

1 for their cooperation extended throughout the last
2 couple of weeks, and certainly since the filing of the
3 GRA in June. Thank you.

4 THE CHAIRPERSON: Thank you very much,
5 Ms. Grammond. We appreciate the work you do. Now I'd
6 like to call upon Mr. Ray Oakes to give his final
7 comments.

8

9 CLOSING COMMENTS BY CMMG:

10 MR. RAYMOND OAKES: Thank you, Madam
11 Chair. Board counsel closed with a thank you to the
12 participants and to the Board and MPI. I'd like to
13 open with 'thank you'. In the past three (3) weeks
14 we've had the benefit of having a very professional,
15 respectful exchange of discussions on various issues.
16 And I'd like to thank the Board, both the Board
17 counsel, its advisors, and the MPI panel for that
18 respectful exchange and for the quality of the
19 testimony of the witnesses and for the Intervenors'
20 counsel and their cooperative efforts, as well.

21 I'm told -- it's whispered to me that
22 MPI is pleased with at least one (1) part of the CMMG
23 intervention, and that's that the CMMG intervention
24 was primarily concerned with the rate and the rate
25 setting. This is a very complex hearing over the

1 course of the last three (3) weeks with a -- a number
2 of very intensive issues. In fact, the first couple
3 of days, we had one (1) presenter who was so confused
4 with the issues, he thought this was a general rate
5 application.

6 But -- but we've gone on to examine
7 each of these diverse and difficult issues. And the
8 thrust of the CMMG argument will be that the actual
9 rate calculations in this GRA provide a directional
10 guidance for this Board in setting rates. In other
11 words, the methodology and the calculations produced
12 are not a certain figure requiring the slavish
13 adherence of this Board to the applied-for rate.

14 I'm going to be bold at this point and
15 ask this Board to set the -- the decrease for
16 motorcyclists at 12 percent for the 2016 upcoming year
17 for the reasons that follow. And as we can see from a
18 review of the rates put before this Board in the final
19 Board orders, the Board has more or less approved the
20 applied-for rate. Usually some minor modifications.

21 To do this means that the actuarial
22 methodology would need to be precise and accurate
23 calculations with only one (1) answer forthcoming from
24 those calculations. We've seen in the cross-
25 examination that CMMG provided this year that that's

1 not the case. Mr. Johnston, at page 1,145 of the
2 transcript, in referencing the calculation of rates
3 and methodology said, Motorcyclists were going to be
4 wrong every single time -- or motorcycle rates were
5 going to be wrong every single time.

6 MPI's methodology is different than the
7 majority of insurers, as we reviewed at page 1,128 of
8 the transcript, and the previous page. Mr. Johnston
9 accepts that the approaches of other actuaries would
10 be reasonable in -- in using shorter periods of data.
11 In fact, the Corporation can't produce another insurer
12 that uses the same methodology as MPI. They have no
13 capping of serious losses. The time frame for the
14 data used is ten (10) years, whereas most actuaries
15 use five (5). They have no weighting for the more
16 recent data.

17 And MPI recognizes the new trend in
18 motorcycle claims costs. We saw in Exhibit 36, which
19 was Pre-Ask 8, the actuary from Aon and IAO in --
20 recognizes that in Ontario, Alberta, and the two (2)
21 maritime provinces they report on, that claims costs
22 are decreasing year after year, resulting in a reduced
23 rate year after year.

24 We have closer to home, in the response
25 to CMMG-1-13, MPI recognizes as follows. Their

1 response says that:

2 "A recent trend of decreases in
3 required rates suggests the
4 motorcycle major class is
5 improving."

6 Mr. Guimond enters the fray at page
7 1,209 of the transcript, and he says:

8 "I think what's happening there is
9 we can see the rates going down for
10 motorcycles. We can -- things are
11 going in the right direction."

