies in</p> <p>9 force and earning premium on March 15th, 2020. The</p> <p>10 use of this requirement has the effect of excluding</p> <p>11 the motorcycle class from eligibility for this portion</p> <p>12 of the rebate.</p> <p>13 In the application, MPI cited two (2)</p> <p>14 main arguments supporting their position that the</p> <p>15 motorcycle class should not be eligible for the</p> <p>16 proposed rebate from Basic. The first point MPI made</p> <p>17 was that motorcyclists are assumed to not</p> <p>18 significantly contribute to the lower claims frequency</p> <p>19 during the period from March 15th to May 15th. MPI</p> <p>20 supported this idea by pointing out that the riding</p> <p>21 season, as defined by MPI, is May 1st to September</p> <p>22 30th.</p> <p>23 Through the question-and-answer period,</p> <p>24 Mr. Johnston acknowledged that temperatures and road</p> <p>25 conditions since April 17th, 2020 were sufficient to</p>	200	<p>1 The second argument cited by MPI in</p> <p>2 support of their exclusion of the motorcycle class is</p> <p>3 that motorcycle premiums are fully earned during their</p> <p>4 defined riding season. As explored through the</p> <p>5 question-and-answer period, an earned premium is</p> <p>6 distinct from the date that the premium is collected</p> <p>7 by the Corporation from the insured.</p> <p>8 Mr. Johnston acknowledged that MPI's</p> <p>9 identification of the riding season and premiums being</p> <p>10 earned by MPI during that season is an accounting</p> <p>11 decision to match the recognition of revenue with the</p> <p>12 timing of the incurred loss, or in other words, to</p> <p>13 charge premiums when the exposure occurred.</p> <p>14 Mr. Johnston acknowledged that the</p> <p>15 riding season, as defined by MPI, upon which MPI earns</p> <p>16 premium, is not representative of the term of coverage</p> <p>17 for motorcycles within enforced policy.</p> <p>18 Mr. Johnston acknowledged that</p> <p>19 motorcyclists pay premiums outside of the earning</p> <p>20 period. The period upon which motorcycles earned</p> <p>21 premium is simply an accounting methodology used by</p> <p>22 MPI. It is not an accurate representation of the</p> <p>23 riding season for the motorcycles or for the period</p> <p>24 for which motorcycle premiums are actually paid by</p> <p>25 insured.</p>

