



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)  
2024/2025 GENERAL RATE APPLICATION  
HEARING

Before Board Panel:

- Irene Hamilton, K.C.- Panel Chairperson
- Robert Gabor, K.C. - Board Chair
- Susan Nemec - Board Member
- George Bass, K.C. - Board Member
- Susan Boulter - Board Member

HELD AT:

Public Utilities Board  
400, 330 Portage Avenue  
Winnipeg, Manitoba  
Oct 18, 2023

Pages 1435 to 1538

1 APPEARANCES  
2 Kathleen McCandless ) Board Counsel  
3 Todd Andres )  
4  
5 Steve Scarfone ) Manitoba Public  
6 Anthony Guerra ) Insurance  
7 Eric Wishnowski )  
8  
9 Byron Williams (np) ) CAC (Manitoba)  
10 Chris Klassen )  
11 Katrine Dilay )  
12 Victoria Cloutis (Student) (np) )  
13 Anna Evans-Boudreau (Student) (np) )  
14  
15 Karen Wittman (np) ) Taxi Coalition  
16 Sharna Nelko )  
17  
18 Charlotte Meek ) CMMG  
19 Doug Houghton (np) )  
20  
21  
22  
23  
24  
25

1	TABLE OF CONTENTS	
2		Page No.
3	List of Exhibits	1438
4	List of Undertakings	1439
5		
6	CONTINUED MPI CAPITAL MANAGEMENT PLAN PANEL	
7	CARA LOW, Resumed	
8	RYAN KOLASKI, Resumed	
9		
10	Cross-examination by Ms. Katrine Dilay	1442
11	Cross-examination by Mr. Chris Klassen	1486
12	Cross-examination by Ms. Charlotte Meek	1495
13	Cross-examination by Ms. Sharna Nelko	1500
14	Re-direct examination by Mr. Steve Scarfone	1526
15		
16	Board Decision re MPI's CSI motion	1530
17		
18		
19		
20		
21		
22	Certificate of Transcript	1538
23		
24		
25		

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	MPI-86	MPI Response to Undertaking 4	1440
4	MPI-87	MPI Response to Undertaking 5	1440
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1	LIST OF UNDERTAKINGS		
2	NO.	DESCRIPTION	PAGE NO.
3	27	MPI to provide the anticipated FTE	
4		reduction or savings to the DVA line of	
5		business as a result of NOVA once	
6		completed	1515
7	28	MPI to advise the amount that is	
8		remitted to the government that is not	
9		available for use by MPI	1525
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1 --- Upon commencing at 9:05 a.m.

2

3 PANEL CHAIRPERSON: Good morning,  
4 everyone. We are carrying on this morning with the  
5 testimony of the CMP panel. Thank you. And I believe  
6 it's over to you, Ms. Dilay.

7 MS. KATRINE DILAY: Thank you, Madam  
8 Chair. I'll be doing most of the -- oh, I apologize.  
9 I believe Mr. Guerra --

10 MR. ANTHONY GUERRA: I had had a  
11 couple of housekeeping issues.

12 PANEL CHAIRPERSON: Please proceed.

13 MR. ANTHONY GUERRA: My apologies.  
14 Sorry. So just a couple of -- of exhibits to read  
15 into the record. MPI Exhibit number 86 is its  
16 response to Undertaking number 4, and MPI Exhibit  
17 number 87 is its response to Undertaking number 5.

18

19 --- EXHIBIT NO. MPI-86: MPI Response to  
20 Undertaking 4

21

22 --- EXHIBIT NO. MPI-87: MPI Response to  
23 Undertaking 5

24

25 MR. ANTHONY GUERRA: And I do have a

1 clarification for the record in terms of a question  
2 that Mr. Mitra answered yesterday in regards to the  
3 NOVA panel. So if this Panel will recall, Madam  
4 Chair, you asked Mr. Mitra:

5 "With regard to the transparency  
6 question, in light of your comment  
7 that you want to have an ongoing  
8 dialogue with the PUB, will those  
9 reports -- "

10 And this is in reference to the MPI --  
11 sorry, the MNP NOVA Governance Reports.

12 " -- be made available on the public  
13 record?"

14 And Mr. Mitra responded that they would  
15 be. Unfortunately, Mr. Mitra misunderstood the  
16 question. And so the -- the position of MPI is that  
17 they will follow the directive by MNP. MNP has not  
18 authorized MPI at this point to make those reports  
19 public.

20 PANEL CHAIRPERSON: Thank you, Mr.  
21 Guerra. Ms. Dilay...?

22 MS. KATRINE DILAY: Thank you, Madam  
23 Chair.

24

25 CONTINUED MPI CAPITAL MANAGEMENT PLAN PANEL

1 CARA LOW, Resumed

2 RYAN KOLASKI, Resumed

3

4 CROSS-EXAMINATION BY MS. KATRINE DILAY:

5 MS. KATRINE DILAY: I expect -- good  
6 morning to everyone. I expect to be asking the bulk  
7 of the questions on behalf of CAC (Manitoba) this  
8 morning, and Mr. Klassen will have a few questions  
9 towards the end of our time today.

10 At a high level, you'll agree that MPI  
11 is a provincially-owned Crown corporation?

12 MS. CARA LOW: Agreed.

13 MS. KATRINE DILAY: With a statutory  
14 monopoly on the provision of Basic automobile  
15 insurance in Manitoba?

16 MS. CARA LOW: Agreed.

17 MS. KATRINE DILAY: And so if Manitoba  
18 residents want their automobiles to be on the road in  
19 Manitoba, they must get Basic auto insurance from MPI,  
20 correct?

21 MS. CARA LOW: For vehicles under the  
22 Highway Traffic Act, correct.

23 MS. KATRINE DILAY: And rates for MPI  
24 Basic insurance are set by the Public Utilities Board,  
25 correct?



1 MS. CARA LOW: Correct.

2 MS. KATRINE DILAY: And so if Basic  
3 auto insurance policy holders are unhappy with MPI's  
4 service or management or rates, they cannot go  
5 anywhere else for Basic insurance, correct?

6 MS. CARA LOW: That is true.

7 MS. KATRINE DILAY: They don't have  
8 access to a competitive marketplace for Basic?

9 MS. CARA LOW: True.

10 MS. KATRINE DILAY: You are familiar  
11 with the Office of the Superintendent Financial  
12 Institutions, or OSFI?

13 MS. CARA LOW: I am.

14 MS. KATRINE DILAY: And is it your  
15 understanding that OSFI is a federal agency with a  
16 mandate to oversee the safety and soundness of  
17 Canadian financial institutions?

18 MS. CARA LOW: Yes.

19 MS. KATRINE DILAY: And federally  
20 regulated property and casualty insurers are under the  
21 oversight of OSFI, correct?

22 MS. CARA LOW: Right.

23 MS. KATRINE DILAY: And many of those  
24 companies regulated by OSFI operate in a competitive  
25 marketplace?

1 MS. CARA LOW: That would be true.

2 MS. KATRINE DILAY: And so in the  
3 event of a bad financial year, a company in a  
4 competitive marketplace must be mindful of excessive  
5 rate increases that may lead to its customers fleeing  
6 to its competitors, correct?

7 MS. CARA LOW: Correct. The  
8 competitive insurance companies look at their rates.  
9 They do make business decisions about whether they  
10 want to take the adequate rate or not, but OSFI does  
11 not regulate prices. That's done by the provincial  
12 regulators.

13 MS. KATRINE DILAY: Yes, absolutely.

14 MS. CARA LOW: Yes. Okay.

15 MS. KATRINE DILAY: Thank -- thank  
16 you, Ms. Low. And so I was asking specifically, a  
17 company in the competitive marketplace must be mindful  
18 of the impact of their rates on whether customers will  
19 stay with them --

20 MS. CARA LOW: Yes.

21 MS. KATRINE DILAY: -- or look at  
22 competitors.

23 MS. CARA LOW: They were able market  
24 share. For sure they do.

25 MS. KATRINE DILAY: Thank you. And if

1 a -- and if a -- if a private company -- if their  
2 customers flee to competitors, that may raise issues  
3 about the company's ability to meet its ongoing  
4 obligation to its insured, correct?

5 MS. CARA LOW: I don't understand the  
6 question.

7

8 (BRIEF PAUSE)

9

10 MS. KATRINE DILAY: I'll rephrase the  
11 question. If a company loses clients or customers to  
12 another company, you'll agree that they then will not  
13 be receiving the rates paid by those customers,  
14 correct?

15 MS. CARA LOW: That is correct.

16 MS. KATRINE DILAY: And that could  
17 raise issues about that company's ability to meet  
18 ongoing obligation to its remaining customers,  
19 correct?

20 MS. CARA LOW: I don't necessarily  
21 agree.

22 MS. KATRINE DILAY: You'll agree that,  
23 unlike Crown monopolies like MPI, privately owned  
24 property and casualty insurers in the competitive  
25 market do not have the implicit backing of the

1 Province of Manitoba in the event of a bad year?

2 MS. CARA LOW: I would agree.

3 MS. KATRINE DILAY: You'll agree that  
4 one of the objectives of OSFI in its general  
5 regulatory role is to make sure that federally  
6 regulated property and casualty insurers have  
7 sufficient reserves to weather an adverse year and a  
8 loss of ratepayers?

9 MS. CARA LOW: Agreed, yes.

10 MS. KATRINE DILAY: And OSFI has  
11 developed targets and tests to ensure the companies it  
12 regulates stay in business in the event of severe  
13 adverse events and meet their obligations to their  
14 insured, correct?

15 MS. CARA LOW: Agreed, yeah.

16 MS. KATRINE DILAY: And the minimum  
17 capital test, or MCT, is one (1) of the tools that  
18 OSFI employs to ensure that a property and casualty  
19 company maintains adequate capital and adequate and  
20 appropriate forms of liquidity, correct?

21 MS. CARA LOW: That is one (1) of a  
22 few, yes.

23 MS. KATRINE DILAY: One (1) of a few  
24 tools, correct?

25 MS. CARA LOW: Yes.

1 MS. KATRINE DILAY: And under OSFI's  
2 purview, the Minimum Capital Test guideline applies to  
3 Canadian property and casualty insurance companies  
4 that are not mortgage insurance companies operating in  
5 Canada, correct?

6 MS. CARA LOW: I can't speak to the  
7 mortgage insurance piece, but it applies to all  
8 insurance companies under the OSFI scope.

9 MS. KATRINE DILAY: And you'll agree  
10 that the Minimum Capital Test, or MCT, is one (1) of  
11 several indicators that OSFI uses to assess an  
12 insurer's financial condition, correct?

13 MS. CARA LOW: That is true.

14 MS. KATRINE DILAY: And you'll agree  
15 that while -- while all insurers face similar risk,  
16 individual insurers may have higher or lower risk  
17 profiles in each of the areas depending on their  
18 unique attributes?

19 MS. CARA LOW: Every insurance  
20 company's going to be different depending on the type  
21 of risks that they are insuring.

22 MS. KATRINE DILAY: And moving to --  
23 to the Rate Stabilization Reserve for MPI.

24 You'll agree that the RSR purpose is to  
25 protect motorists from rate increases that would

1 otherwise have been necessary due to unexpected  
2 variances from forecasted results and due to events  
3 and losses arising from nonrecurring events or  
4 factors?

5 MS. CARA LOW: Correct.

6 MS. KATRINE DILAY: And so, in other  
7 words, the intent of the RSR is to act as a cushion  
8 against a bad year or series of bad years, correct?

9 MS. CARA LOW: Correct, yes.

10 MS. KATRINE DILAY: So, practically  
11 speaking, if MPI has a bad year resulting in a  
12 negative net income, the retained earnings of Basic  
13 will be reduced accordingly, correct?

14 MS. CARA LOW: Correct, yes.

15 MS. KATRINE DILAY: And this is  
16 assuming there's no transfer available from Extension  
17 and no contribution from Manitoba, correct?

18 MS. CARA LOW: Correct.

19 MS. KATRINE DILAY: And conceptually,  
20 Basic MPI -- or Basic insurance could have a bad year  
21 due to a calamitous weather event?

22 MS. CARA LOW: It would have to be  
23 pretty bad because we buy reinsurance with a \$50  
24 million retention, so it would have to exceed our  
25 upper end.

1 MS. KATRINE DILAY: And Basic  
2 insurance could have a bad year due to a sharp drop in  
3 the value of its bond portfolio due to unexpectedly  
4 high inflation?

5 MS. CARA LOW: Yes.

6 MS. KATRINE DILAY: Conceptually, MPI  
7 could also have a bad year due to imprudent management  
8 activities such as dramatic increases in operating  
9 expenses?

10 MS. CARA LOW: It could, yes.

11 MS. KATRINE DILAY: And under those  
12 scenarios that we just talked about, assuming no  
13 transfer from Extension and a negative net income, the  
14 retained earnings would then be reduced, correct?

15 MS. CARA LOW: Correct.

16 MS. KATRINE DILAY: So the Basic RSR  
17 can act as a cushion against bad weather?

18 MS. CARA LOW: Yes.

19 MS. KATRINE DILAY: And it can also  
20 act as a cushion for bad management or imprudent  
21 investment choices, correct?

22 MS. CARA LOW: In theory, yes.

23 MS. KATRINE DILAY: You'll agree that  
24 rate setting is a forward-looking exercise?

25 MS. CARA LOW: Yes.

1 MS. KATRINE DILAY: And that capital  
2 reserves are built over time, correct?

3 MS. CARA LOW: Correct.

4 MS. KATRINE DILAY: You would agree  
5 that, to the extent that amounts held in reserves may  
6 be excessive, this would raise concerns of  
7 intergenerational equity?

8 MS. CARA LOW: Yes, because the  
9 capital reserve came from the past, so the past  
10 ratepayers, not the future ratepayers.

