

Fifth Session – Forty-Second Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Crown Corporations

Chairperson
Mr. Dennis Smook
Constituency of La Vérendrye

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MANITOBA LEGISLATIVE ASSEMBLY
Forty-Second Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS

Monday, December 5, 2022

TIME – 9 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Dennis Smook
(La Vérendrye)

VICE-CHAIRPERSON – Ms. Janice Morley-Lecomte
(Seine River)

ATTENDANCE – 6 QUORUM – 4

Members of the committee present:

Hon. Mr. Goertzen

*Mr. Guenter, Ms. Morley-Lecomte,
Messrs. Sandhu, Smook, Wasyliv*

APPEARING:

*Mr. Eric Herbelin, President & Chief Executive
Officer, Manitoba Public Insurance Corporation*

MATTERS UNDER CONSIDERATION:

*Annual Report of the Manitoba Public Insurance
Corporation for the fiscal year ending
March 31, 2022*

* * *

Clerk Assistant (Mr. Tim Abbott): Good morning, everyone. Will the Standing Committee on Crown Corporations please come to order.

Before the committee can proceed with the business before it, it must elect a Chairperson.

Are there any nominations?

Ms. Janice Morley-Lecomte (Seine River): I elect—or nominate Dennis Smook.

Clerk Assistant: Mr. Smook has been nominated.

Any further nominations?

Hearing none, Mr. Smook, please take the Chair.

Mr. Chairperson: Good morning. Our next item of business is the election of a Vice-Chairperson.

Are there any nominations?

Hon. Kelvin Goertzen (Minister responsible for the Manitoba Public Insurance Corporation): It would be my honour to nominate MLA Morley-Lecomte.

Mr. Chairperson: MLA Morley-Lecomte has been nominated.

Are there any other nominations?

Hearing no other nominations, Ms. Morley-Lecomte is elected Vice-Chairperson.

This meeting has been called to consider the Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ending March 31st, 2022.

Are there any suggestions from the committee as to how long we should sit?

Mr. Goertzen: I had a brief discussion this morning with my friend from the opposition. I think we're suggesting two hours, and we're committing to be brief in our opening statements.

Mr. Chairperson: It has been proposed that we sit for two hours.

Is that agreeable? *[Agreed]* We will sit for two hours this morning.

Does the honourable minister wish to make an opening statement, and would he please introduce the officials in attendance?

Mr. Goertzen: It's my pleasure to introduce our CEO, Eric Herbelin from Manitoba Public Insurance. Eric is not a stranger to this committee at this stage, and I know he's well respected and regarded for the work that he's doing. Certainly, all the communications that I have with individuals in the community who are dealing with the MPI speak very highly of his demeanour and his capabilities.

I'll let him introduce, as we go along, staff that are, I think, virtual and not in the room. And—but I do want to, by extension, thank all the staff at MPI and those who are helping ensure that Manitobans are getting the insurance that they need for their vehicles and other products.

Mr. Chairperson: We thank the honourable minister for his statement.

Does the critic from the official opposition have an opening statement?

Mr. Mintu Sandhu (The Maples): Yes, I do.

Mr. Chairperson: Mr. Sandhu.

Mr. Sandhu: I'm pleased to join you today, pleased to have the opportunity to talk about Manitoba Public Insurance. There are a few pressing things going on at MPI that I would like to discuss.

Of course, recently we saw Project Nova increase in cost. Originally it was \$85 million, now it is estimated to cost up to \$289 million. I would like to—and accounting for that increase.

I would also like to know what is going on at the Cityplace and the facility there.

A recent court outcome means that MPI needs to change its model of increase from one based on the registered owner to a primary-driver model. I would like to hear more about this and I—we did discuss this last Monday.

I also have some questions about recent legislation changes, road safety, MPI investment and drivers education.

And I also like to thank the MPI, Mr. Herbelin and the staff from MPI for giving me like three, four updates recently, within the last couple months. For that, thank you very much.

Thank you.

Mr. Chairperson: We thank the honourable member for his statement.

Does the official—sorry. Does the representative from the Manitoba Public Insurance Corporation wish to make a statement? Mr. Herbelin?

Mr. Eric Herbelin (President and Chief Executive Officer, Manitoba Public Insurance Corporation): Yes.

Mr. Chairperson: Mr. Herbelin.

Mr. Herbelin: I'm joined today by our board chair, Dr. Michael Sullivan, who's joining remotely.

Opening remarks from me would be to start with a land acknowledgement in acknowledging that we are gathered on Treaty 1 territory, and that MPI operates on the ancestral lands of the Ashinaabe [*phonetic*] Cree, Oji-Cree, Dakota and Dene peoples, and on the Homeland of the Red River Métis.

We are reviewing the fiscal year '21-22. During that fiscal year, we achieved a rate decrease of 1.6 per cent. We provided additional rebates of \$312 million to Manitobans, totalling nearly \$500 million throughout the pandemic.

We had one of the—probably the toughest winters that Manitobans recall, and despite that, we were able to post ninety-point-eight-point-three—\$98.3 million net income before rebates, which was above our target of \$84.4 million. Our revenue, also, in terms of our net premiums, increased to one billion four hundred twenty million point-eight, exceeding our target of one billion three hundred ninety-six-point-one million—billion.

The claims activity was lower than budget, mainly due to COVID, but we also were impacted by some adverse development in terms of investment income and inflation, which affected our results towards the end of the year. The total return on—of investments was 0.56 per cent instead of a 3.97 target, due mainly to increasing rates out there. And while this had a negative short-term impact, increasing interest rates is welcome news for the future.

In terms of our rates, MPI continues to offer some of the cheapest rates across Canada, and we are pleased that we are ranking the No. 1 province across the country in terms of lowest rate increases in accumulated fashion over the last 20 years.

Our operating expenses of 23 per cent, well below target of 24.5 per cent, and some investments in our operating expenses and activities are needed to—going forward, to modernize MPI and better meet the service delivery standards. Of note is the employee engagement that went up to 81 per cent from 71 per cent previously.

This is my opening remarks, Mr. Chair.

* (09:10)

Mr. Chairperson: Mr. Herbelin, could you please introduce the rest of your staff. I believe, whoever's on your—[*interjection*]—oh, yes, he already has, okay. Okay. Well, we thank you for your comments.

The floor is now open for questions.

Mr. Sandhu: I really—Mr. Herbelin, thanks for that update. I want to go right into the recent legislation that has been introduced; it's—I think it's called BITSA.