201	<p>1 Further, it is clear that premiums not 2 yet being earned for the period in question by the 3 motorcycle class is not sufficient to exclude a class 4 from eligibility for the rebate, as Mr. Johnston 5 confirmed that premiums for the private passenger 6 class have not yet been earned up to and including May 7 15th, 2020.</p> <p>8 Mr. Johnston, throughout his 9 examination, repeatedly raised the point that a 10 significant portion of motorcycle premiums are insured 11 as pleasure vehicles as a reason why the vehicle class 12 should be excluded. This point was additionally 13 brought up by Mr. Scarfone in his submissions this 14 morning.</p> <p>15 During the question-and-answer period, 16 Ms. McCandless questioned Mr. Johnston, though, and 17 con -- he confirmed that the proposed rebate by MPI 18 would be covering private passenger vehicles insured 19 under pleasure coverage. This clearly, then, does not 20 represent a reasonable reason to exclude the 21 motorcycle class.</p> <p>22 This year, motorcyclists are able to be 23 driving much earlier than May 1st, and those with 24 Basic policies were paying premiums that were in force 25 as of March 15th. MPI provides full coverage to those</p>	203
202	<p>1 Mr. Johnston was able to confirm during 2 the question-and-answer period that had the normal 3 process been followed to allow a relief from the CMP 4 through a reduction in premiums, that the reduction 5 would have applied across all major classes. The 6 motorcycle class would, therefore, have benefitted 7 from the reduction in premiums.</p> <p>8 While I appreciate Ms. -- this morning, 9 Mr. Williams suggested that the proposed rebate is not 10 comparable to a CMP release, he equated the current 11 rebate with a previous rebate mechanism for past GRAs. 12 While I'm not familiar with the mechanisms of previous 13 rebates, I would submit that where a previous rebate 14 will be calculated from savings accrued over a year 15 and equally dispersed to ratepayers, the same argument 16 would apply.</p> <p>17 CMMG, through a number of pre-asks, 18 requested MPI's confirmation that there would be no 19 additional cost to provide the rebate to the 20 motorcycle class as requested for the private 21 passenger class. Mr. Johnston indicated that there 22 would not be a massive cost, but noted that there may 23 be delays of up to one (1) week where different 24 queries were required.</p> <p>25 Upon further questioning by the Board,</p>	204
201	<p>1 motorcyclists with Basic policies held as of March 2 15th, 2020, and those policyholder -- holders will 3 have contributed to the reductions in claims, and 4 therefore contributed to the excess capital now held 5 by MPI.</p> <p>6 MPI's internal accounting methodology, 7 which determines when premiums are deemed as profit, 8 is not a sufficient reason to prohibit a major class 9 from eligibility to the proposed rebate.</p> <p>10 MPI has justified the proposed rebate 11 by likening the rebate to a release of funds through 12 the Capital Management Plan. As explored through the 13 question-and-answer period, the Capital Management 14 Plan allows for a capital relief where the RSR exceeds 15 100 percent MPT. The Capital Management Plan allows 16 the excess capital to flow back to ratepayers, usually 17 in the form of future rate decreases.</p> <p>18 Due to the negative economic impacts of 19 the COVID-19 pandemic, MPI has suggested to the Board 20 that it is just and reasonable that the relief to 21 Manitobans be expedited by way of special rebate. MPI 22 suggests that the Board, instead of distributing the 23 rebate in the form of reduced premiums, that the MPI 24 issue to ratepayers a lump sum payment calculated as a 25 percentage of their annualized premiums.</p>	203
202	<p>1 Mr. Johnston and Mr. Giesbrecht provided differing 2 estimates of possible delays.</p> <p>3 What was clear from Mr. Johnston is 4 that any insured receiving a rebate under the 5 Extension would also similarly receive a rebate under 6 Basic, and therefore, no additional cheques or 7 additional costs for mailing would be incurred.</p> <p>8 CMMG would recommend that where the 9 delay would be up to one (1) week, that delay would be 10 just and reasonable in the circumstances.</p> <p>11 Mr. Scarfone, on re-direct, pointed out 12 that by including the motorcycle class the rebate due 13 to the 700,000 insured already qualified the re -- for 14 the rebate, would have their rebate reduced.</p> <p>15 While CMMG acknowledges that there 16 would be a reduction in the rebate for other insureds, 17 CMMG proposes that the rebate should be equally and 18 fairly distributed to all vehicle classes, rather than 19 the detriment of one class over another.</p> <p>20 Further, Mr. Scarfone this morning 21 suggested that motorcyclists may cancel their 22 insurance before the riding season.</p> <p>23 If we have a look at Exhibit 5, MPI 24 Exhibit 5, I don't know if we're able to pull that up, 25 Kristen? Thank you. If we just scroll down to the</p>	204