11 MS. KATRINE DILAY: Thank you for  
12 that. And when excessive reserves are in the hands of  
13 MPI rather than in the hands of ratepayers, there is  
14 an opportunity cost to those ratepayers, correct?

15 MS. CARA LOW: Correct.

16 MS. KATRINE DILAY: Because these are  
17 funds that customers could have used for purposes  
18 other than the investment portfolio of MPI? Correct?

19 MS. CARA LOW: Correct.

20 MS. KATRINE DILAY: Conceptually, they  
21 might use their share of any -- customers might use  
22 their share of any excess reserves to pay down their  
23 credit card, for example?

24 MS. CARA LOW: That could be an  
25 option, for sure.



1 MS. KATRINE DILAY: And another option  
2 might be that they use their share of any excess  
3 reserves to mitigate the impact of rising food prices.

4 Correct?

5 MS. CARA LOW: Correct.

6 MS. KATRINE DILAY: When you joined  
7 MPI, did you review prior PUB Board Orders for insight  
8 into how the Board, in the exercise of its independent  
9 rate setting function, has determined an appropriate  
10 RSR level for rate-setting purposes?

11 MS. CARA LOW: When I joined, I read  
12 four (4) years prior -- all the information from four  
13 (4) years prior. And then I was around for last year.  
14 So I've read five (5) years now of material.

15 MS. KATRINE DILAY: And so are you  
16 aware that, over time, the PUB has considered a  
17 variety of approaches to determining the RSR,  
18 including percent of premiums, value at risk, or risk  
19 analysis method, and Dynamic Capital Adequacy Testing?

20 MS. CARA LOW: I have read that and  
21 heard that.

22 MS. KATRINE DILAY: Now, without  
23 asking for a legal opinion, you'll agree that minimum  
24 capital levels for Basic, Extension, and Special Risk  
25 Extension are now set in legislation?

1 MS. CARA LOW: Yes.

2 MS. KATRINE DILAY: And specifically,  
3 the target ratio for Basic is 100 percent Minimum  
4 Capital Test?

5 MS. CARA LOW: Correct.

6 MS. KATRINE DILAY: And that a rebate  
7 must not be paid out of the Rate Stabilization Reserve  
8 for Basic unless the MCT ratio exceeds 120 percent at  
9 the beginning of the fiscal year?

10 MS. CARA LOW: Correct.

11 MS. KATRINE DILAY: So while 100  
12 percent is the target, 120 percent MCT is essentially  
13 the threshold regarding whether or not ratepayers  
14 could see a rebate?

15 MS. CARA LOW: Correct.

16 MS. KATRINE DILAY: And the target  
17 ratio for Extension is 200 percent MCT?

18 MS. CARA LOW: Correct.

19 MS. KATRINE DILAY: And the target for  
20 Special Risk Extension is 300 percent MCT?

21 MS. CARA LOW: Agreed. Yes.

22 MS. KATRINE DILAY: And you'll confirm  
23 your understanding that the 120 percent MCT has never  
24 been found appropriate for rate-setting purposes by  
25 the Public Utilities Board?

1 MS. CARA LOW: Sorry, one minute.

2

3

(BRIEF PAUSE)

4

5 MS. CARA LOW: We're not aware of one-  
6 twenty (120) ever being considered acceptable by the  
7 PUB.

8

MS. KATRINE DILAY: Thank you. And  
9 you'll confirm that, in 2019, when MPI proposed its  
10 first Capital Management Plan relying on the MCT to  
11 determine capital adequacy, it was only approved on a  
12 two (2) year trial basis?

13

MS. CARA LOW: Yes.

14

MS. KATRINE DILAY: And you'll confirm  
15 that this approval for a trial period did not include  
16 endorsement of the MCT as the preferred methodology  
17 for determining capital adequacy?

18

MS. CARA LOW: Sorry, could you repeat  
19 that?

20

MS. KATRINE DILAY: Is it your  
21 understanding that the approval of the Public  
22 Utilities Board for the two (2) year trial period of  
23 the CMP did not include endorsement of the Minimum  
24 Capital Test as the preferred methodology for  
25 determining capital adequacy?

1 (BRIEF PAUSE)

2

3 MS. CARA LOW: That is open for  
4 interpretation.

5 MS. KATRINE DILAY: Thank you, Ms.  
6 Low. And is it your recollection that, in 2019, the  
7 Public Utilities Board encouraged the Corporation to  
8 continue to annually undertake and file with the GRA,  
9 the Basic Dynamic Capital Adequacy Test investigation  
10 as a part of its prudent risk management and good  
11 governance process?

12 MS. CARA LOW: Correct. And that's  
13 now called the Financial Condition Test.

14 MS. KATRINE DILAY: Thank you. I'd  
15 like to bring you briefly to Public Utilities Board  
16 Order 176/'19.

17 And at a high level, it's your  
18 understanding this is the Board Order flowing from the  
19 2020 GRA?

20 MS. CARA LOW: Correct.

21 MS. KATRINE DILAY: And you would have  
22 reviewed this Board Order as part of -- of your duties  
23 when you joined the Corporation?

24 MS. CARA LOW: I would have.

25 MS. KATRINE DILAY: And looking, Ms.

1 Schubert, at page 62 in the second last paragraph on  
2 this page.

3

4 (BRIEF PAUSE)

5

6 MS. KATRINE DILAY: And perhaps I'll -  
7 - I'll pose my questions and -- and if we get the  
8 reference on the screen, it -- perfect. Thank you,  
9 Ms. Schubert. And, so looking at the second last  
10 paragraph from the bottom. Thank you.

11 At a high level, is it your  
12 understanding that the Board is making findings here  
13 relating to MPI's Capital Management Plan that it was  
14 proposing?

15 MS. CARA LOW: Correct. Yes.

16 MS. KATRINE DILAY: And looking at the  
17 first full sentence we see before us, the PUB said  
18 that while it recognizes that it does not have  
19 jurisdiction over Extension, given the anticipated  
20 transfers from Extension to Basic contemplated by the  
21 Capital Management Plan, the magnitude of Extension's  
22 reserves is of concern to the Board. Do you see that?

23 MS. CARA LOW: I do see that, yes.

24 MS. KATRINE DILAY: And the Board  
25 continued on to say that the evidence is that MPI

1 holds approximately 95 percent of the market share for  
2 non-compulsory insurance products. Do you see that?

3 MS. CARA LOW: Yes, I see that.

4 MS. KATRINE DILAY: And you will agree  
5 that that is still the case, now in 2023, that the  
6 vast majority of Basic customers also choose to  
7 purchase Extension products?

8 MS. CARA LOW: I agree.

9 MS. KATRINE DILAY: And I can take you  
10 to a reference, if needed, but you'll agree that  
11 approximately 95 percent of Basic customers purchased  
12 at least one (1) Extension product?

13 MS. CARA LOW: Subject to check.

14 MS. KATRINE DILAY: And that this  
15 translates to about 80 percent of eligible policies  
16 with an Extension product?

17 MS. CARA LOW: Correct. That rings a  
18 bell, yes.

19 MS. KATRINE DILAY: And, subject to  
20 check, this information is based on the in-force  
21 policies as of November 1st, 2022. Correct?

22 MS. CARA LOW: For the vast majority,  
23 except for the seasonal vehicles.

24 MS. KATRINE DILAY: And so you'll  
25 agree that Basic and Extension customers are

1 substantially the same individuals.

2 MS. CARA LOW: Correct.

3 MS. KATRINE DILAY: And you'll agree  
4 that Extension receives a benefit from its  
5 relationship with Basic?

6 MS. CARA LOW: Yes.

7 MS. KATRINE DILAY: And one of these  
8 benefits is a seamless, shared, service delivery  
9 platform?

10 MS. CARA LOW: Correct.

11 MS. KATRINE DILAY: And this shared  
12 service delivery platform means that Extension  
13 receives the same access to customer information as  
14 Basic insurance.

15 MS. CARA LOW: Agreed.

16 MS. KATRINE DILAY: With no structural  
17 separation between the two (2) lines of business.  
18 Correct?

19 MS. CARA LOW: Correct.

20 MS. KATRINE DILAY: Would it be fair  
21 to say that many Extension customers are not aware  
22 that they have competitive options, given this shared  
23 service delivery platform?

24 MS. CARA LOW: I'm not sure I can say  
25 that, but I would guess that's probably the case.

1 MS. KATRINE DILAY: And so you'll  
2 agree that the transferring of Extension reserves over  
3 200 percent to Basic is partly to recognize the  
4 benefit that Extension receives from Basic?

5 MS. CARA LOW: One minute.

6

7 (BRIEF PAUSE)

8

9 MS. CARA LOW: As we really don't have  
10 government direction or Board direction on this, I  
11 mean, you could surmise that but can we say for  
12 certain that's the reason -- one of the reasons, we  
13 can't say that.

14 MS. KATRINE DILAY: Thank you, Ms.  
15 Low. You'll agree that under the proposed Capital  
16 Management Plan in this year's GRA, MPI would apply to  
17 the Public Utilities Board for a special rebate  
18 application seeking approval of a rebate where the  
19 Basic MCT ratio exceeds 120 percent at the beginning  
20 of the current fiscal year, correct?

21 MS. CARA LOW: The Capital Management  
22 Plan as proposed is based on year-end audited  
23 financial statements. So it would be the year-end  
24 number. Then we understand that in legislation, it  
25 says the beginning of the next fiscal year. The



1 thought process always was that the beginning of the  
2 year would equal the ending of the year.

3 MS. KATRINE DILAY: And without asking  
4 for a legal opinion, you'll agree that it is MPI's  
5 position that the PUB cannot order a rebate without  
6 MPI applying for one, correct?

7 MS. CARA LOW: Is my understanding.

8 MS. KATRINE DILAY: Your understanding  
9 of MPI's position?

10 MS. CARA LOW: Oh, sorry. I thought  
11 you meant the legislation.

12 No, in our Capital Management Plan it  
13 does state we would apply for a special rebate  
14 application at the same time we do our General Rate  
15 Application.

16 MS. KATRINE DILAY: And that would be  
17 essentially a prerequisite for the PUB to order a  
18 rebate?

19 MS. CARA LOW: Correct.

20 MS. KATRINE DILAY: You'll agree that,  
21 for MPI rates for service, the PUB can order a rate  
22 decrease or increase even if MPI seeks no rate change?

23 MS. CARA LOW: One (1) minute.

24

25

(BRIEF PAUSE)

1 MS. CARA LOW: I would agree with  
2 that.

3 MS. KATRINE DILAY: But under the  
4 proposed Capital Management Plan, the PUB cannot order  
5 a rebate unless MPI applies for one, correct?

6 MS. CARA LOW: Correct.

7 MS. KATRINE DILAY: And so, in  
8 essence, customers have to trust that MPI will apply  
9 to the PUB for a rebate when the Basic MCT ratio  
10 exceeds 120 percent.

11 MS. CARA LOW: Agreed.

12 MS. KATRINE DILAY: You'll agree that,  
13 under the operation of the proposed Capital Management  
14 Plan in this year's GRA, Extension reserves that  
15 exceed 200 percent MCT will be transferred to Basic at  
16 fiscal year end?

17 MS. CARA LOW: That is the plan.

18 MS. KATRINE DILAY: And could we go  
19 to, Ms. Schubert, to the Rate Stabilization Reserve  
20 chapter of the General Rate Application at page 9.

21 And looking at the top of this page, so  
22 you see there in the second sentence of this first  
23 paragraph --

24 MS. CARA LOW: M-hm.

25 MS. KATRINE DILAY: -- that MPI says:

1 "Even though the proposed CMP  
2 requires to transfer to the Basic  
3 RSR, all capital in the Extension  
4 reserve in excess of 200 percent MCT  
5 at each fiscal year end, the board  
6 of directors of MPI may transfer  
7 such excess funds prior to fiscal  
8 year end to cover any subsequent or  
9 existing shortfalls to its other  
10 lines of business."

11 MS. CARA LOW: I see that.

12 MS. KATRINE DILAY: And so based on  
13 this, it's possible that the Extension MCT could be at  
14 250 percent one (1) week before fiscal year end, and  
15 that the board of directors decides to transfer the  
16 excess capital to a line of business other than Basic?

17 MS. CARA LOW: Correct.

18 MS. KATRINE DILAY: And in that case,  
19 it's correct to say that the excess capital from  
20 Extension would not flow to Basic?

21 MS. CARA LOW: Correct.

22 MS. KATRINE DILAY: And if that excess  
23 capital from Extension had resulted in an application  
24 for a rebate, if the Extension capital instead goes to  
25 another line of business, Basic customers would not

1 benefit from that rebate, correct?

2 MS. CARA LOW: Correct.

3 MS. KATRINE DILAY: And subject to  
4 check, you'll agree that over fiscal years 2020/'21  
5 and 2021/'22, MPI transferred 117 million from  
6 Extension to Driver and Vehicle Administration?

7 MS. CARA LOW: Agreed.

8 MS. KATRINE DILAY: And you'll agree  
9 that if those funds had not been transferred to DVA,  
10 they would have been transferred to Basic under the  
11 Capital Management Plan that was in place at that  
12 time?

13 MS. CARA LOW: Under the plan, yes.

14 MS. KATRINE DILAY: Therefore,  
15 increasing the Basic Rate Stabilization Reserve by 117  
16 million, correct?

17 MS. CARA LOW: Correct.

18

19 (BRIEF PAUSE)

20

21 MS. KATRINE DILAY: And to the extent  
22 that those funds would have brought the Basic RSR  
23 level over a hundred percent MCT, MPI customers would  
24 have received a rebate, correct?

25 MS. CARA LOW: Over a hundred percent

1 or over --

2 MS. KATRINE DILAY: Under the pre --

3 MS. CARA LOW: -- one twenty (120)?

4 MS. KATRINE DILAY: -- under the

5 previous Capital Management Plan.