12 And despite that recognition of the
13 Corporation formally in that respect, they don't
14 recognize it with respect to the methodology used in
15 calcing -- calculating rates because they equally
16 weight the last ten (10) years of data instead of
17 weighting these years that -- that provide that trend,
18 and proving more weight to them.

19 And that approach would be more in line
20 with the actuarial standards, and the one that we
21 looked at or one (1) of the ones we examined was
22 seventeen thirty decimal oh-three (1,730.03), and it's
23 contained at page 1,137 of the transcript. What that
24 says is:

25 "Other things being the same,

1 pertinent past experience data, or
2 data relating to the case itself
3 rather than to similar cases,
4 relating to the recent past rather
5 than the distance -- distance past."

6 So it goes on, and that's the standard
7 that requires taking that trend into consideration and
8 providing more weight. Instead, what we have is the
9 Corporation using a 2006 outlier. Page 1,132 of the
10 transcript, Mr. Johnston says:

11 "We haven't had a year like that
12 again since 2006, and I hope we
13 don't."

14 So back, if you will, to our original
15 bold request, and we look at CMMG IR-23. If we remove
16 just that one outlier of 2006, we have a 12.7 percent
17 decrease calculated for motorcycles. And I suggest to
18 the Board that's the only reasonable thing to do based
19 on the actuarial standards, based on usual practices.

20 If we -- if we use five (5) years on
21 serious losses, and the reference for this is page
22 1,177 of the transcript on lin -- line 11, then we
23 have a 12 percent decrease. We keep coming back to
24 that same figure with respect to the decrease. And
25 they're -- what Mr. Johnston said at page 1,177 was:

1 "For 2012 GRA, we revised the
2 averaging of non-serious PIPP losses
3 for the motorcycle major class from
4 using a five (5) year average to
5 using a ten (10) year -- year
6 average. This had a positive impact
7 on the major class rate indication
8 at the time, as it lowered the rate
9 decrease by a further 4.2 percent in
10 that year. So the rate decrease
11 ended up being 12 percent instead of
12 7.8 percent before we made that
13 change."

14 MR. RAYMOND OAKES: And in terms of
15 that change, which was only made in 2012 to go to ten
16 (10) years of data for non-serious losses, I'd also
17 point out to the Board the discriminatory nature of
18 that, because that's something that they don't do for
19 private passengers. The inequity of this situation is
20 compounded by the application of the indicated rate
21 change versus experience rates, the capping that MPI
22 uses. It's referred to CMMG Interrogatory 1-3(b).
23 It's contained at page 1,149 of the curr --
24 transcript.

25 And the -- the perverse nature of this

1 rate capping, when we look at the large double digit
2 increases in rate shock that motorcyclists experience,
3 you can understand how this is the salt in the wound
4 of the motorcyclists. In ninet -- in 2004/'05, we had
5 rates increase approved by this Board of 14.82
6 percent. 2005/'06 it was 13.88 percent, I believe,
7 looking at my notes. And as recent as 2008/'09, we
8 had 9.16 percent increase approved. And those all
9 come out of CMMG-1-3, for the reference.

10 So the motorcyclists in this period get
11 this tremendous rate shock, and then when the
12 Corporation comes -- when it finally realizes that
13 they've been collecting far too much in motorcycle
14 premiums and says, Well, you're not going to get the
15 decrease overall that you would otherwise be on the
16 indicated -- or the required rate. What we're going
17 to do is cap that, and the reason for this capping is
18 apparently rate shock. Well, how can rate shock, the
19 rationale for that, come into play to reduce an
20 overall decrease of some 82 -- 8.2 percent decrease in
21 the required rate? It's illogical, and as I say,
22 perverse.

23 Moving to the issue of road safety, we
24 see the puny investment that MPI makes in motorcycle-
25 specific initiatives is even less than that as

1 contained at page 1,210 of the transcript. MPI notes
2 it spends less than its forecast for the last two (2)
3 years on motorcycle issues. We see these reducing
4 expenditures. Very difficult to -- to mount effective
5 cross-examination in the area of road safety this year
6 and last year because, of course, it's all under
7 review. The Corporation isn't doing anything
8 different pending the results of the studies. And I
9 think all I have to say in that respect is when the
10 product finally comes in, it better be good.