205	<p>1 chart.</p> <p>2 This was information provided by MPI</p> <p>3 recording the number of cancellation policies. And as</p> <p>4 you can see, the numbers in 2020 are actually</p> <p>5 significantly less than those numbers in 2019.</p> <p>6 It appears then that motorcyclists are</p> <p>7 not cancelling their insurance and they are down from</p> <p>8 -- significantly from last year. Therefore, I would</p> <p>9 submit that the numbers do not suggest the trend that</p> <p>10 supports MPI's position.</p> <p>11 Finally, MPI pointed out that the media</p> <p>12 has reported on certain numbers to the public of -- in</p> <p>13 the range of 140 to \$160 on average as a rebate.</p> <p>14 As pointed out by Madam Chairperson,</p> <p>15 these numbers are already clearly inaccurate and</p> <p>16 should not discourage the Board from ordering a rebate</p> <p>17 that would differ from the reported numbers.</p> <p>18 As I understood from Mr. Williams'</p> <p>19 submissions this morning, he suggested that future</p> <p>20 monitoring could be a benefit to allow the possibility</p> <p>21 of accommodation where reductions and collisions are</p> <p>22 reported during the period after May 15th.</p> <p>23 While CMM -- CMMG supports the</p> <p>24 proposition that monitoring continue after that date,</p> <p>25 CMMG would request that the Board note future releases</p>	207
206	<p>1 in terms of reduction and premiums will fail to</p> <p>2 compensate ratepayers in the motorcycle class during</p> <p>3 this period of economic uncertainty and will not help</p> <p>4 to discourage future cancellations of motorcycle</p> <p>5 coverage this year.</p> <p>6 While CMMG supports MPI's proposal that</p> <p>7 the COVID-19 pandemic presents a pressing and unique</p> <p>8 situation which demands and efficient response, it is</p> <p>9 the position of CMMG that any rebate must be fair and</p> <p>10 equitable across all vehicle classes.</p> <p>11 MPI's reasoning for excluding the</p> <p>12 motorcycle class is inconsistent with other vehicle</p> <p>13 classes, and does not accord with the intention of the</p> <p>14 proposed rebate.</p> <p>15 CMMG supports MPI's application to vary</p> <p>16 Board PUB Orders 159/'18 and 176/'19, but CMMG</p> <p>17 recommends that the wording of the Order be modified</p> <p>18 to allow the motorcycle class to be included in the</p> <p>19 proposed rebate.</p> <p>20 Subject to any comments, that concludes</p> <p>21 the submissions.</p> <p>22 THE PANEL CHAIRPERSON: Thank you very</p> <p>23 much, Ms. Meek.</p> <p>24 Mr. Gabor...? Ms. Hainsworth, do you</p> <p>25 have any questions?</p>	208