6 MS. CARA LOW: Correct, yes.

7 MS. KATRINE DILAY: Ms. Schubert,

8 could we please turn to Appendix 3 of the RSR portion

9 of the GRA?

10 You'll agree this is the letter from

11 Justice Minister Kelvin Goertzen to MPI in March of

12 2022, correct?

13 MS. CARA LOW: Yes.

14 MS. KATRINE DILAY: And at a high

15 level, you'll agree Minister Goertzen is advising MPI

16 that the government has initiated a full review of the

17 DVA program and its funding model?

18 MS. CARA LOW: Yes.

19 MS. KATRINE DILAY: And Minister

20 Goertzen advised MPI not to transfer any more funds

21 from Extension to DVA for the fiscal years 2022/'23

22 and 2023/'24, correct?

23 MS. CARA LOW: That is true.

24 MS. KATRINE DILAY: And you'll agree

25 that the current direction from government not to

1 transfer more funds from Extension to DVA does not  
2 refer to the fiscal year 2024/'25, correct?

3 MS. CARA LOW: Correct.

4 MS. KATRINE DILAY: And if we could  
5 turn to CAC/MPI-2-4 -- thank you -- at page 2, and  
6 looking at part A of this response, you'll agree that  
7 MPI is indicating here it has not been privy to any  
8 work product or findings of the operational review of  
9 DVA by the Government of Manitoba?

10 MS. CARA LOW: Agreed.

11 MS. KATRINE DILAY: And the government  
12 has provided -- sorry, and the government has not  
13 provided any guidance to the self-sufficiency of DVA  
14 to MPI?

15 MS. CARA LOW: Agreed.

16 MS. KATRINE DILAY: And the government  
17 has not indicated when such guidance will be provided  
18 to MPI?

19 MS. CARA LOW: No time line.

20 MS. KATRINE DILAY: And recognizing  
21 when this response was -- was filed, is this still the  
22 case today?

23 MS. CARA LOW: Yes.

24 MS. KATRINE DILAY: If we could turn  
25 to CAC/MPI-2-7, please, and at page 2. Thank you.

1                   Looking at the beginning of the  
2 response here, you'll agree that MPI confirms that  
3 there's no official policy for funding capital  
4 shortfalls for Extension and for SRE?

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

6                   MS. KATRINE DILAY:   And right at the  
7 bottom of this page and on to the next page, MPI  
8 confirms that, over the long term, the existing  
9 capital available cannot in and of itself sustain the  
10 DVA line of business as it is currently operating?

11                  MS. CARA LOW:    Correct.

12                  MS. KATRINE DILAY:   And that, absent  
13 this, additional capital will be required. You see  
14 that reference as well?

15                  MS. CARA LOW:    I do see it.

16                  MS. KATRINE DILAY:   And again, here  
17 MPI confirms that it has not been given direction from  
18 the government concerning self-sufficiency of DVA over  
19 the long term or when such guidance will be provided?

20                  MS. CARA LOW:    Correct.

21                  MS. KATRINE DILAY:   And that MPI is  
22 aware that the government is considering options, but  
23 MPI is not privy to those discussions?

24                  MS. CARA LOW:    Correct.

25                  MS. KATRINE DILAY:   So if MPI does not

1 receive direction from government for the 2024/'25  
2 fiscal year and does not receive additional funding  
3 from government, it's very likely that MPI will  
4 require additional capital for DVA, correct?

5

6 (BRIEF PAUSE)

7

8 MR. RYAN KOLASKI: Ryan Kolaski. The  
9 intention for '24/'25 is to use the existing equity to  
10 fund the deficit. So there isn't an anticipation at  
11 this current time that additional funding would be  
12 required.

13

14 (BRIEF PAUSE)

15

16 MS. KATRINE DILAY: Are you able to  
17 clarify the existing equity that it's in DVA? Are you  
18 able to clarify what you mean by that?

19 MR. RYAN KOLASKI: Sure. One second.

20

21 (BRIEF PAUSE)

22

23 MR. RYAN KOLASKI: For '22/'23, it was  
24 approximately 85 million. For '24 -- '23/'24 is  
25 approximately 71 million. So that difference is what



1 is funding that deficit.

2                   So, effectively, the transfers that you  
3 were referring to earlier, right, that hundred -- I  
4 think it was, subject to check, 117 million -- so  
5 what's happening is the deficit in DVA is basically  
6 chewing through that equity base.

7                   So at the end of '24/'25 it's  
8 approximately 71 million. So, in terms of vision, you  
9 can kind of see, based on that run rate, how much  
10 money is left relative to self-sufficiency in terms of  
11 timing.

12                   MS. KATRINE DILAY: Thank you, Mr.  
13 Kolaski. And so you'll agree that when that equity in  
14 DVA is depleted, MPI will require additional capital  
15 for DVA, correct?

16                   MR. RYAN KOLASKI: So when that equity  
17 is depleted, MPI will require either a change in the  
18 fees and services, as indicated on your screen just  
19 prior, or will require additional capital. So it's a  
20 combination, or one or the other, but until we get to  
21 that point, we're not sure.

22                   But we're hoping to have a vision,  
23 obviously, like you folks, as to what that looks like.  
24 We just don't have vision on timing.

25                   MS. KATRINE DILAY: Thank you. To the

1 extent that capital is required for DVA when the  
2 current equity is depleted, that capital could very  
3 well come from Extension reserves, as MPI has done in  
4 the past, correct?

5 MR. RYAN KOLASKI: That would actually  
6 be a Board decision, but it is possible.

7 MS. KATRINE DILAY: An MPI Board  
8 decision, correct?

9 MR. RYAN KOLASKI: That is correct,  
10 yes. Sorry.

11 MS. KATRINE DILAY: And if that  
12 capital is transferred from Extension to DVA prior to  
13 fiscal year end under the proposed Capital Management  
14 Plan, it would then not be available to be transferred  
15 to Basic under that CMP, correct?

16 MS. CARA LOW: Could be -- it could be  
17 a partial transfer from Extension over to DVA, but  
18 that is up to the Board. If they wanted to transfer  
19 it over before year end, then our -- we wouldn't have  
20 the money necessarily to transfer from Extension over  
21 to the Basic as per the plan.

22 MS. KATRINE DILAY: Thank you. I have  
23 a few questions regarding the minimum -- Minimum  
24 Capital Test ratio that was provided in the October  
25 update.

1                   You'll agree that IFRS-17 became  
2 effective January 1st of 2023?

3                   MS. CARA LOW:     Yes.

4                   MS. KATRINE DILAY:   And so MPI will  
5 report officially for the first time using IFRS-17 for  
6 its fiscal year-end March 31st, 2024?

7                   MS. CARA LOW:     Correct.

8                   MS. KATRINE DILAY:   And you can  
9 confirm that MPI will include restated comparative  
10 numbers for the year ended March 31st, 2023?

11                  MS. CARA LOW:     Yes.

12                  MS. KATRINE DILAY:   And if we could  
13 turn to -- to MPI Exhibit 77, Ms. Schubert. Thank  
14 you.

15                  And so you'll agree this is a portion  
16 of the October rate update filed by MPI that was  
17 corrected last week, correct? And, Ms. Schubert, if  
18 we could just go to the bottom just to show the  
19 correction.

20                  MS. CARA LOW:     Correct, yes.

21                  MS. KATRINE DILAY:   And so, if we look  
22 at -- at pro forma 3, which is at page 1 before us,  
23 and specifically at line 26, you'll agree that the --  
24 at the total equity line the total equity as at March  
25 31st, 2023 is four hundred and ninety million seven

1 hundred and twenty-nine thousand (490,729,000)?

2 MS. CARA LOW: I see that, yes.

3 MS. KATRINE DILAY: And these are  
4 restated IFRS-17 numbers, correct?

5 MS. CARA LOW: These are restated but  
6 still under review.

7 MS. KATRINE DILAY: And then just to  
8 confirm numbers that we have seen already earlier this  
9 week, looking down at line 32, this restated total  
10 equity balance results in the MCT being 135.5 percent  
11 as at March 31st, 2023?

12 MS. CARA LOW: Correct.

13 MS. KATRINE DILAY: And if we look at  
14 line 31, which is the minimal -- that's the minimum  
15 capital required at a hundred and percent -- hundred  
16 percent MCT, correct?

17 MS. CARA LOW: Correct.

18 MS. KATRINE DILAY: And that's three  
19 hundred and forty-one million three hundred and  
20 twenty-nine thousand (341,329,000)?

21 MS. CARA LOW: Right.

22 MS. KATRINE DILAY: And so, subject to  
23 check, the MCT ratio at 120 percent would be four  
24 hundred and nine million five hundred and ninety-five  
25 thousand (409,595,000)?

1 MS. CARA LOW: Subject to check, but  
2 that seems reasonable.

3 MS. KATRINE DILAY: And if we look at  
4 the available capital which is at line 30 --

5 MS. CARA LOW: Yes.

6 MS. KATRINE DILAY: -- at four hundred  
7 and sixty-two million three hundred and sixty-three  
8 thousand (462,363,000) and we subtract the four  
9 hundred and nine million five hundred and ninety-five  
10 thousand (409,595,000), which was the 120 percent MCT,  
11 subject to check, that would give us fifty-two million  
12 seven hundred and sixty-eight thousand (52,768,000)?

13 MS. CARA LOW: Subject to check, yes.

14 MS. KATRINE DILAY: And so what this  
15 means is that if the PUB were to order a rebate to get  
16 down to 120 percent MCT, the rebate would be fifty-two  
17 million seven hundred and sixty-eight thousand  
18 (52,768,000)?

19 MS. CARA LOW: Correct, yes.

20 MS. KATRINE DILAY: And just to  
21 confirm another record -- another number for the  
22 record.

23 So we confirmed already that the  
24 minimum capital required at 100 percent MCT is three  
25 hundred and forty-one million three hundred and

1 twenty-nine thousand (341,329,000)?

2 MS. CARA LOW: Under IFRS-17, yes.

3 MS. KATRINE DILAY: And so the  
4 difference between the capital available, four hundred  
5 and sixty-two million three hundred and sixty-three  
6 thousand (462,363,000), and that minimum capital  
7 required of 100 percent MCT, subject to check, would  
8 be a hundred and twenty-one million thirty-four  
9 thousand (121,034,000), correct?

10 MS. CARA LOW: Correct, yes.

11 MS. KATRINE DILAY: So that means that  
12 to get down to a hundred percent MCT, a potential  
13 rebate would be a hundred and twenty-one million  
14 thirty-four thousand (121,034,000)?

15 MS. CARA LOW: Correct.

16 MS. KATRINE DILAY: And could we turn  
17 to MPI Exhibit 67, please, which is MPI's response to  
18 PUB pre-Ask 1. You see that on the screen before you?

19 MS. CARA LOW: I do.

20 MS. KATRINE DILAY: And if we look to  
21 the response to part 1, you'll agree MPI indicates  
22 here that under IFRS-17 at the end of 2023, the MCT is  
23 under review and has not been finalized?

24 MS. CARA LOW: Yes.

25 MS. KATRINE DILAY: And what is seen

1 is the -- in the financial forecast is a best estimate  
2 and subject to change?

3 MS. CARA LOW: Correct.

4 MS. KATRINE DILAY: And to confirm  
5 what this means, MPI alluded to this in their response  
6 below as well, but this is because those numbers under  
7 IFRS for '22/'23 have not been audited yet?

8 MS. CARA LOW: It's not audited. And  
9 it hasn't been reviewed by our appointed actuary  
10 either for the actuarial adjustments in there.

11 MS. KATRINE DILAY: And they continue  
12 to be reviewed by MPI's external auditor, PwC, and is  
13 subject to change?

14 MS. CARA LOW: Correct, yes.

15 MS. KATRINE DILAY: And just to  
16 confirm the total equity balance and the MCT that we  
17 saw in the October rate update, just to compare that  
18 to what was filed in the General Rate Application,  
19 could we turn to Appendix 1 to the annual reports  
20 chapter of the GRA.

21 So you'll agree these are MPI's audited  
22 financial statements for the fiscal year '22/'23?

23 MS. CARA LOW: That is correct.

24 MS. KATRINE DILAY: And if we go to  
25 page 13 of this document, this is the statement of

1 change -- changes in equity?

2 MS. CARA LOW: Yes.

3 MS. KATRINE DILAY: And if we look at  
4 the very bottom right, the audited March 31st, 2023,  
5 total equity balance is four hundred and eleven  
6 million four hundred and sixty-eight thousand  
7 (411,468,000)?

8 MS. CARA LOW: Yes.

9 MS. KATRINE DILAY: And subject to --  
10 to check, you'll agree that the -- the MCT as at March  
11 31st, 2023, under IFRS-4 was a hundred and eleven  
12 million (111,000,000), correct?

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

14 MS. KATRINE DILAY: And we've already  
15 confirmed this previously, but the capital rebate  
16 provision step in MPI's Capital Management Plan, its  
17 proposal is to apply for a rebate when the RSR grows  
18 to or above 120 percent. Correct?

19 MS. CARA LOW: If it grows above.  
20 It's an exceeds one-twenty (120).

21 MS. KATRINE DILAY: And MPI proposes  
22 that the amount of the rebate will be determined based  
23 on the audited fiscal year end actual results?

24 MS. CARA LOW: Correct.

25 MS. KATRINE DILAY: And so, you'll



1 agree MPI did not apply for a rebate with its General  
2 Rate Application because the MCT was 111 percent in  
3 its audited financial statements as at March 31st,  
4 2023?

5 MS. CARA LOW: That is our position,  
6 yes.

7 MS. KATRINE DILAY: You'll agree that,  
8 in this Rate Application, the PUB will be approving  
9 MPI's rates based on its forecasts?

10 MS. CARA LOW: Correct.

11 MS. KATRINE DILAY: Including MPI's  
12 assumptions on IFRS-17 going forward?

13 MS. CARA LOW: IFR-17 (sic) is a  
14 financial presentation, so it does -- and it does  
15 impact our MCT because that's part of the financial  
16 statements but it does not impact the rate setting.