11 Certainly, we don't see any new
12 initiatives. The issue of wildlife collision
13 continues to astound me, how little the Corporation
14 does. When we look at the issue of wildlife
15 containment by fencing and underpasses and the rest,
16 all we have is the Corporation took a quick look
17 several years ago at Birds Hill Park and what it would
18 take to provide some collision (sic) there.

19 They had a pretty dim view of what the
20 efficacy of wildlife fencing and underpasses were.
21 They said, Well, seven hundred (700) 'K' would be way
22 too much to spend on that particular initiative. What
23 the Board can take some wisdom from, I think, is the
24 study that was again presented in CMMG in their Pre-
25 Ask 1, talked about efficacy of some 95 percent. And

1 I think that's a far more favourable number than what
2 the Corporation was looking at when it did the cost-
3 benefit.

4 I think the Corporation had a very dim
5 benefit of -- of what wildlife fencing collision would
6 result in. But when we look at the fact when they say
7 seven hundred thousand dollars (\$700,000) is too much
8 to spend, one only has to look at Undertaking 33 and
9 look at what are the societal costs of collisions were
10 it was \$6.4 million for a fatality.

11 Even if this Board doesn't adopt that
12 approach and look at the societal costs, it really
13 doesn't take much of an accident to produce seven
14 hundred thousand dollars (\$700,000) worth of savings.

15 The Corporation over the past number of
16 years has averaged about \$30 million in claims costs
17 for wildlife collisions. So I really think that
18 spending sums of money like the Corporation took a
19 brief look at is -- is certainly warranted.

20 We touched on a very unusual, difficult
21 issue. I'm still struggling with how to address this,
22 and I think counsel treated Mr. Guimond very gingerly.
23 We all have a great deal of respect for the office of
24 the president at MPI. It's a very difficult job.

25 And this was of course the discussion

1 with Ms. Neville and Mr. Guimond about contractors.
2 I'm not sure whether that was a discussion or a
3 confession because we're put in a very difficult
4 situation trying to understand and evaluate the
5 response of Mr. Guimond.

6 It's something like coming to this
7 public Board and telling -- and -- and advising us
8 that MPI in this public forum can't tell the public
9 what these contractors make or can't make them
10 employees because then we'd have to disclose on a per-
11 employee basis what they make.

12 And Mr. Guimond says it seven (7) times
13 in the exchange. He doesn't point to any other reason
14 as he tried to with Mr. Williams, pointing to some
15 distortion in their salary hierarchy. No, he says
16 seven (7) times in the exchange, This is an issue.
17 The public wouldn't accept it if we hired them as
18 employees and paid them what we're paying them now.

19 I don't know. Maybe it isn't an issue
20 that this forum needs to deal with and maybe it is. I
21 think the Board last year had an exhibit, legislative
22 report standing committee on Crown corporations.

23 And it may well be that Mr. Guimond
24 becomes an ungulate in the headlights in some other
25 forum. But I find it very difficult to deal with that

1 issue, and perhaps there will be some commentary from
2 the other Intervenors.

3 Over to major issue on the RSR. This
4 is again the -- a very collaborative forum. Despite
5 that, I think that perhaps the approach used this year
6 will not likely be rep -- repeated. I don't think it
7 should, in my respectful submission. It resembled
8 more couples-therapy than it did two (2) actuaries
9 trying to get to the bottom of a very complex issue.

10 But having said that, the CMMG aligns
11 its position with Ms. Sherry. It says to the Board
12 that there is no solvency risk of MPI. The CMMG sees
13 anything more than one (1) in twenty (20) years as
14 providing inter-generational inequity. The CMMG's
15 position is the MC test is totally inapplicable.