And we know BITSA this year made changes, so that in order to issue rebate to ratepayers, changes

have to be made through legislation rather than through regulation.

Was this something MPI requested?

Mr. Herbelin: MPI, over the last couple of years, has made a couple of changes in terms of managing its capital, going from not having any policies in terms of capital management to a capital management policy that defined a target to meet a 'minimal'—minimal capital test standards, as per OSFI definition. For the basic line of business, that target was set at 100 per cent as a—at a minimum.

And, in terms of evolving this practice to an industry best practice, MPI suggested to move from a single point to a range, which is very much how all insurance companies out there are managing capital.

Mr. Sandhu: So, this was the—requested by MPI to do these—make these changes?

Mr. Herbelin: Yes. Management proposed the introduction of a range from 100 to 120 per cent to manage capital for the basic line of business to the board of directors of MPI.

The board of directors approved that and, in discussions with government, a decision was made to introduce that new legislation. *[interjection]*

Mr. Chairperson: Mr. Sandhu.

Just to remind you, if—when you're ready to speak, please raise your hand so that I have a direct signal to turn on the mics.

Mr. Sandhu: BITSA also changed how much money MPI can hold in the reserve so that hundreds of millions more can be held without having to seek approval of the Public Utilities Board.

Was this—you know, this was requested by MPI. Why was this requested by MPI?

Mr. Herbelin: The reason for the introduction of the range is the adoption of industry best practice, so that MPI can really adopt the way that insurance companies are managed.

What it does is provide a protection for the ratepayer, protection that the corporation cannot rebate any amount of excess capital below the 100 per cent threshold.

What we know, as well, is that insurance business, per definition, is uncertain in terms of its outcome. It's predictable but it's uncertain, so therefore there is volatility.

We have seen with a tough winter or the introduction of higher interest rates by the Bank of Canada or the inflation that is affecting all of us, the result can move up or down.

And so, a range allows the corporation to absorb that volatility, but also makes sure that, when we reach the upper level of the range, there is an opportunity to rebate. That opportunity to rebate was not existent in the past; before COVID, it was not possible for the corporation to provide rebates to Manitobans.

Mr. Mark Wasyliw (Fort Garry): I'm wondering if you could expand on the rationale for this change, because you said that this was an industry standard.

Well, MPI is a Crown corporation, it's not a privately held corporation. It doesn't have shareholders, other than the people of Manitoba. So, by virtue of its corporate structure, it has a very different risk profile than a private company would have.

So, given that distinction, why would you adopt private corporate, sort of, thresholds, as opposed to recognizing that MPI is not going to go bankrupt and it has the security of government backing it?

Mr. Herbelin: I appreciate the comment.

We are recognizing the fact that MPI is a Crown corporation operating in a compulsory and mandatory type of market. Therefore, we are not—we are not—adopting the thresholds of a public—of private insurance companies. If we were to do so, we would not choose a threshold or a range between 100 and 120 per cent. It would probably be, rather, closer to 200 per cent. So, that is definitely factored in the business model.

The introduction of a range is really helping to absorb volatility and avoid the difficulty of targeting 100 per cent.

What may happen is that you target the 100 per cent, and then there's a little bit of inflation or a bit more claims in the winter, and you end up having an MCT under 100 per cent and that automatically should trigger a request for a rate increase.

So, with the opportunity of having the liberty to managing within the range, these kind of effects can be eliminated.

Mr. Sandhu: Well, what we have heard so far regarding this—and can I maybe just go back?

If it were to—this legislation has been intact before, let's say, 20—because there was—a couple of

rebates were given last year; I think \$322 million, to be exact.

If this was—legislation was there, there shouldn't have been any rebate at all?

Mr. Herbelin: Mr. Chair, I think I understand the question, but I would ask the colleague of the opposition to precise whether my understanding is correct.

I think what I understood is that MPI rebated monies, surplus capital, to Manitobans in three instances last year of \$312 million, and that we had not legislation supporting that or that new legislation around that.

So, I would like to answer the following as that it's true that rebating was not in the legislation and, therefore, impairing MPI from doing such things. However, during the pandemic, under the special regulations or special rules applying during the pandemic, we were able, through alignment with government and application to PUB, to provide those rebates in exceptional circumstances.

Mr. Sandhu: What I was asking is, right after this BITSA was to be enforced, at that time, the MPI had no way of issuing cheques back to ratepayers in, let's say, December 30th, 2021.

Is that correct?

Mr. Herbelin: Subject to a check in terms of the numbers and dates that you are providing, Mr. Sandhu, we would have been in an—in the position of returning the excess capital to Manitobans, my assumption being that at that very point in time, our MCT was above 120 per cent.

Mr. Sandhu: How about then, in May 2020 and—or December 2020, when rebate of 110 and 69 million were given out. If the BITSA were to be enforced at that time, so, there should have been no rebates going to the ratepayers at that time?

Mr. Herbelin: Subject to check again, in terms of the exact date and exact MCT levels, if we look at it from a—more a global perspective, entering into the pandemic, claims levels reduced significantly. MPI immediately generated significant excess of reserves on the basic line of business and, on that basis, would have exceeded the 120 per cent MCT very quickly and would have been in a position to providing relief in terms of a rebate.

Mr. Sandhu: If that were to be the case, if it was above 120 per cent, do you still need the permission

from the government to go to PUB to ask—to see if they can provide the rebates?

* (09:20)

Mr. Herbelin: Rebates are subject to a application to PUB and approval by PUB. We don't have the authority to release rebates just on our own.

Mr. Sandhu: Thanks, Mr. Herbelin.

I'd just like to track about the Project Nova at this time. At our last meeting in January and the CEO explained that Project Nova was off track and off budget, expanding from three-year-long project to five-year-or-more-long project, and the costs have increased from \$85 million in 2019 to more than \$150 million in January 10, 2020, and now to over \$129 million—\$289 million.

A briefing note from the minister says that Nova failed to account for this upstream and downstream work. I have several questions on that one.

What is the current budget for Project Nova? What is the 'contintuency'—[interjection] contingency? So, what is the contingency?

Mr. Herbelin: I will ask the Leader of the Opposition to ask for the questions if they would require further details, but I start by simply providing following information.

The initial Nova budget was put together with the help of external consultants many years ago. What they looked at was only some aspects of Nova and probably missed a few points or were not asked the right questions to providing the full scope.