17 The actuarial accepted practice rate  
18 setting is not impacted by IFR-17.

19

20 (BRIEF PAUSE)

21

22 MS. CARA LOW: And just to add to  
23 that, rate setting is always forward looking. Capital  
24 deficit or capital surplus is hindsight, right? So  
25 it's two (2) very separate calculations.

1 MS. KATRINE DILAY: And I believe we -  
2 - we -- I believe MPI witnesses alluded to this  
3 earlier, but you'll confirm that based on the numbers  
4 of the record, it's likely that the IFRS-17 values for  
5 total equity are likely to be higher than in the  
6 audited financial statements from March 2023?

7 MS. CARA LOW: Sorry, could you repeat  
8 that?

9 MS. KATRINE DILAY: Based on the  
10 numbers on the record before us, you'll agree that it  
11 is likely that the IFRS-17 values for total equity are  
12 likely to be higher than in the audited financial  
13 statements from March 2023?

14

15 (BRIEF PAUSE)

16

17 MS. CARA LOW: Our expectation is that  
18 -- so we ended the year at a one-ten-point-eight  
19 (110.8), so 111 percent MCT. That was audited. We  
20 all felt very comfortable with it. That was under the  
21 old accounting standard.

22 We do know it's going to go up under  
23 IFRS-17. The available capital and, hence, the MCT  
24 will go up. We don't know how much it's going to go  
25 up by.

1                   One-thirty-five (135) is a guess. It  
2 could be higher; it could be lower. If it's lower, is  
3 it lower than one-twenty (120)? We don't know.

4                   But we do feel very comfortable in  
5 saying that on transition -- so restated March 31st,  
6 2023, the MCT and the available capital would be  
7 higher under the new accounting standard. But we  
8 don't know how much higher yet.

9                   MS. KATRINE DILAY: Thank you for that  
10 -- that response.

11                   Would it be fair to say that, at this  
12 stage in time, the -- a test auditor should have given  
13 MPI a close to final answer as to the assumptions and  
14 the resulting values coming out of IFRS-17 that will  
15 be audited next year?

16                   MS. CARA LOW: No. We are working  
17 with our appointed actuary. We are also working with  
18 a third party who is assisting us with IFRS-17, and  
19 we're working with PwC, our auditor. So we have three  
20 (3) external parties.

21                   We also are talking to SGI about what  
22 they're doing. We're getting very different answers.

23                   We're working through it. It's a  
24 principle based. It's not rule based. And so, there  
25 isn't clear black and white sometimes how to treat

1 certain items. So we're working through it right now.

2 MS. KATRINE DILAY: And when you say  
3 "working through it," you're referring specifically to  
4 the MCT calculation?

5 MS. CARA LOW: The MCT calculation for  
6 the most part, yes. And we're not the only ones. We  
7 hear this in the industry that everyone's struggling  
8 with their financial reporting.

9 Usually you can go to the OSFI website  
10 and pull out people's Q1 and Q2 results because  
11 everyone's working on Q3 for the most part. It's all  
12 blank. You can't pull the results. Everyone is  
13 struggling right now.

14 MS. KATRINE DILAY: I just have one  
15 last -- sorry. My apologies. I just have one last  
16 area of questioning on the Financial Condition Test  
17 report.

18 You'll agree that, in past years, MPI  
19 prepared the Financial Condition Test report  
20 internally?

21 MS. CARA LOW: That would be correct.

22 MS. KATRINE DILAY: And this year, for  
23 '22/'23, MPI engaged Ernst & Young to prepare the  
24 Financial Condition Test report?

25 MS. CARA LOW: Correct. Historically,

1 it was done in house. And the external appointed  
2 actuary would review it.

3 This year, we flipped it. They did the  
4 work. We did, of course, a review, and then they  
5 signed it. And that's because we weren't ready for  
6 IFR-17, but EY had their models ready to go.

7 MS. KATRINE DILAY: And so, at a high  
8 level, you'll agree that the Financial Condition Test  
9 report modelled MPI's future financial condition using  
10 a number of plausible adverse scenarios compared to a  
11 base scenario?

12 MS. CARA LOW: Correct.

13 MS. KATRINE DILAY: And based on these  
14 modelled scenarios, the FCT provides an opinion on  
15 whether Basic insurance financial condition is  
16 satisfactory?

17 MS. CARA LOW: Correct.

18 MS. KATRINE DILAY: In that -- and  
19 what we mean by that is that Basic financial condition  
20 can withstand adverse scenarios. Correct?

21 MS. CARA LOW: Correct.

22 MS. KATRINE DILAY: And if we could  
23 turn to page 5 of this document, which is MPI Exhibit  
24 82. And if we look under subsection 1.1, Summary of  
25 Findings, and the last sentence of the first

1 paragraph, you see there -- it states that:

2 "In this FCT analysis, we have  
3 modelled a base scenario for Basic  
4 line of business for the years  
5 2023/2024 to 2027/2028 developed  
6 from a business plan created in  
7 cooperation with your management."

8 MS. CARA LOW: Correct. And really,  
9 when we said "business plan," we gave them the GRA pro  
10 formas. The October 4th updated numbers, that's what  
11 we provided them. So that was the business plan.  
12 There wasn't anything in addition to that.

13 MS. KATRINE DILAY: So to clarify what  
14 you mean by that, Ms. Low, it was the October update,  
15 essentially, that was provided to the Board?

16 MS. CARA LOW: For updated PF-1, 2,  
17 and 3.

18 MS. KATRINE DILAY: And so, it's not  
19 referring to, for example, the annual business plan --

20 MS. CARA LOW: No.

21 MS. KATRINE DILAY: -- that was filed  
22 confidentially with this Rate Application?

23 MS. CARA LOW: Correct. Yes.

24 MS. KATRINE DILAY: And staying on  
25 this page, but looking under subsection 1.2, Guidance,

1 the report states that:

2 "International financial reporting  
3 standard IFRS-17 became effective  
4 for annual periods beginning on or  
5 after January 1st, 2023, with  
6 comparative financials produced for  
7 the immediate prior fiscal year."

8 Do you see that?

9 MS. CARA LOW: I see that.

10 MS. KATRINE DILAY: And that:

11 "The projections discussed within  
12 this report are prepared in  
13 accordance with the new standard and  
14 presentation of the results may  
15 differ from prior reports that were  
16 based on IFRS-4."

17 MS. CARA LOW: I see that, yes.

18 MS. KATRINE DILAY: And so, that means  
19 that MPI's financial condition as tested in this  
20 report under various scenarios is under IFRS-17.

21 Correct?

22 MS. CARA LOW: Correct.

23 MS. KATRINE DILAY: And if we look at  
24 page 6 of this report, you'll agree that these are the  
25 plausible scenarios posing the greatest threat to the

1 future satisfactory condition?

2 MS. CARA LOW: Correct.

3 MS. KATRINE DILAY: And if we look in  
4 the paragraph just under the scenarios, the second  
5 sentence in that paragraph, you see it says there:

6 "All of the going concern scenarios  
7 above produced an MCT ratio above a  
8 self-assessed minimum level  
9 currently set at 42 percent."

10 MS. CARA LOW: Correct.

11 MS. KATRINE DILAY: So that means that  
12 in none of the scenarios modelled does the MCT ratio  
13 go below 42 percent. Correct?

14 MS. CARA LOW: Correct.

15 MS. KATRINE DILAY: And looking to  
16 page 11 of this report, this is the opinion of the  
17 author of the report. Correct?

18 MS. CARA LOW: Correct.

19 MS. KATRINE DILAY: And the report  
20 states there, in the last sentence:

21 "In my opinion, the future financial  
22 condition of Manitoba Public  
23 Insurance Basic line of business is  
24 satisfactory, subject to corrective  
25 management actions."



1 Correct?

2 MS. CARA LOW: (NO AUDIBLE RESPONSE).

3 MS. KATRINE DILAY: And looking to  
4 page 20 of this report, the second paragraph from the  
5 bottom here on this page, you see there that the  
6 report states:

7 "The Company's financial strength  
8 remains considerable as evidenced by  
9 the results of the MCT."

10 Do you see that?

11 MS. CARA LOW: Sorry, where on the  
12 page?

13 MS. KATRINE DILAY: The second  
14 paragraph from the bottom, starting with the --

15 MS. CARA LOW: Yeah, I see that.

16 MS. KATRINE DILAY: And it goes on to  
17 say:

18 "This measure continues to  
19 strengthen over the 2023/'24 to  
20 2027/'28 period, remaining at a  
21 level above both the Regulator's  
22 supervisory requirement and the  
23 Company's target level by  
24 substantial margins, stressing the  
25 significant financial strength of

1 the Corporation."

2 MS. CARA LOW: I do see that.

3 MS. KATRINE DILAY: And, so to  
4 summarize, the MCT Measure is forecasted to increase  
5 over the '23/'24 to '27/'28 period according to this  
6 report. Correct?

7 MS. CARA LOW: Correct.

8 MS. KATRINE DILAY: And the report is  
9 saying that the MCT is forecasted to remain above the  
10 Company's target level of a hundred percent by  
11 substantial margins. Correct?

12 MS. CARA LOW: Yes.

13 MS. KATRINE DILAY: And, staying on  
14 this page, but just looking at the table at the top of  
15 the page, specifically the note that's right under  
16 that table, you see it says there, '22/'23 actuals are  
17 re-stated under IFRS-17, except MCT ratio?

18 MS. CARA LOW: Correct.

19 MS. KATRINE DILAY: Are you able to  
20 speak as to why the MCT ratio was not calculated under  
21 IFRS-17 for '22/'23 actual?

22 MS. CARA LOW: I can't say why. I  
23 know we did reach out 'cause we wanted -- see if we  
24 could get some validation on the one thirty-five (135)  
25 and I -- we were told it would be a lot of work and

1 they weren't prepared to do it. I'm not sure I can  
2 speak anymore. I just want to check, one second, I'll  
3 just check my back row here.

4 Oh, we didn't -- we didn't have the  
5 information to provide them at the time, for them to  
6 re-do the MCT.

7 MS. KATRINE DILAY: Sorry, you didn't  
8 --

9 MS. CARA LOW: We --

10 MS. KATRINE DILAY: -- have the  
11 information?

12 MS. CARA LOW: -- yeah, we didn't have  
13 the information to provide them at the time.

14 MS. KATRINE DILAY: Thank you. Are  
15 you also able to confirm whether for the years '23/'24  
16 through to '27/'28, the MCT ratios are calculated  
17 under IFRS-17?

18 MS. CARA LOW: For all future years,  
19 it's under IFRS-17. Yes.

20 MS. KATRINE DILAY: Thank you, Ms.  
21 Low and Mr. Kolaski. Those are my questions.

22 Madam Chair, Mr. Klassen would have a  
23 few questions for this panel as well.

24 PANEL CHAIRPERSON: Thank you.

25

1 CROSS-EXAMINATION BY MR. CHRIS KLASSEN:

2 MR. CHRIS KLASSEN: Good morning, Ms.  
3 Low, Mr. Kolaski, Madam Chair, members of the Board.  
4 Only a few minutes.

5 Ms. Schubert, if I could ask you to  
6 bring us to this document that you already have on the  
7 screen, which is figure 2 from Appendix 1 to the RSR  
8 chapter. And I believe we're on page 2.

9 Ms. Low, I'll ask you to confirm that  
10 before us we are presented with the Corporation's MCT  
11 calculation, including actuals and forecasts presented  
12 in IFRS-4 for 2022/'23 and then forecasts in IFRS-17  
13 from 2022/'23 out to 2026/'27. Correct?

14 MS. CARA LOW: That is correct.

15 MR. CHRIS KLASSEN: And if we look at  
16 the left side of the page, we see there identified the  
17 various components of the MCT calculation methodology.  
18 Correct?

19 MS. CARA LOW: Correct.

20 MR. CHRIS KLASSEN: And so, for  
21 example, first from lines 1 through 3, we see the  
22 figures related to MPI's calculation of its capital  
23 available.

24 MS. CARA LOW: Correct.

25 MR. CHRIS KLASSEN: And then from

1 lines 4 through 23, we see information about the four  
2 (4) categories of risk that are canvassed by OSFI's  
3 MCT calculation. Correct?

4 MS. CARA LOW: Correct.

5 MR. CHRIS KLASSEN: So, for example,  
6 insurance risk from lines 4 through 10?

7 MS. CARA LOW: Yes.

8 MR. CHRIS KLASSEN: Market risk from  
9 lines 11 through 17. Correct?

10 MS. CARA LOW: Correct.

11 MR. CHRIS KLASSEN: And to confirm  
12 market risk relates to risks inherent in MPI's  
13 investment portfolio management. Correct?

14 MS. CARA LOW: Correct. Yes.

15 MR. CHRIS KLASSEN: Credit risk from  
16 lines 18 through 22, and finally operational risk at  
17 line 23. Correct?

18 MS. CARA LOW: Correct.

19 MR. CHRIS KLASSEN: Finally, there's  
20 attention paid to a diversification credit which is  
21 subtracted from the sum of those four (4) sub-  
22 categories of risk. Correct.

23 MS. CARA LOW: Correct. The thinking  
24 is that not everything will go bad at one time.

25 MR. CHRIS KLASSEN: Exactly and --

1 MS. CARA LOW: Yes.

2 MR. CHRIS KLASSEN: -- and I'll ask  
3 you to just clarify or confirm that -- that OSFI  
4 thinking in -- in providing for diversification  
5 credit, is MPI is not likely to experience  
6 considerable or even maximum losses in, for example,  
7 capital risk and credit risk at the same time.

8 Correct?

9 MS. CARA LOW: Correct. Yes.

10 MR. CHRIS KLASSEN: Thank you. And  
11 for the purposes of its MCT calculation and the  
12 Capital Management Plan, I believe we heard today from  
13 you that the Corporation proposes to calculate the MCT  
14 ratio on March 31st of each year. Correct?