16 CMMG would repeat its contention that
17 the Corporation can't justify a level that they're
18 requesting with holding excess funds from taxpayers or
19 ratepayers and the economy. These levels that they're
20 seeking weren't necessary in the 1990s.

21 Manitoba sustained the more horrific
22 one (1) in a hundred years flood ever, and there was
23 basically very little MPI exposure. At the time, we
24 had RSR levels between 50 and \$80 million approved by
25 the Board, and, frankly, when we review all of the

1 exhibits dealing with what the actual exposures have
2 been since then, we see two (2) years' examples that
3 were produced by MPI.

4 The testimony was confirmed yesterday
5 afternoon that in 2002, which was one (1) of the two
6 (2) years that MPI points to as these horrific years,
7 at the end of 2002, we had a rebate of some \$80
8 million. That doesn't sound too horrific to me.

9 When we asked further about four (4)
10 year examples, MPI came up with four (4) month
11 examples of equity returns that were negatives. You
12 know, frankly, I don't see anything justifying the
13 type of levels that we've been talking about in this
14 forum recently.

15 Page 1,190 of the transcript, the
16 Corporation confirms they didn't -- they've never had
17 this combination of all of those risk factors, and,
18 frankly, how could they? The Corporation, as well, is
19 well set up to handle some of the challenges it might
20 have over the years. It has at least a couple of
21 billion dollars worth of assets. The Corporation
22 won't tell us really how much they have, because they
23 won't tell us what the fair market value of its real
24 estate is, presumably because of some income tax
25 exposure.

1 But they're backed by the Manitoba
2 Government on a more secular, more specific approach,
3 as well as motorcyclists. When I talk -- spoke about
4 the 2005/'06 increases of thir -- or -- and 2004/'05
5 of high 13 percent, high 14 percent increases for
6 motorcyclists, we never saw any benefit from that. We
7 experienced rate shocks all of those times with no
8 help from any RSR.

9 Mr. Johnson (sic) makes the statement
10 that the maximum combined rate increases and
11 additional RSR rebuilding fee in a year should be no
12 more than 5 percent. Well, we would have liked to
13 have lived in that world. Where were those principles
14 when we were getting whacked with 13 and 14 percent
15 increases?

16 So those are our comments overall on
17 all of the issues that we've dealt with in the last
18 three (3) weeks. I'd again ask this Board to consider
19 a rate decrease for motorcycles that's far and above
20 of the amount in the application for the reasons that
21 I've stated. We will be sending our application for
22 costs in due course. I'm not sure whether it'll make
23 reference to the use of the word 'ungulate' in the --
24 in the fact that I broaden the horizons of this Board
25 and increase it's vocabulary, but we certainly hope

1 that our intervention was of assistance. Thank you.

2 THE CHAIRPERSON: Thank you, Mr.
3 Oakes. Now I'd like to call upon Ms. Kulyk, from CAA,
4 to give her closing comments.

5

6 CLOSING COMMENTS BY CAA MANITOBA:

7 MS. LIZ KULYK: Thank you, Madam Chair
8 and members of the Board. CAA Manitoba is grateful
9 once again to have this opportunity to sit as an
10 Intervenor in the -- in the GRA process, as we've done
11 for twenty-one (21) years. We generally do make an
12 effort to appear in person. And we regret we haven't
13 been able to do the -- that this year, but we have
14 been following the proceedings closely. And I'll make
15 a few brief comments just before the Board today.

16 So as I mentioned at the start of the
17 hearings, our intention in intervening, really, is
18 just to be armed with the facts so that we can then
19 communicate to our -- our large membership about auto
20 insurance rates, but even more importantly, in our --
21 in our view, road safety priorities.

22 In regards to our comments, like I
23 said, they will mostly pertain to road safety in the
24 aspect of the rate-setting process, but we appreciate
25 this is just one (1) element that's been examined.