We started developing or implementing the program Nova two years ago, and relatively soon we realized two things: one is that a number of the cost items were not captured in the initial budget—point one; point two, the pace at which MPI would need to deliver in terms of the program, the velocity, was not achievable, mainly due to MPI's lack of maturity in delivering such programs. In other words, MPI never had the chance to tackle such large projects and was not ready to deliver at the pace needed.

Therefore, two things needed to happen, which were completed through a thorough internal and external review, which was happening as we had the committee last year and we could not comment on it because we did not have the results.

The two things that needed to happen is, one, account for those cost items that were not covered in the initial budget, and second, to de-risk the program,

moving from a three-year program to a five-year program and, as a result, extending the time and the use of resources and costs.

Cost in itself was also a benchmark against the cost of such projects that happened in the past at other corporations of the size of MPI or comparable activity, and the two hundred and eighty or ninety million in credit contingency is therefore within that ballpark.

Mr. Sandhu: So, \$289 million—is that the final cost or is that going to be just still estimated cost so far?

Mr. Herbelin: It is our best estimate of the total costs. What happens in such large programs that involve several systems and multi-year implementations with a lot of complexity, internal and external resources, is that there is a lot of unknowns.

Program Nova was conceived with four different phases. Phase one, or release one, looking after the release of SRE systems for the SRE customers and SRE programs.

The second phase is looking at international registration plan, a different platform but serving the same type of customers—commercial—large commercial customers.

Release three and four are those phases of the program that will benefit citizen Manitobans in terms of their ability to register their vehicle, to obtain a driver's licence, to insure their vehicle and, also, to making all the—or, covering all of the aspects of a case.

We are very close to releasing the first release, which will be done in the first quarter of next year, and we are very confident about the result of that. So, we know exactly—or, very precisely—what that cost of that first part of the four is.

The second one will be released in late summer of next year, and we have a good understanding of the costs and there is minimal risk associated to that.

So, I can say that roughly half of the program is well underway, and we have a very solid understanding of the release dates, the costs and what is happening after that.

For the second part, the release three and release four, we have to first go through a so-called pre-discovery and discovery event that is basically helping us understanding and defining the scope and the interdependencies to those releases. This will happen in the first month of 2023, starting in January and going through early summer.

And once we have completed that, we will have a much higher degree of certainty about the total costs of release three and release four and what that means for the total budget.

As we stand today, MPI has a good degree of comfort about the total cost and that best estimate cost of 289, 290 million dollars.

Mr. Sandhu: I know so far there were—three consultants were hired.

At your best guesses, do you think we need another consultant for the—any further upgrade to this system? Do we need another consultant to be hired for any future changes?

Mr. Herbelin: There is a number of different activities going on with Nova. Some of these activities are being delivered through our staff. Some activities are delivered through our contractors that MPI is hiring to complement the staff and the capabilities that we don't have. Some of those activities are provided by the system vendors, as well as so-called system integrators that help us configure the systems that we are purchasing.

So, there's a bunch of different parties that are involved.

We also currently have the support of a consultant to help us manage the program and making sure that we are on the best path for success.

This is not going to last forever, but we are definitely considering at this point in time for the start of release three and release four of the program, to work with not only the system vendors and the system integrators, but also a party that can help us co-ordinate the different parts.

The best way to think about it is imagine the construction of a building, where you have different trades that are involved, and typically you would have a general contractor that comes in and co-ordinates those different efforts. And this is something that, you know, we can use as a reference or an analogy in terms of what is needed going forward.

All of that, though, is included in our best estimate costs of \$290 million.

Mr. Sandhu: The briefing note from the minister says that original estimates for the Project Nova are, quote, fail to account for upstream and downstream readiness work.

Would that include cost for the brokers to establish new programs, training their staff, et cetera?

Mr. Herbelin: Mr. Chair, I would kindly ask Mr. Sandhu to repeat the question, I didn't get it completely.

Mr. Sandhu: In brief, if I ask: Is it any of the cost to train the staff at the brokers—will be 'beared' by MPI or is it brokers' cost?

Mr. Herbelin: Thank you, Mr. Sandhu.

What we are doing is, basically, we are implementing new technology—two aspects of the new technology.

* (09:30)

One is really replacing the old systems that are outdated, that are not meeting industry standards in terms of risk management and security. And for the brokers, when the system will be new, the processes themselves will not be new. This will be very much the same as what they've been doing for years and decades.

So, there is no significant need in terms of training broker staff. Of course, MPI will provide all the training needed, will pay for training and will make sure that MPI is available at any point in time through the hotline, which we are doing already today, so that is not changing.

The second aspect of our investment is related to enabling online services or self-serve capabilities for Manitobans, and that is not affecting the ability for brokers to serve Manitobans in person or through the phone directly.

Mr. Sandhu: So, for training to the new system, the brokers will not bear any cost at all?

Mr. Herbelin: It might be a little bit of a strong statement that the brokers will not bear any costs. There might be some cost associated, but I would qualify that as being minimal and part of business as usual. There might be costs related to providing additional support to a colleague who may not immediately understand the system in spite of MPI providing training. That could happen.

But I don't see that there would be significant costs added to the broker channel in regards to replacing the systems or introducing Nova at the broker place of work.

Mr. Sandhu: An agreement lasted years, gave insurance brokers a percentage of the revenue of direct renewal done online and not through the brokers.

Would it not make sense that brokers share some of their ever-increasing costs for the training to staff instead of MPI bearing those costs?

Mr. Herbelin: We've had a lot of discussions going on with the brokers in terms of what is right and what is just and fair. We have agreed on new commissioning rates for the brokers, both for in-person transactions and online transactions.

Overall, as online adoption will grow eventually, the broker revenues and ability to finance their own costs is expected to decrease. Of course, we need, first, to go online, we need to see some adoption by Manitobans. The adoption rate will be really driving the difference, whether—if there is low adoption rates, brokers will not see much of a change. If there there is a significant adoption rate, brokers will pay a cost to that as a natural evolution of how we transact.

So, I would say there's a lot of unknowns at this point. I think the next couple of years, next three to five years will tell us a little bit more in terms of how much Manitobans will enjoy going online, how much they still want to have a broker's support, whether they went online or not.

I may, for example, go online to change an address, but I still want to visit the broker if I'm changing vehicles. I think the behaviours and that option of those services will be very individual. Each person will probably have some different views on that and, as MPI, we need to make sure that we provide the best service and access to insurance and service to all Manitobans, whether they have access to Internet, whether they want to go through that or whether they need the help and support of a broker in person.