15 MS. CARA LOW: Correct.

16 MR. CHRIS KLASSEN: Which is the last  
17 day of the Corporation's fiscal year?

18 MS. CARA LOW: Correct.

19 MR. CHRIS KLASSEN: And for the  
20 purposes of the forecast columns on this page, Ms.  
21 Low, you'll confirm that March 31st of 2023/'24 and on  
22 has not come yet. Correct?

23 MS. CARA LOW: Correct.

24 MR. CHRIS KLASSEN: And so those --  
25 the -- the inputs into the forecast MCT calculations

1 beginning with 2023/'24 and on are based on  
2 assumptions or forecasts. Correct?

3 MS. CARA LOW: Correct.

4 MR. CHRIS KLASSEN: And with respect  
5 to the market risk category, I'll ask you to confirm  
6 that the assumptions MPI is relying on in these  
7 calculations are that, namely, the Corporation has  
8 achieved the target asset class allocations as set out  
9 in its Investment Policy Statement. Correct?

10 MS. CARA LOW: I believe so. Just let  
11 me check.

12 MR. CHRIS KLASSEN: Sure.

13 MS. CARA LOW: Yes. Confirmed.

14 MR. CHRIS KLASSEN: And so  
15 colloquially, for example, in the 2023/'24 year, MPI  
16 assumes that by March 31st of 2024 it has successfully  
17 implemented the recently made changes to its  
18 Investment Policy Statement. Correct?

19 MS. CARA LOW: Correct. The new --  
20 the new Investment Policy Statement was in effect for  
21 April 1st, of this year, and we assume that all those  
22 changes are going to be in place for year end.

23 MR. CHRIS KLASSEN: Certainly, and I -  
24 - I appreciate that comment. And just for our  
25 clients' information, for future years, and if this

1 question is better suited to next Monday's panel,  
2 you'll let me know.

3 But you'll confirm that it's reasonable  
4 to expect fluctuations between actual and target asset  
5 allocations on -- on an ongoing basis in MPI's  
6 portfolio management?

7 MS. CARA LOW: Agreed. Agreed.

8 MR. CHRIS KLASSEN: And leaving aside  
9 MCT forecast calculations, when MPI is calculating its  
10 actuals, does MPI intend to use the target allocations  
11 in the Investment Policy Statement or actuals?

12 MS. CARA LOW: For the MCT  
13 calculation, for the actual, March 31st we would use  
14 actuals.

15 MR. CHRIS KLASSEN: Understood.

16 MS. CARA LOW: Yes.

17 MR. CHRIS KLASSEN: Thank you. And,  
18 leaving aside that minor digression, again, we're  
19 going to be focused on the 2023/'24 year, and that's  
20 the year that we're talking about incorporates the --  
21 the assumption that MPI has implemented its policy  
22 statement.

23 MS. CARA LOW: Correct.

24 MR. CHRIS KLASSEN: And so if we look  
25 at line 17, on the table before us, under that



1 2023/'24 forecast year, we see that MPI has determined  
2 the amount of capital expect -- that it expects that  
3 it needs to account for or compensate for or reflect  
4 the risk held in its investment portfolio is two  
5 hundred eighty-seven point one (287.1) million.

6 Correct?

7 MS. CARA LOW: Sorry, two (2) --

8 MR. CHRIS KLASSEN: Again, I'm looking  
9 at the -- the market risks margin subtotal at line 17,  
10 for the 2023/'24 year.

11 MS. CARA LOW: So go to -- oh, I see  
12 it now. Yes. Yes.

13 MR. CHRIS KLASSEN: Two hundred eighty  
14 seven point (287.) --

15 MS. CARA LOW: Two hundred and eight-  
16 seven (287 is the required capital for market risk.  
17 Yes.

18 MR. CHRIS KLASSEN: Great. Thank you.  
19 And -- and if we focus on market -- oh --

20 MS. CARA LOW: And another thing,  
21 that -- that's at a 150 percent MCT. Right?

22 MR. CHRIS KLASSEN: Understood.

23 MS. CARA LOW: Yeah. Okay.

24 MR. CHRIS KLASSEN: Yeah. Thank you.  
25 And so if we focus on the market risk category, for a

1 moment, you'll see that as components of that sub-  
2 total, there are five (5) sub-categories. Correct?

3 MS. CARA LOW: Correct.

4 MR. CHRIS KLASSEN: And interest rate  
5 risk, for example, at line 12, is projected to be  
6 forty-two point seven (42.7) million at the end of the  
7 2023/'24. Correct?

8 MS. CARA LOW: Correct.

9 MR. CHRIS KLASSEN: And that's an  
10 increase from seventeen point seven (17.7) million in  
11 2023. Correct?

12 MS. CARA LOW: Correct. Yes.

13 MR. CHRIS KLASSEN: And, subject to  
14 check, you'll accept that that's an approximate 140  
15 percent increase from 2022 to '23. Correct?

16 MS. CARA LOW: Subject to check. Yes.

17 MR. CHRIS KLASSEN: Foreign exchange  
18 risk at line 13 is projected to require thirty-two  
19 point two (32.2) million in 2023/'24. Correct?

20 MS. CARA LOW: Correct. Yes.

21 MR. CHRIS KLASSEN: And that's up from  
22 nineteen point four (19.4) million 2022/'23. Correct?

23 MS. CARA LOW: Correct.

24 MR. CHRIS KLASSEN: And, subject to  
25 check, you'll accept that that's an approximately 65

1 percent increase year over year?

2 MS. CARA LOW: Subject to check, yes.

3 MR. CHRIS KLASSEN: And turning our  
4 attention to equity risk at the next line, that  
5 increased from ninety-three (93) million to one  
6 hundred-thirty point six (130.6) million from '22/'23  
7 to '23/'24. Correct?

8 MS. CARA LOW: Correct.

9 MR. CHRIS KLASSEN: And subject to  
10 check 40 percent increase?

11 MS. CARA LOW: Subject to check. Yes.

12 MR. CHRIS KLASSEN: And finally, real  
13 estate risk up from forty-three point four (43.4)  
14 million to eighty-one point five (81.5) million.  
15 Correct? Which is an --

16 MS. CARA LOW: Correct.

17 MR. CHRIS KLASSEN: -- approximate  
18 increase of 88 percent, subject to check?

19 MS. CARA LOW: Subject to check. Yes.

20 MR. CHRIS KLASSEN: Thank you. And  
21 based on these subtotals that we've just reviewed,  
22 you'll confirm that the 287.1 million that we  
23 confirmed a moment ago grew from 173.6 million the  
24 year prior, correct?

25 MS. CARA LOW: Correct.

1 MR. CHRIS KLASSEN: And that that's  
2 approximately a 65 percent increase?

3 MS. CARA LOW: Subject to check.

4 MR. CHRIS KLASSEN: And just  
5 recognizing your comments today, Ms. Low, regarding  
6 the fact that MPI explains that its implementation of  
7 IFRS-17 is still in progress -- Ms. Schubert, I'll ask  
8 you to take us two (2) pages down to Figure 4.

9 And, Ms. Low, I'll ask you just to  
10 confirm that this table presents the same information  
11 but only in IFRS-4 as opposed to IFRS-17, correct?

12 MS. CARA LOW: Correct.

13 MR. CHRIS KLASSEN: And so now using  
14 IFRS-4 instead of 17, looking at line 17, the market  
15 risk margin for 2023/'24 is two hundred eighty  
16 thousand four hundred eighteen (280,418) --

17 MS. CARA LOW: Correct.

18 MR. CHRIS KLASSEN: -- million? Thank  
19 you. And 2022/'23 is 193.9 million, correct?

20 MS. CARA LOW: Correct.

21 MR. CHRIS KLASSEN: And subject to  
22 check, that's approximately a 45 percent increase year  
23 to year?

24 MS. CARA LOW: Subject to check, yes.

25 MR. CHRIS KLASSEN: Thank you. And

1 you've already canvassed the responses to my last  
2 questions again, Ms. Low, and I thank you for that.

3 Those are our questions for the panel,  
4 Madam Chair. That's it for CAC (Manitoba) today.

5 PANEL CHAIRPERSON: Thank you, Mr.  
6 Klassen. Ms. Meek...?

7 MS. CHARLOTTE MEEK: Thank you, Madam  
8 Chair.

9

10 CROSS-EXAMINATION BY MS. CHARLOTTE MEEK:

11 MS. CHARLOTTE MEEK: Good morning.  
12 Again, I'm going to direct my questions generally.  
13 Whoever feels able to answer can -- can go ahead.

14 The Extension line of business is a  
15 for-profit line of business for MPI. Is that correct?

16 MS. CARA LOW: Yes.

17 MS. CHARLOTTE MEEK: And when  
18 completing forecasting calculations, MPI relies on  
19 historical data when projecting the excess capital  
20 that may accrue in the Extension line of business.

21 Is that correct?

22 MS. CARA LOW: Yes.

23 MS. CHARLOTTE MEEK: And that  
24 historical data assists in making MPI's forecasting  
25 for expected Extension revenues more accurate.

1 Is that correct?

2 MS. CARA LOW: Well, we do accepted  
3 actuarial pricing exercise for Extension, and that  
4 feeds then into the revenue line. So we take the  
5 historical data and we adjust.

6 MS. CHARLOTTE MEEK: Right. So the  
7 historical data informs the forecasting methodology  
8 that MPI uses?

9 MS. CARA LOW: Yes.

10 MS. CHARLOTTE MEEK: Thank you. And  
11 if we could go to part 10, the RSR chapter of the  
12 General Rate Application. And so we're at page 10,  
13 and we're going to look at RSR 4.3. Thank you, Ms.  
14 Schubert.

15 And here on the second line, you'll see  
16 that it indicates -- MPI has indicated that:

17 "If the MCT is below 100 percent at  
18 the beginning of the current fiscal  
19 year, MPI will require a capital  
20 build and will apply for one with  
21 its GRA unless assumed capital  
22 transfers from Extension can build  
23 up capital to the 100 percent MCT  
24 target in less than five (5) years."

25 Do you see that there?

1 MS. CARA LOW: I do.

2 MS. CHARLOTTE MEEK: Okay. And so  
3 this means that, based on the Capital Management Plan  
4 being proposed, MPI may -- may make a decision not to  
5 proceed with a capital build provision on the basis of  
6 assumed transfers being made from Extension to Basic  
7 in the upcoming years.

8 Is that correct?

9 MS. CARA LOW: That is correct.

10 MS. CHARLOTTE MEEK: Thank you. And  
11 if I could take you now to an IR response, CMMG/MPI-1-  
12 12. Thank you.

13 And CMMG asked the question of whether  
14 MPI's board of directors would then be prohibited from  
15 authorizing transfers to other lines of business where  
16 the forecasting methodology assumes that those  
17 transfers are being made.

18 And in its response, MPI confirmed that  
19 the board of directors would not be prohibited from  
20 making those transfers.

21 Is that correct?

22 MS. CARA LOW: That is correct.

23 MS. CHARLOTTE MEEK: Okay. And you  
24 would agree then that MPI's forecasting accuracy is  
25 diminished by the uncertainty in how excess Extension

1 funds may be used?

2 MS. CARA LOW: Agreed.

3 MS. CHARLOTTE MEEK: Thank you. And  
4 in previous questioning, I think there had been some  
5 comments made about audited results and it being good  
6 financial prudence to use audited financial results.

7 Do you recall those questions and those  
8 answers?

9 MS. CARA LOW: I do.

10 MS. CHARLOTTE MEEK: And if I could  
11 take you to MPI's 2021 Special Rebate Application, and  
12 if we -- oh, I'll give Ms. Schubert a moment.

13 So this was a Special Rebate  
14 Application that was made by MPI due to the COVID-19  
15 pandemic on April 27th, 2020. Is that correct?

16 MS. CARA LOW: That is correct.

17 MS. CHARLOTTE MEEK: And as a result  
18 of this application, monies were rebated to Manitoba  
19 customers. Is that correct?

20 MS. CARA LOW: Correct.

21 MS. CHARLOTTE MEEK: Okay. And if we  
22 could go to page 5 of this Application, and the last  
23 line on this page indicates that:

24 "The figures being used are best  
25 estimates and are subject to



1 finalization of the year-end process  
2 and external audit."

3 Is that correct?

4 MS. CARA LOW: Yes, I see that.

5 MS. CHARLOTTE MEEK: And so you'd  
6 agree that this rebate was applied for without audited  
7 financial results. Is that correct?

8 MS. CARA LOW: That is correct, and we  
9 have changed our thinking 'cause there was one year we  
10 gave a rebate and we landed at less than 100 percent.  
11 And that was March 31st, 2022, 'cause the forecast --  
12 the only thing we know about a forecast is it's going  
13 to be wrong. Just how wrong is it going to be? So to  
14 give -- to rebate money on a forecast isn't within  
15 fiscal prudence.

16 MS. CHARLOTTE MEEK: You'd agree that  
17 MPI then subsequently applied -- applied for a further  
18 rebate, is that correct, in -- in November of 2020?

19 MS. CARA LOW: I believe so, yes.  
20 Yes.

21 MS. CHARLOTTE MEEK: Okay. And that  
22 again was applied for without audited financial  
23 results?

24 MS. CARA LOW: Correct.

25 MS. CHARLOTTE MEEK: Okay. So there

1 have been times in the past that MPI has applied for a  
2 rebate without the audited financial results?

3 MS. CARA LOW: Agreed. COVID was a  
4 very unique time. Collision frequency dropped and  
5 there was no claims coming in the door.

6 MS. CHARLOTTE MEEK: Absolutely. We  
7 did -- we went through that process based on an  
8 unusual circumstance, but we relied on unaudited  
9 financial results for the purpose of those rebates.