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<p>1 you, and it's evident to IBAM that the interests of 2 consumers are being protected by way of this rebate. 3 As Mr. Grant Wainikka, the CEO of IBAM 4 was recently quoted in the Winnipeg Free Press, he 5 said premiums continue to go into MPI and they're not 6 paying out claims. 7 Brokerages on a daily basis are hearing 8 from families, from people, from businesses that are 9 really up against it financially, they're trying to 10 make payroll and trying to make rent. Anything that 11 the provincial government can do to support that, 12 we're very happy to see. 13 And I -- I can't sum it up any better 14 when it comes to the -- the need and the reasoning for 15 this particular rebate. 16 Given the role that -- given the fact 17 that the role of brokers was not raised, it was 18 ultimately determined that there was no need for IBAM 19 to file materials, given that the interests of 20 consumers have been -- have been protected. 21 I -- I should add as well that although 22 IBAM has been largely watching from the sidelines for 23 the purposes of this application, its member brokerage 24 is our community communicating insurance options to 25 consumers, notably with regard to vehicle</p>	<p>1 In addition to that, the Canadian 2 Insurance Broker's Association, of which IBAM is a 3 member, has been running a significant number of 4 television spots highlighting the importance of proper 5 insurance for both home and auto, which we're just 6 concerning ourselves with auto here today. But we 7 understand that they will continue to run these 8 advertisements, again given this unprecedented 9 situation we find ourselves in, and to ensure that the 10 consumer's needs are properly gi -- covered. 11 At the end of the day, IBAM is 12 supportive of the re -- rebate on an emergency basis. 13 Of course, there's a possibility of a slight delay and 14 as others have stated, if that does occur it's 15 unfortunate, but you know, at the end of the day the 16 fact that the monies are going to be going back to 17 Manitobans is -- is seen as a -- obviously a positive. 18 And ultimately the rebate will not 19 affect the financial stability of MPI and is in the 20 best interests of Manitobans. So again, IBAM is 21 supportive of -- of the rebate and obviously the 22 sooner the better. 23 So subject to any questions you may 24 have, that concludes my submissions. 25 THE PANEL CHAIRPERSON: Thank you, Mr.</p>
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<p>1 classifications and storage options. 2 In fact, IBAM has run various 3 advertisements in Winnipeg and throughout rural 4 Manitoba, including media and print advertising. 5 And I know that one (1) ad in 6 particular that I'll -- I'll just simply read the -- 7 the content of it. It says: 8 "When your insurance needs change, 9 contact us. It's normal to ask 10 questions about your insurance right 11 now. Your local broker is here to 12 support you with the advice and 13 solutions you're looking for. One 14 conversation today, could you give 15 some -- it could give you some peace 16 of mind for tomorrow, we're just a 17 click or a call away." 18 And it provides IBAM's website where 19 they could find -- consumers can find the location of 20 their nearest broker. 21 This campaign is designed to encourage 22 consumers to think about their own insurance needs, 23 including vehicle needs, that may have changed as a 24 result of the pandemic, and to contact their brokerage 25 for review.</p>	<p>1 Unfried. 2 Mr. Gabor...? Ms. Hainsworth, do you 3 have any questions? 4 MS. CAROL HAINSWORTH (by phone): No 5 questions, thank you. 6 THE PANEL CHAIRPERSON: Mr. 7 Vanderwater...? 8 MR. ROBERT VANDERWATER (by phone): No 9 questions, thank you. 10 THE PANEL CHAIRPERSON: Thank you. 11 Ms. McCandless...? 12 MS. KATHLEEN MCCANDLESS: Nothing from 13 me, thank you. 14 THE PANEL CHAIRPERSON: Thank you. 15 This concludes the '20/'21 -- I'm 16 sorry. Mr. Scarfone...? 17 18 REPLY BY MPI: 19 MR. STEVEN SCARFONE: That's all 20 right, Madam Chair. I often forget that I get to 21 reply when I'm in court. But Mr. Graham reminded me, 22 do we get to talk again? And so, we do. 23 But I will only, as the rules say, 24 touch upon things that we couldn't have anticipated. 25 Let me begin with Mr. Williams. One</p>

213	<p>1 (1) of his recommendations was that this Board suspend 2 the application of the Capital Management Plan for the 3 fiscal year 2020/'21. I didn't hear, I don't believe, 4 a reason for doing that. I don't know that it matters 5 much, but just be careful about that, I would suggest, 6 because next year in March 31, 2021, as we've set out 7 in the application, we fully expected that there would 8 be a transfer of excess capital in Extension to the 9 benefit of the Basic ratepayers. And next year, that 10 transfer represents Year 2 of the trial period. 11 And so if we are -- we're in a pause of 12 the transfer this year because of COVID, and -- and we 13 have a suspension next year, essentially, we've done 14 away with the two (2) year trial period of the CMP. 15 And we want to see how that works for our ratepayers. 16 So be careful when -- when considering that particular 17 recommendation. 18 On the motorcycle front, I'm -- I -- I 19 would only add that ultimately, Madam Chair, this 20 Board need only concern itself with one (1) thing, and 21 that is doing what's just and reasonable in all the 22 circumstances, and in particular, the circumstance of 23 this application. And returning monies to a class of 24 vehicle owners that haven't paid premiums is not just 25 by any measure; in fact, it represents a windfall for</p>	215
214	<p>1 that motorcycle class. 2 And -- and so we are here today for one 3 (1) reason: simply put, there's been a reduction in 4 claims. And the motorcyclists have not made any claims 5 in the rebate period. And so I know Ms. Meeks (sic) 6 points to that figure, but it's important, when 7 looking at that figure on cancellation of policies -- 8 and -- and Mr. Gabor asked me about that -- none of 9 those weeks fall within the riding period. 10 So right now, none of those motorcycle 11 owners are being asked to pay anything. The 12 cancellations may dramatically change once they have 13 to reach into their wallets and start paying premiums. 14 But the -- but the evidence was clear from Mr. 15 Johnston yesterday that they made no contribution 16 whatsoever, and so a return of monies to the 17 motorcycle class wouldn't be just. 18 As I've indicated, we agree on the 19 recommendations of the CAC on the -- on the claims 20 monitoring piece and believe, aside from this hiccup 21 that we're here on today, that the Capital Management 22 Plan should carry on unfettered to allow the 23 Corporation to transfer excess monies as it sees fit. 24 And those are all the -- the comments 25 I'm going to make in reply.</p>	216