Mr. Sandhu: I recently—the new contract we signed with the brokers has given them some extra per cent of the shares through—if somebody goes through the brokers. Because this project is now, instead of being done within two years, is five years plus.

Isn't—this is costing ratepayers more to go through the brokers because we are giving them—with the new contract—the bigger percentage of the chair—share?

Mr. Herbelin: Well, the short and the long of it is no, for the simple reason that we agreed with the brokers to make a change to the commission rates between in-person and online only when MPI will be ready to go online.

So, as we speak, MPI and the broker community are discussing a change to the agreement that was

signed, making sure that we are not doing what you exactly describe, Mr. Sandhu, and don't pay more than we would otherwise.

So, be—rest assured that the change in commissions will be aligned with the moment when MPI is ready to go online, whether we have a delay or not.

Mr. Sandhu: Can the CEO maybe update a little bit more, as he just explained, that they're going—they're in discussion with the brokers, what they're discussing in brokers regarding what new online services, or because the project is delayed regarding that one.

Mr. Herbelin: So, MPI and brokers agreed to make a change to the commission rate the moment that MPI would start providing online services. The change is basically moving from a—one rate to two different rates: one for in-person transaction and one for online transaction. And the difference between the two is significant.

In-person transaction commission rate is slightly above the current rate, but the online is much, much reduced. We had agreed to make that transition at a set date, anticipating that Nova would provide online services at the defined date. We were probably a little bit too sure of our ability to deliver on time.

Now that we know we'll have some delays on the delivery and not necessarily know the precise date today, we are addressing the contract with language saying that the existing rates will remain in force up until the moment MPI is able to switch on the online services at any point in time in the future. So—and even if that, for whatever reason, would not happen, we would maintain the current rate.

So, there is a certainty that brokers will not be able to get higher commissions before we are going online with the self-serve capability.

Mr. Sandhu: I know this may be confidential, but I really want to know that is the response from the brokers so far regarding this.

Mr. Herbelin: The response from brokers is very good. Collaboration is excellent. We are on very positive mindset, both sides.

Both parties want to do the right thing. I think brokers understand that this is not something they can try and get around. And I would provide additional certainty, Mr. Sandhu, that the brokers did put that on the record at PUB. So, we are completely aligned on that.

Mr. Sandhu: Earlier, I think the last answer you had given me was there was a set date that the Project Nova was supposed to be online.

Can you provide me that set date was?

Mr. Herbelin: So, for the first release, we are looking at January the 23rd of next year for the release to—so, the first release is addressing the needs of SRE brokers and customers.

For the release 2, which is addressing the needs of international registration plan users, our target release date is the end of August of 2023.

* (09:40)

For the release 3 and 4, initially the project was conceived in a way that we would deliver a so-called big bang delivery. We would develop and configure all the system requirements for a number of months or years and, on a single day, we would switch on and magic would happen.

There's a lot of risk associated in that type of approach, and we have been advised to change our delivery mode from a big bang approach to a series of smaller releases of packages. We have defined what those release objectives are; there are many. There are, you know, several dozens of them. And the older of these different release objectives has not been completely finalized yet.

For that, we first need to go through what I mentioned before—the pre-discovery and discovery exercises that will tell us and inform us about pre-requisites, that will inform in terms of the exact scope, the complexity associated, different integrations, data requirements, security requirements and more and more. And based on all these aspects, as well as the complexity and the value to Manitobans, there will be sort of a prioritization model defined and put in place such that we will deliver smaller components of Nova on an ongoing basis for a number of years.

The first part of that release 3 and then release 4 aspects, you know, for the first couple of months, would be more technical foundations. It would not be a use case for the employee, the broker or the consumer—the Manitoba citizen. But, as we build those foundations, we will start building the products and the processes and services that will be introduced to our internal users, the brokers and, at some point, our external consumers.

Mr. Sandhu: Thanks for those answers, Mr. CEO.

And can you please just, for the record, to best of your guess, when will be the last releasing date of Project Nova? So, the final, like, best guess.

I'm sure you probably have discussions with the team that this—we are going, let's say 2025, 2026, something in your mind—or, not in your mind, actually. But talking with your team, what is the best guess you have so far that final release will be?

Mr. Herbelin: Mr. Sandhu, I need to use caution and not overpromise here, because unless we go through the so-called pre-discovery and discovery exercise, we don't have full certainty and full vision or understanding of the complexity.

But at this point in time, we are budgeting the spend of Nova through the fiscal '25-26. So, that would be another three years roughly. So, if you ask for a high-level direction, this is roughly three, three-plus years.

Mr. Sandhu: So, what was the initial date of final release?

Mr. Herbelin: As I mentioned, the initial plan was really ambitious and lacking a number of information and considerations, so we cannot really compare, but it's really moving from a three- to a five-plus-year program time horizon.

Mr. Sandhu: Was there a set year, month, date was in plan?

Mr. Herbelin: Mr. Chair, may I kindly ask Mr. Sandhu to repeat that?

Mr. Sandhu: So, I was just wondering, for the initial release date, was there a set year, month and date was in plan?

Mr. Herbelin: For the initial plan, there was a set date, a precise date, which was expecting us to see the initial online services for release 3 to be available to Manitobans on an April 1st date. And, if I'm not mistaken, this will happen the year 2023.

But, again, as I look back now, within two years in the works of implementing Nova we clearly and rapidly understood that initial plan was not realistic and not reasonable for a number of reasons, and therefore we had to adjust for a 'delivered' approach in no timelines.

Mr. Sandhu: Maybe we can just go to some other questions on Project Nova.

On page 31 of the Estimates book, it says that the department spent eighty-seven thousand three

hundred forty-four million in 2022-23, and sixty-four thousand three hundred forty-six million in 2021-22 on the, I will quote, the acquisition of assets, MPI. This is on page 31. That explanatory note stated that this money was for Cityplace and Project Nova.

Can MPI provide a breakdown of how much of this money was for Cityplace and how much money was for Project Nova?

Mr. Herbelin: Thank you for the question, and Mr. Sandhu may want to ask me follow-up questions if that—if I'm not meeting exact numbers that he's referring to have, or internal numbers, and I'm not sure they match up exactly the reference he's having.