10 MS. CARA LOW: Right, and we dropped  
11 below 100 percent at one point in our MCT.

12 MS. CHARLOTTE MEEK: Okay. Thank you.  
13 Pardon me, Madam Chair. Those are my questions.

14 PANEL CHAIRPERSON: Thank you, Ms.  
15 Meek. Ms. Nelko...?

16 MS. SHARNA NELKO: Thank you, Madam  
17 Chair.

18

19 CROSS-EXAMINATION BY MS. SHARNA NELKO:

20 MS. SHARNA NELKO: Good morning. I'm  
21 Sharna Nelko, here to ask some questions on behalf of  
22 the Taxi Coalition. So I'm hoping to clarify a couple  
23 of points with you here today about MPI's proposed  
24 Capital Management Plan.

25 So do I understand correctly that MPI

1 has no intention of filing a Special Rebate  
2 Application prior to next year's GRA?

3 MS. CARA LOW: That is correct.

4 MS. SHARNA NELKO: Okay. And as  
5 another point of clarification, based on MPI's  
6 interpretation of the legislation, and according to  
7 this proposed Capital Management Plan, am I correct in  
8 understanding that there would not be a situation  
9 where a rebate would be issued such that MT -- MCT  
10 would fall below a hundred percent MCT because MPI  
11 would specifically quantify the rebate such that that  
12 wouldn't happen, correct?

13 MS. CARA LOW: Correct, 'cause it  
14 would be at the same point in time, the same March  
15 31st MCT. So if it exceeds one twenty (120), we would  
16 rebate back to 100 percent, and that number is  
17 directly from the MCT calculation.

18 MS. SHARNA NELKO: Right. And if I --  
19 I recall correctly, Ms. Low, that's one you referred  
20 to in your testimony, a couple of days ago, an  
21 audited, known number, correct?

22 MS. CARA LOW: The audited known  
23 number.

24 MS. SHARNA NELKO: Okay. And you'll  
25 also recall a couple of days ago that during Ms.

1 McCandless's cross-examination, she was asking about  
2 MPI's sense as to how much an auditor change could  
3 affect the financials. Do you recall that?

4 MS. CARA LOW: I do recall that.

5 MS. SHARNA NELKO: And she was asking  
6 directionally where MPI thought the MCT might go  
7 following -- following this audit. Do you recall  
8 that?

9 MS. CARA LOW: I do recall that, yes.

10 MS. SHARNA NELKO: All right. And --  
11 and I'm hoping just to clarify what your response was  
12 to that.

13 So, Ms. Schubert, would you be able to  
14 pull up the transcript from October 16th, page 1228?

15

16 (BRIEF PAUSE)

17

18 MS. SHARNA NELKO: All right. And if  
19 you see at -- perhaps we can actually start at the  
20 previous page. So at line 22, Ms. McCandless asked --  
21 and -- or line 23:

22 "And theoretically, could changes  
23 recommended by an auditor bring the  
24 MCT to below 100 percent?"

25 And then you can see your response at

1 line 25 where you say:

2 "I mean, in theory it could, but no.  
3 It's probably going to increase  
4 would be the most likely."

5 And then Ms. McCandless -- McCandless  
6 says:

7 "Okay. So directionally, that  
8 number would go up rather than  
9 down?"

10 And your response, Ms. Low, was, "That  
11 would be our hunch."

12 So what I'm hoping to clarify is: Were  
13 you saying that the number would be above 100 percent  
14 MCT or above 135.5 MCT?

15 MS. CARA LOW: Yeah, no, my  
16 clarification is, it would be higher. We're pretty  
17 confident to say it's going to be higher than the  
18 IFRS-4 number, which was 110.8.

19 So going back in time, March 1st, 2023,  
20 IFRS-17 is expected to be higher than IFRS-4, so it  
21 will be higher than the 110.8. How much higher is  
22 where we're still uncertain.

23 MS. SHARNA NELKO: Okay. Thank you  
24 for that clarification, Ms. Low.

25 So you -- so you were not intending to

1 refer to higher than the IFRS-17 estimate of 135.5?

2 MS. CARA LOW: Correct.

3 MS. SHARNA NELKO: Okay.

4 MS. CARA LOW: Correct.

5 MS. SHARNA NELKO: Thank you. And I

6 think this next line of questioning might be for Mr.

7 Kolaski, but you can use your discretion there.

8 Do you recall in the line of

9 questioning from a couple of days ago Mr. Scarfone was

10 asking Mr. Kolaski about what would happen if MPI

11 applied for a rebate based on the IFRS-17 restated

12 MCT. Do you recall that line of questioning?

13 MR. RYAN KOLASKI: I do, yes.

14 MS. SHARNA NELKO: And that IFRS-17

15 restated MCT being 135.5, correct?

16 MR. RYAN KOLASKI: That is correct.

17 MS. SHARNA NELKO: And during that

18 line of questioning, Mr. Scarfone was asking if a

19 rebuild would be necessary if a rebate were applied in

20 this GRA. Do you recall that?

21 MR. RYAN KOLASKI: I do, yes.

22 MS. SHARNA NELKO: And, Ms. Schubert,

23 we're -- we're still on this transcript, so that's

24 helpful. If you could go to page 1,206, please. And

25 that's where we'd find Mr. Kolaski's response. At

1 line 14, please.

2                   So, Ms. -- Mr. Kolaski, this was your  
3 response to Mr. Scarfone's question where you  
4 indicated:

5                   "I think I'd have to go through  
6 actually and do the math, right, on  
7 what the change to the MCP/MCT  
8 impact would be, but quickly math  
9 and using legal math, as has been  
10 put forward here today, it would be  
11 under a hundred percent."

12                   Do you see that?

13                   MR. RYAN KOLASKI: I do, yes.

14                   MS. SHARNA NELKO: Okay. So I'm  
15 hoping to clarify. What you were saying in this  
16 response is that, if MPI issued a rebate based on that  
17 IFRS-17 restated figure, it would bring the MCT to  
18 under a hundred percent.

19                   Is that what you were saying?

20                   MR. RYAN KOLASKI: So the -- the way  
21 it works is that 134 -- or let's just use 136 percent  
22 -- we would rebate down to a hundred percent. So that  
23 math I believe has already been established.

24                   The quantification of those dollars  
25 would then impact the forward year's MCT calculation.

1 And then that's where the calculation would then  
2 change.

3 I just -- again, it was just I can't do  
4 the math in my head, right, the quantification of the  
5 135 to a hundred, what dollar level that is. Subject  
6 to check, I would say it's probably about 121 million,  
7 I believe.

8 So if you take \$121 million of rebate  
9 out, that means in the '24/'25 year that equity is no  
10 longer available. And that would push us, based on  
11 our forecast, all things being equal, under a hundred  
12 percent, right.

13 And rough legal math I would say,  
14 subject to check, it's probably about 85 percent, plus  
15 or minus, right, but, again, I'd have to work through  
16 that specific math.

17 MS. SHARNA NELKO: Sure. Thank you  
18 for that clarification.

19 So -- so that would be based on MPI  
20 theoretically rebating down to this 100 percent MCT,  
21 so from 135.5, this estimate, to a hundred, correct?

22 MR. RYAN KOLASKI: That is correct.

23 MS. SHARNA NELKO: So what you're  
24 saying is, if that 135.5 MCT -- percent MCT were  
25 actually lower, there would be a risk that you would



1 be rebating to below 100 percent MCT, correct?

2 MR. RYAN KOLASKI: So as it relates to  
3 the '22/'23 year, the 136, that's where the risk is.  
4 We don't, honestly, at this point, have clarification.  
5 Is it 136? Is it a little higher, or is it a little  
6 lower?

7 So, if you took the \$121 million, the  
8 risk is should that -- is -- if we rebated that out  
9 and we did -- we finally landed with our external  
10 consultants what that final calculation looks it,  
11 maybe the rebate in theory could have been something  
12 less, say, you know, a hundred or -- and that's where  
13 the challenge is. We don't have clarity as of yet as  
14 to that 136 number overall, but, yes.

15 MS. SHARNA NELKO: Okay. Thank you  
16 for that clarification.

17 And would you agree with me that there  
18 is no requirement set out in the legislation  
19 pertaining to the specific amount of the rebate?

20 MS. CARA LOW: That is true.

21 MS. SHARNA NELKO: So, in other words,  
22 there's -- there's no requirement that MCT must rebate  
23 down to a hundred percent MCT, correct?

24 MS. CARA LOW: One minute.

25

1 (BRIEF PAUSE)

2

3 MS. CARA LOW: The legislation does  
4 read that the rebate cannot bring us down to a  
5 projected RSR of a hundred percent.

6 MS. SHARNA NELKO: It cannot bring it  
7 below 100 percent, correct?

8 MS. CARA LOW: Correct.

9 MS. SHARNA NELKO: But you're not  
10 required to bring it to 100 percent, correct?

11 MS. CARA LOW: Correct. Correct.  
12 Yes.

13 MS. SHARNA NELKO: So you could, in  
14 theory -- if MCT were at 136, you could, in theory,  
15 rebate down to 110 percent MCT, correct?

16 MS. CARA LOW: That would be correct.  
17 And what we try to do with the Capital Management Plan  
18 is to not bring in a lot of subjectivity. And that's  
19 why we said that it would be rebated back to a hundred  
20 percent as of the March 31st date of the audit.

21 MS. SHARNA NELKO: Sure. But in -- in  
22 a special circumstance, while it might not be MPI's  
23 plan going forward, that could be something that the  
24 legislation leaves discretion for MPI to --

25 MS. CARA LOW: That would be up to the

1 Board of the Directors to decide. That would be under  
2 their discretion, yes.

3 MS. SHARNA NELKO: Okay. Thank you.  
4 Okay. So I believe we went through this a couple  
5 times also, but as part of MPI's Capital Management  
6 Plan, MPI has indicated that, as part of the regular  
7 GRA process in addition to seeking approval of its  
8 rates for service, it would, at the same time, file a  
9 special rebate application provided that Basic MCT  
10 ratio exceeds 120 percent, correct?

11 MS. CARA LOW: Correct.

12 MS. SHARNA NELKO: So although this  
13 would be MPI's intention to file the -- the GRA and  
14 the special rebate application at the same time, would  
15 you agree with me that there's no requirement in the  
16 legislation for these two (2) applications to be filed  
17 at the same time?

18 MS. CARA LOW: That is correct.

19 MS. SHARNA NELKO: Okay. So, in other  
20 words, there's -- there's no restriction on when MPI  
21 has to file a special rebate application, right?

22 MS. CARA LOW: Correct.

23 MS. SHARNA NELKO: So you'd agree, I  
24 assume, that MPI could file a special rebate  
25 application outside of the formal GRA process?

1 MS. CARA LOW: Correct. One minute.  
2 To file it at the same time would be less of an  
3 administrative burden, so we would expect we would  
4 always do it at the same time, but there's nothing in  
5 the legislation that would restrict us from doing it  
6 at the same -- or at a different time.

7 MS. SHARNA NELKO: Sure. So a policy  
8 goal but not a requirement?

9 MS. CARA LOW: Correct.

10 MS. SHARNA NELKO: Okay. Thank you.  
11 Those are my questions.

12 PANEL CHAIRPERSON: Thank you very  
13 much. It's almost 10:25, so we'll take the morning  
14 break at this point and come back at...quarter to  
15 11:00, please.

16

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

18 --- Upon resuming at 10:46 a.m.

19

20 PANEL CHAIRPERSON: Thank you. We'll  
21 now proceed with questions from the Board.

22 Mr. Gabor...?

23 BOARD CHAIR GABOR: I've got a  
24 question for Mr. Kolaski. Mr. Kolaski, you were  
25 talking about the equity in the DVA account.

1 MR. RYAN KOLASKI: Yes, sir.

2 BOARD CHAIR GABOR: I'm just trying to  
3 understand -- I understand it started the \$117 million  
4 and you withdraw money or pull money out each year.

5 Does the portion of Project NOVA in  
6 relation to DVA come out of that account?

7 MR. RYAN KOLASKI: Yeah. So the way  
8 to think about it is, conceptually, let's just start  
9 with 117 million. So let's just say, day 1, that's  
10 how much money we have.

11 And then, as you roll through each  
12 year, fiscal period, being your income statement --  
13 whatever that net -- in our case, the net loss is, is  
14 going to basically get funded by that one-seventeen  
15 (117).

16 So NOVA costs that are being attributed  
17 to DVA are ultimately coming out of that portion of  
18 that money as it's going through each fiscal period.

19 BOARD CHAIR GABOR: Okay. Thank you.  
20 That -- that was the only question I had.

21 PANEL CHAIRPERSON: Ms. Boulter...?

22 BOARD MEMBER BOULTER: Again, on the  
23 subject of DVA, you indicated earlier that MPI has had  
24 no direction from the government on self sufficiency.

25 But I'm wondering when NOVA is

1 completely installed and it's all running fine, are  
2 you anticipating a decrease in DVA FTEs and expenses -  
3 - hoping for?

4

5 (BRIEF PAUSE)

6

7 MR. RYAN KOLASKI: I guess the regular  
8 question -- or my answer back in -- into two (2)  
9 parts.

10 So on FTEs, they're captive to that --  
11 that business. What's happening on NOVA is those  
12 costs are getting allocated across. So in theory,  
13 right, the transitional period will end and then there  
14 will be operating costs going forward related to  
15 licensing and everything else. So those licensing  
16 costs would continue, right?

17 The challenge overall is it's a period  
18 of time, right? So today, not so bad because we have  
19 the equity cushion with which to fund that deficit  
20 but, ultimately, it's not self sustaining.

21 So at some point, that deficit -- being  
22 the 177 million, subject to check -- will ultimately  
23 get ground down to zero (0) and then you're, like, How  
24 do you deal with that?