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<p>1 for a better term, the payment of that premium is not 2 recognized by us -- until May 1st. So the money can 3 sit there, but we're not earning it because the claims 4 don't start coming in. 5 And again, it's that -- that 6 recognition of premiums matching the claims exposure, 7 and at this point in time, we haven't had any claims 8 by motorcyclists. We -- we haven't had them to match 9 against that premium earning. That's all we're 10 saying. 11 THE BOARD CHAIRPERSON: Okay. 12 MR. STEVEN SCARFONE: Yeah, and you'll 13 recall, Mr. Gabor, that -- I thought it was helpful. 14 Mr. Johnston yesterday provided some historical 15 context about how this came about with the motorcycle 16 group in -- in -- in collaboration with the CMMG and - 17 - and that they changed the system because the 18 customers -- it -- it wasn't a system that was 19 palatable to the motorcyclists. So this is the -- 20 this is the way that they've now done it for these 21 seasonal riders. 22 THE BOARD CHAIRPERSON: Okay. Thank 23 you. 24 THE PANEL CHAIRPERSON: Thank you. 25 This now concludes the '20/'21 Manitoba</p>	<p>1 to follow. 2 This concludes our hearing. Thank you 3 very much. 4 5 --- Upon adjourning at 11:07 a.m. 6 7 8 Certified Correct, 9 10 11 12 _____ 13 Donna Whitehouse, Ms. 14 15 16 17 18 19 20 21 22 23 24 25</p>
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<p>1 Public Insurance Corporation Special Rebate 2 Application Hearing. On behalf of the Board panel, I 3 would like to thank everyone for their cooperation 4 throughout this hearing. This includes the CEO of 5 MPI, Mr. Graham; MPI witnesses Mr. Johnston and Mr. 6 Giesbrecht and their counsel Mr. Scarfone, Mr. Triggs, 7 and Mr. Guerra; the Interveners and their respective 8 counsel -- for the Consumers' Association, Mr. 9 Williams and Ms. Dilay; for CMMG, Ms. Meek; and for 10 IBAM, Mr. Unfried; secretary of the Board, Dr. Darren 11 Christle; and our document manager, Ms. Kristen 12 Schubert; secre -- Ricardo Ratan (phonetic), who 13 provided technical assistance for the virtual hearing; 14 our court reporter, Digi-Tran, including Donna 15 Whitehouse and Ms. Wen -- Wendy Woodworth; our 16 advisers Mr. Cathcart, Mr. Pelly, and Mr. Man -- 17 Manktelow; and our counsel Ms. McCandless and Mr. 18 Watchman. 19 The Board also appreciates the members 20 of the public who took the time to follow the 21 proceedings via our live streaming on the PUB website. 22 The Panel will be meeting to deliberate 23 following this hearing, and we'll make our final 24 determinations on the matter before us. Our decision 25 will be communicated by counsel, with detailed reasons</p>	

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2021 SPECIAL REBATE APPLICATION ORDERS

PUB Order 67/20:

MPI 2021 Special Rebate Application

PUB Order 71/20:

Reasons for Decision in Order 67/20

PUB Order 72/20:

Coalition of Manitoba Motorcycle Groups Award of Costs

PUB Order 140/20:

Consumer's Association of Canada (Manitoba) Inc. Award of Costs



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