But, so from a Nova perspective, if I look at the capital expenditures from an estimate perspective for '22-23, we have a total of \$49 million. For '23-24, we have a total of \$61.7 million.

On the Cityplace aspect, for '22-23 we have a \$12.4 million, and for '23-24 we have four—\$5.8 million.

Precise that, the Cityplace is really related towards space plan investment, and we might have a number of other capital expenditures that are related more to the ongoing operations and [*inaudible*] of the building.

Mr. Sandhu: Sorry. Can you—I didn't get it. Can you explain what the money was—spent on Cityplace was for?

Like, because it's sitting empty, or was it maintenance? Or—what the money was spent on?

Mr. Herbelin: Certainly.

So, for the year '22-23, we have a spend of \$12.4 million that is related to the remodelling of our space plan. So, basically, looking at the spaces in the office tower occupied by MPI. And the focus is on two floors—eighth floor and 9 floor, and it's basically the transformation of that environment that was outdated and provide a new, modern dynamic workplace environment for MPI's staff.

It was \$12.4 million in '22-23 and \$5.8 million budgeted for '23-24.

Mr. Sandhu: How many people are working at 234 Donald St., which is Cityplace?

How many people are working in there now, and how many people are working from home?

* (09:50)

Mr. Herbelin: I don't have the precise numbers, Mr. Sandhu, and we might have to follow up if you want further details.

In principle, we have several hundred of people who are assigned to Cityplace. And these numbers have not changed significantly before COVID or now, after COVID.

What has changed, though, is the place from which people are working. We no longer have everyone come to the office every day. We have a flexible work program in place, and we are trying to get people back to the location.

And this Cityplace modernization of our environment that I mentioned completed in the summer of 2022 for the ninth floor and is under way for the eighth floor. And we still have a number of people located on the seventh floor, but we have some transitions happening.

So, because of that, we have not reached the full capacity, in terms of occupation of the building, just yet. That is a transition. But we have observed an increase in terms of occupancy from the summer to now, and we expect that this will continue and increase over time.

As a result, though, we are generating some operational efficiencies, because not having everyone every day in the building has allowed us to re-lease a number of floors and to lease those floors out to tenants who are paying the rent and helping us making Cityplace an attractive investment.

Mr. Sandhu: I just heard that, and so maybe we can lease more of Cityplace to people who want to move in.

Can you maybe just explain what percent is—of the Cityplace is sitting empty right now and what per cent is offices being leased?

Mr. Herbelin: So, we should look at Cityplace in two parts: one is the retail—the first two floors—and the office tower.

In terms of the office tower, MPI is occupying the ninth floor, is now renewing the eighth floor and we still have a number of people on the seventh floor. All of the rest of the office tower is completely leased out, so we don't have any empty space.

As far as the retail environment, I would say that we are on a transition phase. Most of the space is occupied, with exception of a larger portion on the

main floor, and we are currently looking at options to attracting anchor tenants for that part of the building.

Mr. Sandhu: So, what per cent is—percentage is empty right now?

Mr. Herbelin: For the retail space, I would say it's roughly 30 per cent.

Mr. Sandhu: Is Cityplace losing money or making money? Simple.

Mr. Herbelin: Short answer is we are not losing money; we are making money.

If you want further details, we'll be happy to follow up on that.

Mr. Sandhu: Thank you, Mr. Herbelin, for that answer.

On page 23 of the MPI annual report, it states that the key outcome of Project Nova includes, I quote, positioning MPI to do—MPI to be better prepared to equipped new legislation and offer new services.

Can you please outline an example of what this new legislation or new services are?

Mr. Herbelin: I'm not prepared to answer that question in detail.

I believe mention is made to some of the legislation that recently passed, 14—page 14, and that 14 different items that are helping us, you know, enable some of those services through the changes brought by Nova.

If there's anything specific on that, Mr. Sandhu, I would have, probably, to take it away.

Mr. Sandhu: Mr.—through the Chair to Mr. Herbelin, is this—this is on page 23, and it is saying that MPI is better equipped to implement new legislation. So, that means this is related to only bill 14, or was there any other services that—where we offered, through this new legislation?

So, can you explain what are those services are? Like, is there any services that—can you just provide some examples?

Mr. Herbelin: So, again, we'll be happy to follow up with further details for Mr. Sandhu, but examples that have been new is around IRP legislation or new vital statistics changes.

Mr. Sandhu: Maybe—and can I just briefly go into an online auction for MPI, which is—I think it's Impact Auto Auctions is right now doing auctioning on behalf of MPI.

But with this new Project Nova, can those services be provided by—in house by MPI, such as what Impact Auto Auctions is doing right now?

Mr. Herbelin: Mr. Chair, kindly ask Mr. Sandhu to precise or repeat the point.

I could not fully appreciate the question.

Mr. Sandhu: Okay, MPI recently—I think a couple years back—signed a contract with Impact Auto auctioneer to do online auctions for its written-off cars.

With Project Nova, those—what is Impact Auto right now provides, can they be brought in house, such as maybe MPI can do itself those auctions, instead of outside, someone else is doing those auctions?

Mr. Herbelin: I understand the question.

So, we are talking here about salvage—that is, you know, cars that cannot be repaired and that we indemnify the policy order for and that we find the best way possible to sell to recoup some of the costs and minimize the claims costs.

In the past, these auctions were finding place and person, and the markets that we were able to attract was very much of a local market.

Through the introduction of an online auction system, the markets that we are able to reach has augmented significantly and, with that, the values on the vehicles have increased significantly, as well.

It is not so much about the online or the technology and as such. If it was really just the technology, we could replace that. But it's much more about the market that we are able to access through that.

And so, Nova will not replace that system in itself, because Nova is not able to create or re-create the market that is entering or that is attending those auctions.

Mr. Sandhu: I will just—because I just asked the question of online services regarding Impact Auto, I'll probably just keep a couple of questions on that one.

We know Impact Auto also charges dealers some fees. They have to register first, before you can bid. There's fees related to that one. And then there's also a fee for an individual person to be part of, you can say, membership; pretty much this is a membership you have to buy.

Any of that money, does MPI get from being those—from those people who are becoming members of Impact Auto, such as being \$150 or \$100 fees?

Mr. Herbelin: I'm not sure if I understood the question correctly.

* (10:00)

Is the question whether MPI is collecting any of those fees? If that is the case, no, MPI is not collecting those fees.