25 So it's either going to have to be

1 funding or there's going to have to be a change in  
2 revenue or perhaps, when E&Y has done their review,  
3 the cost allocation methodology will change and the  
4 costs being associated with DVA will change, and then  
5 that will change their net income profile going  
6 forward.

7                   So it's a bit of a combination of a  
8 number of things. But ultimately, I need direction  
9 and the discussion with government as to how and what  
10 we will do ultimately. But I just don't have that  
11 today.

12                   BOARD MEMBER BOULTER: No, I guess my  
13 question is -- is -- I realize that you're bringing in  
14 the new system to modernize. Like, that -- that's the  
15 goal.

16                   MR. RYAN KOLASKI: Yeah.

17                   BOARD MEMBER BOULTER: But I'm  
18 wondering if you're predicting that -- if it's all  
19 done, say, in '27/'28, is the computerization and the  
20 modernization and everything that you're doing for  
21 NOVA for DVA, is it going to result in a more  
22 streamlined process that you don't need as many  
23 people? Is that what you're predicting is going to  
24 happen?

25                   And with that, you would have a result

1 -- and how many FTEs do you think would no longer be  
2 doing things that maybe are manual or not automatic or  
3 not online or anything like that.

4 Are you predicting that when this is  
5 all said and done, there will be a reduction in FTEs  
6 and there will cost savings in this line?

7 MR. RYAN KOLASKI: Got you. Just one  
8 second.

9 BOARD MEMBER BOULTER: Okay.

10

11 (BRIEF PAUSE)

12

13 MR. RYAN KOLASKI: So the short answer  
14 is, yes, there is planned NOVA benefits related to  
15 that stream going forward.

16 As to the specific quantifications of  
17 what that looks like, I would have to defer that back  
18 to the NOVA Panel. I just don't have that information  
19 handy.

20 BOARD MEMBER BOULTER: Would it be  
21 possible to do an undertaking and get something back  
22 to us on that?

23 MR. ANTHONY GUERRA: Yes, it -- it is  
24 possible, Ms. Boulter. So just to confirm, the  
25 undertaking would be to provide the anticipated FTE



1 reduction or savings to the DVA line of business as a  
2 result of NOVA once completed?

3 BOARD MEMBER BOULTER: You phrased it  
4 so much nicer than I did. So I thank you. Yes,  
5 that's exactly what I wanted. Thank you.

6 MR. ANTHONY GUERRA: Yes, we can.

7

8 --- UNDERTAKING NO. 27: MPI to provide the  
9 anticipated FTE reduction  
10 or savings to the DVA line  
11 of business as a result of  
12 NOVA once completed

13

14 PANEL CHAIRPERSON: Ms. Nemeč...?

15 BOARD MEMBER NEMEC: Thank you. That  
16 was such a good question from Ms. Boulter, I'm going  
17 to take it one step further.

18 Because there are, throughout the whole  
19 process of approving the processors' look at realizing  
20 the benefits from each stage of -- of NOVA, and from  
21 your answer, I'm assuming none of that has been built  
22 -- none of those savings have really been built into  
23 your future forecast.

24 Will next year, when you're doing the  
25 GRA, will you start to look at the longer term

1 realization of some of those benefits?

2

3

(BRIEF PAUSE)

4

5 MR. RYAN KOLASKI: It's fair to say in  
6 our forecast, when we look at the five (5) year  
7 forecast that's been presented, the benefits related  
8 to NOVA and estimates around those savings are built  
9 into that forecast specifically.

10 And it's based on the timing of when  
11 NOVA will be completed. So along with when NOVA  
12 completes, and then the phasing in of those benefits,  
13 both from an expense point and from an FTE point are  
14 kind of baked into that forecast.

15 Again, in terms of specifics in timing,  
16 I would have to defer that back to the NOVA Panel. I  
17 just don't have that information with me today.

18 BOARD MEMBER NEMEC: That's okay. It  
19 was more of a general comment as to whether you're  
20 incorporating that kind of information.

21 A further question about the DVA  
22 equity, which I believe you said that you expect it to  
23 be around 71 million at the end of '24/'25.

24 MR. RYAN KOLASKI: That's correct.

25 BOARD MEMBER NEMEC: And I'm assuming

1 there is an expected loss annually. And you did  
2 present -- there has been some presentations of, sort  
3 of, the longer term view of the annual loss. Maybe  
4 I'd say -- say it's 20 million per year. I'm not -- I  
5 can't remember what it was.

6 So I would assume then there's going to  
7 be equity that continues in the DVA -- cumulative  
8 equity in the DVA, until, you know, three (3) years  
9 plus. So that would be -- '26, '27 -- '28 fiscal or  
10 '29 fiscal?

11 MR. RYAN KOLASKI: Legal math is  
12 excellent.

13 BOARD MEMBER NEMEC: Okay. So -- and  
14 the reason why I ask that question is more of taking a  
15 look at when you have the -- any surpluses in either  
16 SRE or Extension, is there pressure to move those  
17 funds to DVA versus Basic? So that was kind of my --  
18 the reason for my question.

19 And I might go to your -- page 17 of  
20 your presentation on the Capital Management Plan. Ms.  
21 Schubert, if you are able to find that. And page 17.  
22 Thank you.

23 And just to confirm, on this document,  
24 this does not assume any transfers whatsoever of  
25 equity from Extension or SRE unless -- excluding the

1 bottom piece.

2                   So, as you're looking at -- when you're  
3 looking at the MCT plan, the percentages that you've  
4 forecasted exclude any potential transfers from  
5 Extension RSRE.

6                   MS. CARA LOW:    This is the application  
7 of the proposed Capital Management Plan, so the --  
8 first box, doesn't have any transfers between any line  
9 of businesses.

10                   The second one has your transfer from  
11 Extension over to Basic, 'cause that is the plan.  And  
12 then the third one is after the rebate and that's why  
13 you see the '26/'27 going down to the 100 percent.

14                   BOARD MEMBER NEMEC:   Okay, so, I'm  
15 sorry, so this document does show going down to 200  
16 percent in the middle caption on '25/'26, under IFRS-  
17 17.

18                   MS. CARA LOW:    Correct.

19                   BOARD MEMBER NEMEC:    So, it does  
20 assume that.

21                   MS. CARA LOW:    Yeah.

22                   BOARD MEMBER NEMEC:    Thank you.  One  
23 other question I had, at the very bottom we see, or on  
24 the left-hand column we see Basic under IFRS is the  
25 110.8 percent.

1                   And, I believe you said, that the --  
2 with IFRS-17 that would be 135.5 percent, after  
3 applying it beginning of year.

4                   MS. CARA LOW:     Yeah.

5                   BOARD MEMBER NEMEC:    So, then we see  
6 significant decreases in that percentage.

7                   Now is that from to the '23/'24 -- now  
8 I assume part of that is a loss expected in '23/'24.  
9 And is the rest of that, really, and I think Mr.  
10 Klassen eluded to some of the changes in the  
11 calculations from the investments are not yet invested  
12 -- or the calculations are -- are based on the old  
13 investment portfolio versus the planned investment  
14 portfolio. Is that the major change?

15                  MS. CARA LOW:    The -- the main driver,  
16 is a new Investment Policy Statement. And that came  
17 out of the Mercer ALM study that we discussed last  
18 year.

19                  So, it is -- has been approved for  
20 April 1st of 2023 and the investment team is working  
21 on implementing it, so, the plan is to have it fully  
22 implemented.

23                  But if you go riskier assets, there is  
24 a risk charge. You have to hold -- but you also get  
25 higher yields.

1                   So, we did see a seventy-five (75)  
2 basis point drop in the AEP rate indication, 'cause we  
3 added commercial mortgages. So, the commercial  
4 mortgages aren't there yet, they will be there for  
5 March 31st, 2025, and that's 5 percent of our Basic  
6 claims portfolio.

7                   So, you get higher yield, higher risk,  
8 higher capital charges.

9                   BOARD MEMBER NEMEC:    So, those are the  
10 two (2) -- just say summarize, those are the two (2)  
11 big issues why the -- under IFRS-17 the one-thirty-  
12 five (135) goes down to one-o-four (104).

13                  MS. CARA LOW:    Correct.

14                  BOARD MEMBER NEMEC:    Thank you. I  
15 think my last question is probably a -- just a broader  
16 question.

17                  And I've seen a presentation and -- and  
18 I don't -- about the -- the Capital Management Plan,  
19 but I'm not sure I've seen -- and maybe you can direct  
20 me to it, is a formal CMP, like a written policy  
21 document. Is -- is there one?

22                  MS. CARA LOW:    There is not. But we  
23 were kind of waiting for final approval and then we  
24 were going to put it into it -- like a Word document.

25                  'Cause currently, it's in the GRA

1 Chapter and it's in this presentation, but it is --  
2 there's no formal Word document saying this is the  
3 policy.

4 BOARD MEMBER NEMEC: And I -- and I've  
5 -- and I have read that and I have heard some  
6 questions that I'm not sure was all as concise,  
7 perhaps, as maybe a policy would be.

8 And I'm -- and the only other thing is,  
9 you know, we talk about what might happen in the  
10 future and -- so my second point is to just ensure  
11 long term objectivity and consistency.

12 Would this plan be approved by the  
13 Board of Directors of MPI and will it have such  
14 specifics so that when you're doing your planning, we  
15 can have some long-term objectivity?

16 MS. CARA LOW: We did have this plan  
17 approved at the September Board meeting. They got a  
18 copy of the GRA Chapter so they could read and then it  
19 was a very, very similar presentation that I walked  
20 them through and they did approve it.

21 BOARD MEMBER NEMEC: Those are my  
22 questions. Thank you.

23 PANEL CHAIRPERSON: Thank you. Mr.  
24 Bass...?

25 BOARD MEMBER BASS: Mr. Kolaski, just

1 following up on Chair Gabor's question about the money  
2 for Project NOVA and the DVA, did those monies also  
3 get added to the Regulatory Deferral account?

4

5 (BRIEF PAUSE)

6

7 MR. RYAN KOLASKI: The deferral  
8 account only relates to the Basic line of business.  
9 So DVA does not have one.

10 BOARD MEMBER BASS: Okay. Ms. Low, my  
11 final questions are for you.

12 You've been around the Property and  
13 Casualty insurance business for some time now, so  
14 you'd be generally familiar with auto insurers in  
15 Canada. Correct?

16 MS. CARA LOW: Correct. Yes.

17 BOARD MEMBER BASS: So, are you aware  
18 of any non-Crown auto insurers in Canada being  
19 responsible for driver and vehicle licensing and  
20 administration?

21 MS. CARA LOW: No, I'm not aware of  
22 any.

23 BOARD MEMBER BASS: Okay. And are you  
24 aware of any Crown auto insurers who are responsible  
25 for driver and vehicle licensing and administration?



1 MS. CARA LOW: SGI and ICBC definitely  
2 have that as part of their mandates.

3 BOARD MEMBER BASS: Yeah. And do you  
4 know how those are funded?

5 MS. CARA LOW: No, I do not.

6 BOARD MEMBER BASS: Okay. And my  
7 final area of questioning, has been touched on this  
8 morning, but I want to approach it from the point of  
9 view of equity; not financial statement equity, but  
10 equity in terms of fairness.

11 So, the -- the question relates to a  
12 person is coming in and dealing with their Basic  
13 insurance and they want to decrease the deductible and  
14 increase the liability insurance, so those changes are  
15 what Extension is all about. Right?

16 MS. CARA LOW: Correct. Yes.

17 BOARD MEMBER BASS: And then Extension  
18 uses that premium to cover losses and to earn some  
19 investment income, the normal P&C insurance sort of  
20 things, right?

21 MS. CARA LOW: Correct. Yes.

22 BOARD MEMBER BASS: Okay. So, all of  
23 the income of Extension tracks back to the source  
24 being that Basic insurance ratepayer. Right?

25 MS. CARA LOW: Correct.

1 BOARD MEMBER BASS: Thank you. No  
2 further questions.

3 PANEL CHAIRPERSON: Thank you. I have  
4 a couple of questions, as well, on the DVA line of  
5 business which is how MPI characterizes it.

6 Is it accurate, though, that MPI does  
7 not get to retain the revenue earned by that line of  
8 business?

9

10 (BRIEF PAUSE)

11

12 MR. RYAN KOLASKI: I think what you're  
13 referring to is probably the fees and certain  
14 remittances we collect on behalf of the government --

15 PANEL CHAIRPERSON: Yes. That's  
16 correct.

17 MR. RYAN KOLASKI: -- and then remit  
18 that over. So, if you'll recall there was a  
19 presentation where our general funding envelope is  
20 around \$30.2 million, subject to check, and then the  
21 government has allowed us, for this current fiscal  
22 '23/'24, to effectively retain around \$10 million,  
23 subject to check.

24 So, that's the money they've allowed us  
25 to retain to fund it, but after '23/'24, as of today,

1 we've been told that that funding is no longer  
2 available.

3                   So, there is funds that we remit back  
4 to the government and they have and it's up to their  
5 discretion whether or not they allow us to retain  
6 funds. And -- and specify what those funds would be  
7 used for.

8                   PANEL CHAIRPERSON:    So, is it accurate  
9 that's it's, roughly, \$20 million that are remitted to  
10 the government that's -- is not available for use by  
11 MPI?

12                   MR. RYAN KOLASKI:    It's significantly  
13 more, but I'd have to go back and look at what it is.  
14 I just don't know that -- that figure.

15                   PANEL CHAIRPERSON:    Could you give us  
16 an Undertaking to provide that figure please?

17                   MR. ANTHONY GUERRA:    Yes, Madam Chair,  
18 we will.

19

20 --- UNDERTAKING NO. 28:    MPI to advise the amount  
21                                   that is remitted to the  
22                                   government that is not  
23                                   available for use by MPI

24

25                   PANEL CHAIRPERSON:    Thank you very

1 much. And is it accurate to say that all licensed  
2 drivers in the Province of Manitoba, are not  
3 necessarily all registered owners under the Basic  
4 Insurance Plan?