Mr. Sandhu: Also, when MPI is selling cars through online auctions, through Impact Auto, they are also—they're, as I said, they charge membership fees, and then they also charge whenever MPI sells any car. If I were to be one of those people who bought the car, I have to pay percentage of the fees to Impact Auto.

Is any of that money comes to MPI, or that directly goes to Impact, also?

Mr. Herbelin: MPI is not collecting those fees and not retaining any of that.

So, really, the net benefit for MPI is only the salvage value—the net salvage value of the vehicles.

Mr. Sandhu: So, considering we signed this contract probably going from in-house to outside, I don't know how long the contract is with Impact Auto. This was an open-tender contract, I know that.

And will you change anything come next contract because the fees they are collecting from people who are buying MPI cars? Can you just maybe elaborate a little bit on this?

If you were to issue a new tender, is going to be something different than what it was earlier?

Mr. Herbelin: The choice for this solution was based on a business case. And we have witnessed—since we are, you know, going through that process—significant benefits from a greater salvage value. So, this is definitely benefitting Manitobans in terms of the net cost of claims.

Typically, with all of our partners, we have a tender process, we have a contract that goes for a number of years and we review those contracts before they expire and make the determination at the time as whether there are better options, potential options. Sometimes we have single source of services, you know, that are operating a very special service.

And so, there are different situations. But in this case, I believe that, you know, every now and then we would take the opportunity to re-tender the contract and see if there is better value, if it's—if there are different options available to MPI and assess those options duly.

Mr. Sandhu: Last time we talked, I think we were discussing if they have any offices in Winnipeg or Manitoba. There was no office, no employees were from Manitoba.

Is this still the case, they have no employees or office in Manitoba?

Mr. Herbelin: It—this group is part of a larger corporation, and they certainly have a subsidiary in Manitoba.

Mr. Sandhu: Do they have any employees in Manitoba?

Mr. Herbelin: I don't know that precisely, Mr. Sandhu, but I will be happy to check and get back to you.

Mr. Sandhu: You'll have to get that information that—to see if they have office or even if they have any employees in Manitoba here.

And maybe just to go, I think we did talk last Monday, but for the record—for the people, for Manitobans to know, I really want to know about the court case. You probably heard that we are—MPI recently lost a court challenge with the PUB regarding to how insurance premiums are set. Currently, it is based on registered owners. PUB ordered MPI to move it to primary-driver model.

What is the impact of this decision?

Mr. Herbelin: Our understanding of this decision is that MPI is now mandated to explore the primary driver model to understand the benefits, potential, you know, challenges related to the model and what would it take for MPI to implement that model going forward.

So, this is very much what the corporation is going to do: research and understanding and analysis in the first step; go back to PUB to present the findings and discuss the findings and follow the directions set by PUB in that regard.

Mr. Sandhu: Is there a set date when the MPI have to respond to PUB to provide the analysis on this? How will this have impact and when this will be implemented?

Mr. Herbelin: We will bring our findings, whatever findings we have in that time, to the next application and hearing process.

Mr. Chairperson: I'd just like to remind the member that this committee is to do with the annual report.

The questions should be for the annual report. Just to remind you.

Mr. Sandhu: Thanks, Mr. Chair, for the clarification.

Does the CEO have an estimate of cost of transition from the current model to—developed to be implemented as directed by the courts?

Mr. Herbelin: I believe the member is asking if we understand the costs of transitioning from the registered owner to the primary driver model. And short answer is no; at this point, we don't know what it would mean from an effort perspective, from a cost perspective.

Mr. Sandhu: In July, a Black driver reported they could not get their licence because MPI system was recording colour as unnatural. An MPI spokesperson later explained that it was the overall colour of the picture that caused the error.

Can the CEO explain what the issue is here and what they have done to fix it?

Mr. Chairperson: Again, I'd just like to remind the member that you should be asking questions on the annual report. Those types of questions are really not in the annual report.

So, yes, if you could tie it back someplace there, that would be greatly appreciated.

Mr. Sandhu? Mr. Wasyliw.

Mr. Wasyliw: Okay, well—I think with the greatest of respect, we're talking about a technological failure, which would fall under the purview of the annual report. So, I think it very much is a relevant question. I'm very interested in hearing what Mr. Hamelin [*phonetic*] has to say about it.

Mr. Chairperson: I still believe that that should be in the annual report. It may be tied back in the way, but it's up to Mr. Hamelin [*phonetic*] if he's—the Honourable Mr. Goertzen.

Mr. Goertzen: It was a very specific question that felt more sort of, like, case specific or kind of a question-period question. But—sorry, I don't think that Mr. Wasyliw is trying to challenge the Chair, or I hope that he's not trying to challenge the Chair.

Perhaps a question that's that specific, Mr. Hamelin [*phonetic*] could take under advisement and see what information he could provide in the future.

Mr. Herbelin: So, I'm happy to answer, in generic terms and not comment on a specific case.

But I think the technology we are referring to is not technology that is proprietary to MPI. We are using a vendor technology. This is supposed to be providing the service expected in all circumstances for the process that it's actually supporting. Whenever a mistake happens, this is always something very painful and personable and regretful.

* (10:10)

The measures we've taken is to immediately respond individually to the case in consideration, but also generally with the software company, in making sure that this problem can (a) be fixed, and second, also, that the procedures and the consequences of whenever this would happen are being improved, as the experience and the messages provided were not appropriate in that instance.

Mr. Sandhu: Is this message also being shared with the current Project Nova team when they are looking into the system that this happened in previous system but it won't happen in the new system?

Mr. Herbelin: This is not related to Nova. We need systems for different things. This is one aspect of the process that we need to perform, but Nova will be—will not be changing or replacing, in itself.

However, having said that, as I said, we immediately contacted the vendor of that solution, making sure that this would not happen in the future. Whenever this would ever happen, that the procedures in place would be appropriate to respond to that—such situations.

Mr. Sandhu: On page 12, it says that MPI paid \$23 million to Manitoba medical practitioners on behalf of customers.

Can MPI provide a breakdown of what medical practitioners were compensated, example, X amount was physiotherapy, et cetera?

Mr. Herbelin: I will have to take that under advisement. I don't have it.

Mr. Sandhu: Can MPI explain why the Driver Education Program's spending increased from \$1.595 million in 2021 to \$3.563 million in 2022? This is on page 70, Annual Report.

Mr. Herbelin: We'll add that to the list of things to take under advisement, if you don't mind. I don't have the details. I apologize.