5 MS. CARA LOW: That could be true.

6 PANEL CHAIRPERSON: Thank you. Those  
7 are my questions.

8 PANEL CHAIRPERSON: Mr. Guerra...?

9 MR. ANTHONY GUERRA: Actually, Mr.  
10 Scarfone will be doing the re-direct.

11

12 CROSS-EXAMINATION BY MR. STEVE SCARFONE:

13 MR. STEVE SCARFONE: Yes. Thanks, Mr.  
14 Guerra. Just a couple questions because Ms. Nelko did  
15 a fine job of clarifying some questions I had for Ms.  
16 Low and Ms. Nemec did the same.

17 But I did want to just briefly canvass,  
18 again, the changes that we see when the Corporation  
19 makes its transition from IFRS-4 to IFRS-17.

20 So, we've heard that the MCT percentage  
21 goes up. Correct, Ms. Low?

22 MS. CARA LOW: We expect it to go up.

23 MR. STEVE SCARFONE: From one-eleven  
24 (111) to an expectation of one-thirty-five point five  
25 (135.5). Correct?

1 MS. CARA LOW: That's the best  
2 estimate as of today, but we -- it's subject to  
3 change.

4 MR. STEVE SCARFONE: And My Friend  
5 Mr. Klassen did a good job of also showing that it has  
6 an impact on market risk, correct?

7 MS. CARA LOW: Correct.

8 MR. STEVE SCARFONE: Whereby the  
9 capital position of Basic changes under IFRS-4 from 45  
10 percent increase to a 65 percent increase under IFRS-  
11 17?

12 MS. CARA LOW: Subject to check, but  
13 yes.

14 MR. STEVE SCARFONE: So the question  
15 is: With these increases that we're seeing with the  
16 transition under the new reporting standard, what  
17 primarily, at a high level, is driving these  
18 increases?

19 MS. CARA LOW: Are you talking just  
20 market risk?

21 MR. STEVE SCARFONE: No, but also the  
22 MCT or the interplay between the two (2).

23 MS. CARA LOW: We have the new  
24 investment policy, so higher risk comes with higher  
25 risk charges but also higher returns. But for the

1 Basic, it's mainly the actuarial assumptions of unpaid  
2 claims liabilities coming down due to the reduction in  
3 the provision for uncertainty and the change in the  
4 discounting methodology to a yield curve. Those are  
5 the two (2) main drivers.

6 MR. STEVE SCARFONE: And that -- those  
7 two (2) main drivers apply equally to both the  
8 investment side and the -- the MCT generally?

9 MS. CARA LOW: Well, the investment  
10 side would be driving down your MCT. The changes to  
11 your unpaid claim liabilities would be increasing your  
12 MCT. So they're netting each other.

13 MR. STEVE SCARFONE: Okay. Thank you.  
14 And are you able to say what the Corporation's  
15 confidence level is in the one thirty-five point five  
16 (135.5)?

17 MS. CARA LOW: We don't have a ton of  
18 confidence right now 'cause, like I say, we're talking  
19 to three (3) different audit firms and we're getting  
20 three (3) different answers. We got a fourth  
21 different answer from SGI, so this is something we're  
22 definitely going to be spending a lot of time on in  
23 the next few weeks.

24 MR. STEVE SCARFONE: Okay. Thank you.  
25 And just a follow-up question on the DVA.

1 Ms. Dilay asked some questions about  
2 the previous transfers that were made from the  
3 Extension line of business into the DVA line of  
4 business. Do you recall that?

5 MS. CARA LOW: Yes, I do.

6 MR. STEVE SCARFONE: And she had you  
7 confirm that the Basic customers were thereby denied  
8 the benefit of those Extension monies, correct?

9 MS. CARA LOW: Correct.

10 MR. STEVE SCARFONE: And we see that  
11 the solution to the DVA funding problem can be  
12 addressed by an increase in fees and services.

13 MS. CARA LOW: That would be one (1)  
14 solution, yes.

15 MR. STEVE SCARFONE: And did the Basic  
16 customers receive a benefit from those transfers to  
17 DVA by delaying any increase to the fees and services  
18 under the DVA line of business?

19 MS. CARA LOW: That would be true.

20

21 (BRIEF PAUSE)

22

23 MR. STEVE SCARFONE: Thank you, Madam  
24 Chair. Those are my two (2) questions.

25 PANEL CHAIRPERSON: Thank you, Mr.

1 Scarfone. And thank you very much to the MPI CMP  
2 Panel.

3 That concludes the panel for this  
4 morning. What I would like to do now is provide the  
5 Board's decision with regard to MPI's motion for CSI.  
6 And so if the panel wants to leave and not participate  
7 in that, that's fine.

8

9 (PANEL STANDS DOWN)

10

11 BOARD DECISION RE MPI'S MOTION:

12 PANEL CHAIRPERSON: Thank you. On  
13 October 9th, 2023, the day before this hearing  
14 started, a motion was made by Manitoba Public  
15 Insurance to have two (2) reports treated as  
16 commercially sensitive and not be placed on the public  
17 record but rather be treated as confidential.

18 Those reports were from Ernst & Young,  
19 which was the Financial Condition Report -- Condition  
20 Test Report, excuse me, and Deloitte, an opinion on  
21 the applicability of IFRS-14 to MPI.

22 CAC (Manitoba) opposed the motion on  
23 the basis that the confidential treatment of these  
24 documents is not consistent with the public nature of  
25 the GRA process and the expectations of accountability



1 on public institutions like MPI.

2 CAC's position is that MPI has not met  
3 the requirements of Rule 13 in the Board's Rules of  
4 Practice and Procedure.

5 After MPI's motion was filed, it  
6 withdrew its claim for treatment of Ernst & Young's  
7 report as confidential.

8 On Tuesday, October 17th, 2023, when  
9 the motion was scheduled to be heard by this Board,  
10 MPI advised that Deloitte would be taking no position  
11 and asked that the motion be decided on -- on the  
12 basis of the material already filed.

13 The Board has now had an opportunity to  
14 consider the motion, and the PUB's decision is that  
15 MPI's motion is dismissed. Thank you.

16 I think we are now adjourned until  
17 Monday. I'm sorry?

18 BOARD CHAIR GABOR: Sorry. Can I --  
19 I'd just like to ask Mr. Guerra a question. He made a  
20 statement before. This sort of falls into the  
21 category of deja vu all over again.

22 We've just had this motion. MNP has  
23 just, I -- I take it, advised MPI that its report will  
24 not go on the public record I -- I sus -- I suspect  
25 because it considers it to be commercially sensitive?

1 MR. ANTHONY GUERRA: Mr. Gabor, yes.  
2 So in the case of MNP, we negotiated with them that --  
3 that there is a confidential module for the PUB, and  
4 they have permitted, as do all of the third parties  
5 that we -- we negotiate with where that is a provision  
6 of the contract, an agreement that -- that they will  
7 support the material if it qualifies to be submitted  
8 through the confidential process.

9 It's very difficult to obtain through  
10 that bargaining process an agreement that all  
11 information will be made publicly available. We would  
12 just limit the number of individuals who we can  
13 contract within those circumstances.

14 So at the very least, we -- we at least  
15 secure their permission to use it in some format  
16 before the Public Utilities Board.

17 BOARD CHAIR GABOR: Okay.

18 MR. ANTHONY GUERRA: So we have that  
19 commitment from MNP, but we haven't -- we haven't got  
20 the commitment yet to -- to produce, you know, the  
21 documents on the public record at any -- at any cost.

22 I did indicate to Mr. Mitra yesterday  
23 that my intention is to meet with MNP to find out if  
24 there's a practical way to resolve some of these  
25 issues by way, for example -- and then I don't want

1 to, you know, hamstring our -- ourselves too much, but  
2 maybe there's a public version of the report that can  
3 be made that we can agree upon now so that they're --  
4 they're generating two (2) versions of the report: a  
5 public-facing version and a -- and one that's, you  
6 know, more acceptable for the confidential module so  
7 that we're not having to do that work, you know, on  
8 the eve of the -- the oral hearing.

9                   BOARD CHAIR GABOR: Well, okay. So  
10 just some comments. Unfortunately, it puts MPI in a  
11 difficult position because you actually are the ones  
12 putting in the motion on behalf of them I take it  
13 because of a contractual requirement.

14                   But what I would ask is for you to draw  
15 to their attention the motion we just dealt with and  
16 the fact that in fact -- the fact that they need to  
17 rely on something to claim commercially sensitive  
18 information, either some proprietary information or  
19 something like that.

20                   What we face with -- what -- what we  
21 faced this year is a motion at the very last minute --  
22 I know the Consumers Association put a lot of work  
23 into it; the weekend before, the Board put a lot of  
24 work into it -- to have the two (2) consultants then  
25 withdraw it, putting you in a position to figure out

1 what position you were going to take.

2                   It's untenable, and what I just want to  
3 direct to you is I don't want to be in the same  
4 position next year where, at the last minute, MNP says  
5 this, and then we go through the test, they retain a  
6 lawyer who goes through the test, and then they  
7 withdraw it.

8                   That's -- that's my only point. I  
9 don't want to go through this whole same thing. The  
10 fact that they don't like it or there's a contractual  
11 requirement for you isn't a strong basis. I mean,  
12 we'd have to hear what the argument is, but this seems  
13 to be a practice that has developed over the years.

14                   I don't remember six (6) or seven (7)  
15 years ago, when I started, that we were having  
16 routinely consultants claim all the reports were  
17 confidential and would -- would not go into open  
18 sessions.

19                   So that's my only point. If you can in  
20 your discussions talk to them about here's what  
21 happened here, do you understand what the tests are  
22 under the Board's rules and, quite frankly, under the  
23 common law.

24                   MR. ANTHONY GUERRA: Those are fair  
25 points, Ms. Gabor. And I certainly plan to have

1 exactly that conversation with MNP and with any third-  
2 party vendor who I'm aware of that we're dealing with  
3 at this point in time when there's a reasonable  
4 expectation the document will be produced or will be  
5 requested in the course of a Public Utilities Board  
6 hearing.

7 I am dismayed by the way that this was  
8 -- was handled, as well. As you can probably tell by  
9 my voice, I was very frustrated by the position being  
10 taken by Deloitte. It -- it -- you know, it taxed the  
11 credibility of MPI, and I don't -- I don't like that.

12 So I'm going to have those  
13 conversations. And, hopefully, we aren't going to  
14 have this -- the same instance next year, as well.

15 BOARD CHAIR GABOR: Thank you very  
16 much.

17 PANEL CHAIRPERSON: Thank you, Mr.  
18 Guerra.

19 MR. STEVE SCARFONE: And -- and I can  
20 add to that --

21 PANEL CHAIRPERSON: Mr. Scarfone...?

22 MR. STEVE SCARFONE: Yeah, sorry. I  
23 can add to that, Mr. Gabor, that MPI also expended a  
24 lot of time and effort.

25 We prepared a written submission, and

1 the ultimately decided against, you know, filing it  
2 just because, without the third-party vendor, you  
3 know, taking a position, it left us in a position  
4 where we just thought it would better -- we better  
5 just let the Board decide on the motion materials  
6 alone.

7 BOARD CHAIR GABOR: Well, and -- and  
8 next year, you know, if the motion goes forward, we  
9 may ask their counsel to be here to put in their  
10 position rather than force it through you. Thank you.

11 PANEL CHAIRPERSON: Thank you. I  
12 believe we are adjourned now until next Monday. And  
13 so can you just give us an outline of what's going to  
14 be happening next week, Ms. McCandless?

15 MS. KATHLEEN MCCANDLESS: Yes, Madam  
16 Chair. We are adjourned until Monday. We'll start on  
17 Monday with the MPI Investments Panel. And I believe  
18 there are two (2) representatives from Addenda Capital  
19 appearing with that panel. And then later in the day,  
20 the testimony of the CAC witness, Mr. Greenlay.

21 We don't sit on Tuesday. And then we  
22 return on Wednesday for the MPI Undertakings Panel and  
23 Mr. Sahasrabuddhe on behalf of the CAC.

24 PANEL CHAIRPERSON: Sorry, on Thursday  
25 and Friday we're getting final submissions?

1 MS. KATHLEEN MCCANDLESS: Yes.

2 PANEL CHAIRPERSON: Okay.

3 MR. ANTHONY GUERRA: Maybe just one  
4 (1) note. As I look at Monday, I'm realizing that  
5 it's a very tight day. And Mr. Greenlay has indicated  
6 he's not available on the following day. So I think  
7 the Tuesday has been referred -- or reserved for as a  
8 contingency day.

9 We may need to bifurcate the Investment  
10 Panel so that MPI witnesses are attending on Tuesday  
11 for any additional questions if there are -- if there  
12 are additional questions.

13 MS. KATHLEEN MCCANDLESS: I -- I don't  
14 recall it being a contingency day on the 24th. Is it?  
15 Oh, it is, the morning. Pardon me, the morning, yes.

16 PANEL CHAIRPERSON: And, Ms. Dilay,  
17 have you any idea of how long the testimony of Mr.  
18 Greenlay will be?

19 MS. KATRINE DILAY: Our current  
20 estimate would be forty-five (45) minutes to an hour  
21 for testimony. And I'll note Mr. Greenlay, if I  
22 recall correctly, has not been qualified yet, so we  
23 also need to do the qualification process, which we  
24 expect would only take a few minutes.

25 PANEL CHAIRPERSON: Okay. Thank you.

1 So we'll assess how things are going on Monday, and  
2 then make decisions accordingly. So thanks very much.  
3 See everybody on Monday.

4 MS. KATRINE DILAY: Thank you.

5

6 --- Upon adjourning at 11:18 a.m.

7

8 Certified Correct,

9

10

11

12

13 \_\_\_\_\_  
Wendy Woodworth, Ms.

14

15

16

17

18

19

20

21

22

23

24

25