Mr. Sandhu: Maybe I—can I just go to, maybe, fraud and theft, how it's impacting MPI. How many fraudulent claims did MPI receive in 2021-22?

Mr. Herbelin: Thanks for those questions. I don't have all these details available just here, so I will take that question under advisement and will get back to you.

Mr. Sandhu: Maybe this probably will be another one where it will go under advisement, but for the record—I do like to put it on the record—how many theft claims did MPI receive in 2021-22?

Mr. Herbelin: I will take that question under advisement.

Mr. Sandhu: This is—probably will be a question: Why did MPI stop including this data in their annual report? Why it's not on the annual report?

Mr. Herbelin: I appreciate the comment. You know, we're always looking for feedback and ways to improve, so we'll take that away as a good input.

Mr. Sandhu: To my understanding, it was there earlier, and maybe just want to know—maybe minister knows, or maybe president knows why this was taken out of the report?

Mr. Herbelin: There was certainly no intention to hide any information. One of our mottos is transparency and provide as much transparency as possible. So, if this has disappeared, I'm not necessarily mindfully aware of that. And there was no—maybe I'll need a—I can only think that there was the willingness to try and make the information as succinct and accessible to all readers.

But, again, if that is something that is missing and should be there, we will take it away and consider that for future.

Mr. Sandhu: In October of this year alone, there was a span of two weeks where five pedestrians in Winnipeg were hit by vehicles, with three of those incidents being fatal. Two were hit and runs.

What does MPI believe to be done to improve road safety?

Mr. Herbelin: These are always tragic events, and we are taking road safety at heart, really. We have developed a new—articulated a new road safety strategy, and that some aspects of the strategy is really to look into data, data points, and identify the causes of the most traumatic injuries and fatalities on the roads, and understand those causes.

So, MPI is not in a position, necessarily, to—you know, to avoid those accidents, but with the data, it is our role to provide insights to the various road safety and road safety enforcement agencies. So, we provide

the data and make sure that the various stakeholders are being made aware of the areas that can benefit the most from actions.

Mr. Sandhu: Thank you, Mr. Herbelin, providing that information.

Has MPI had a recent discussion with the Province and the City of Winnipeg about what can be done? Is there any discussion with the City of Winnipeg on this?

Mr. Herbelin: We are engaging on a regular basis with the various stakeholders, including the City of Winnipeg and the police of Winnipeg. So yes, we are actively discussing those aspects related to road safety with all relevant key stakeholders.

Mr. Sandhu: Regarding MPI's investment portfolio, does MPI have any holding in cryptocurrencies?

Mr. Herbelin: No, we don't.

Mr. Sandhu: What is the current backlog for driver ed tests broken out by class—class 1 to 5?

Mr. Herbelin: So, I mentioned in my opening remarks that we needed to make some investments in the business in terms of adding staff as, post-pandemic, we've been taken a little bit by surprise in terms of the number of citizens who need our services. And there's also an backlog that was creating during the pandemic, especially as it relates to driver testing.

So, specifically in terms of class 5 road tests, we currently have a wait time of up to 150 days. Doesn't mean that someone is not able to get an appointment before, but it can take up to 150 days. And our target is to reduce that to maximum of 45 days immediately, over time, to make that wait even shorter.

In terms of class 1, the wait time is up to 60 days today, and we would like to reach a 14-day average in short order.

Mr. Sandhu: I know recently I have discussed some of this with the class 1 driving schools, there are certain number of spots are given to the people who go through a provincial-funded program. I think two tests are given to those people.

Is there any plan of changing any of this for people to allow—instead of booking two—for two—one person for two exams and then allowing open—like, other people to do the exams?

* (10:20)

Mr. Chairperson: Mr. Hamelin [*phonetic*]-sorry, Herbelin.

Mr. Herbelin: Thank you for the question, and we are well aware of these concerns. We are in constant discussions with the industry to find ways to provide advance booking for all. We have not come to concrete outcomes just yet, but we are aware of it, mindful of it, working on it.

Mr. Sandhu: Thank you for that, Mr. Herbelin. And there's also a—I had discussions with the people who were looking for—to do tests.

I just want to know, maybe—this may be under advisement, but there's certain—class 1 driving tests used to be broken into a different part, such as backing up the truck and all those things. I think they were for a different way of doing it. Now it is all one. If you fail one, even though if you pass the first part, then you fail the next part, then you—next test, you have to start from the beginning again.

Is there discussion of breaking this into a different part, such as driving, backing up and doing a test, like, say to test or something?

Mr. Chairperson: Again, Mr. Sandhu, if you could sort of tie it back somehow to the annual report, because it's really—yes, we need to have it tied back to the—Mr. Herbelin.

Mr. Herbelin: I will take that question under advisement.

Mr. Sandhu: Okay. Is there anything in this annual report I can see where in class 1 it says—not class 1, actually class 5—any study done where it can be broken into two parts where people doing parallel parking and then people doing road test? On the parallel parking somebody pass it and then fails on the driving. And the next—come the next time around, they still have to start from the beginning. Next time they come in they will fail on their parallel parking, and they won't even go further than that.

What are those times?

Mr. Chairperson: Yes—Mr. Sandhu, we'll have to ask you to rephrase the question so it is tied back, as I don't believe that that is in the annual report. But if you can figure out a way to tie it back, that would be greatly appreciated.

Mr. Sandhu: Just wondering if this was in their annual report to making a driving licence changes—road test changes?

Mr. Herbelin: We don't cover that in our annual report, Mr. Sandhu. We have an open dialogue. We'd

be happy to follow up with you outside of the committee, if you don't mind.

Mr. Wasyliw: I have a few questions in regard to the First Nations injury prevention program. What is it, and when was it established?

Mr. Herbelin: Thank you for the question. In terms of First Nations engagement, we are making sure that we work with these communities from a road safety perspective, mainly, as we understand there are higher incidence of injuries in those communities.

We understand, as well, that the best outcomes are likely to come from a collaboration standpoint with the First Nations, so that we can identify and execute on ways to preventing injuries in a way that corresponds to the local environment and can be accepted by those communities.

And that is the main focus I think MPI has in this regard.

Mr. Wasyliw: What are the plans and objectives of this program?

Mr. Herbelin: The main objective is to reduce the number of serious injuries and fatalities. And in terms of the plans, this is early days. Main aspects underway currently is engagement to build relationships and provide co-ordination, support for co-ordination, part of the First Nation communities.

I think this is a long-term initiative from MPI that will need to build on a number of developments and execution of those plans. We are at the start of that journey at this point.

Mr. Wasyliw: So, getting back to, I guess, my first question, then: When was the program established and do you have any measurable outcomes at this point?

Mr. Herbelin: Program was established during the course of the last fiscal. And at this point in time, we are engaging with First Nations to determine the course of action and outcomes that we want to achieve together.

Mr. Wasyliw: Oh, just want to get back to the reserves, I have a few questions about that. I want to make sure that it's clear in my head.

So, right now, the ratio is 120 per cent, and I think, if I heard you correct, if you were a private company, that ratio should be 200 per cent.

I'm just wondering, if you confirm: before the legislative changes, the ratio was at 100 per cent? Do I have that correct?

Mr. Herbelin: So, the MCT, which is the Minimum Capital Test ratio that is a metric set by OSFI, the national regulator for companies—insurance companies that are federally regulated, but this is a best practice. So, the MCT for the basic line of business was set at 100 per cent, and still is at 100 per cent with the new legislation.

What has changed is rather than measuring a single point, the 100 per cent, we have now introduced a range within which we can operate, a range for—going from 100 per cent as a minimum and 120 as a target maximum from there—from which we can consider, or would consider—strongly consider rebating the excess capital back to Manitobans.

Mr. Chairperson: Just to remind everybody, if all questions and comments could come through the Chair to make sure that we're staying on that proper format.

Mr. Wasyliw: So, why was the old system not working? Why *[inaudible]* system needing change? And what does the range give us that the previous MCT at 100 per cent didn't?

Mr. Chairperson: Mr. Hamelin *[phonetic]*—Herbelin, sorry.

Mr. Herbelin: The introduction of the 100 per cent as a single point was an improvement compared to what we had in the past. It did, at least, set a target and a minimum threshold to hit.

The MPI business is highly, you know, plannable, predictable in some ways. We know how many cars are being driven on the road. With that, we have a history that is quite predictable in terms of the number of accidents, injuries and the cost thereof. With that, we can predict with a degree of confidence the cost of claims in general.

* (10:30)

But sometimes, you know, you have deviations to that expected result. We have seen, in recent past, major developments that can affect those in a short term, which might be a pandemic all of a sudden limiting the number of vehicles on the road and having a significant deviation to the positive, or we have interest rates rising and, at the same time, inflation rising and having a double negative effect on net income.

We could have an unplanned natural catastrophe and we buy re-insurance to protect ourselves but we have, you know, several millions of dollars on our net exposure that we need to pay out in such cases.

And the introduction of a range allows us to manage the volatility year over year. And a range of 20 per cent is very minimal when you think about it. Most private insurance companies would go for, probably, a larger range, and certainly a larger threshold to start with.

But I think we appreciate the fact that we operate in an environment where we have more control, where there is less risk in terms of the capital. And it felt appropriate at a time of introducing this new proposed legislation, the 100 per cent could remain and 20 per cent, sort of, range would allow us to absorb for the volatility of a single year of events.

Mr. Wasyliw: What's the current ratio right now?

Mr. Herbelin: We measure the ratio on a quarterly basis.

At the end of last fiscal it was at 95, which is close to 100. Through the first quarter and second quarter of this year—I don't have the numbers on top of my head—but the ratio has likely—increase is above 100 per cent. However, we have some elements that are playing to that equation in terms of inflation and the increase of our reserves due to inflation. So, we are round and about the 100 per cent range.

And again, we can, you know, look into the annual report—or, the quarterly reports that we have filed at the end of June and at the end of September. I don't have these in front of me, and the MCT ratio would available on those reports.

Mr. Wasyliw: So, again, so I can wrap my head around this—so, I imagine the capital that you have—the excess capital—gets invested into the market.

How big is that investment pool?

Mr. Herbelin: So, the way our business system functions is that we are collecting premiums before we pay claims and pay our expenses. So, the premium collected minus the expected claims and expenses in the current year are invested, and there are two main buckets in terms of our investments that relates to the basic line of business.

One is the insurance liabilities—in other words, the claims that have not been fully paid.

I'll give you an example: someone gets injured in a car, is not able to go back to work, is disabled—maybe permanently—will get a weekly indemnity amount as well as personal-care support from MPI for a duration of 20, 30, 40 years. We are reserving those amounts or provisioning those amounts and, at the

same time, investing in mainly fixed income and bonds to make sure that we match our liabilities—those assets with our liabilities.

And this is generating, you know, a decent level of income depending on the market conditions over—we mentioned interest rates; when interest rates were low, it would be lower; when they suddenly increase, there's an immediate correction in terms of the asset values. But, in the long run, higher paying interest rates are good.

And so, that's the main part of our investment.

Now, we have the reserve above and beyond the liabilities; that is, basically, the capital that we need to hold against our—the sum of all our risks: insurance risk, investment risk. There are also some risks associated to the fact that we bear the employer liability of our pension plan. There are some operational risks that are being accounted for and whatnot. So, the sum of the capital, the RSR, is invested in a set of different types of assets, as well.

The risk we take on the excess capital is slightly bigger than on the liability. Some liabilities, it's almost zero risk, because we want to have a proper match of the assets with the liabilities. And, on the other aspects, we follow an investment strategy that discussed with PUB, that is approved by our board of directors and that is making sure that we have a sort of a balance between the yield, the revenue we can generate and the risk that are taking.

Mr. Wasyliw: So, what's the rate of return on the sort of bond holdings, and then what is the rate of the return on the equity holdings?

Mr. Herbelin: It varies all the time, because it's not a simple equation where you just buy, you know, an over-the-counter sort of GIC that pays 1.5, 2 or 3 per cent. The bonds are subject to not only the interest rate on the bond itself, but to changes in yields, the asset price. That is one thing that changes constantly.

We were expecting a return on investment of 4 per cent on the sum of all our investments in the last fiscal and, due to the sudden increase in interest rates—and, with that, the falling level of asset valuation—we only generated 0.6 per cent profit. So, sometimes it's above expectations, sometimes it's below. The fiscal before that, we had a double-digit total return.

The important is that, over the long run, we are generating positive yields. It is also important that we maintain that—what—the so-called asset-liability

matching between assets and liabilities. That is, when assets are maybe increasing in value, our liabilities are matched accordingly because we use similar discount rates than the interest rate level.

And when we have situations where the markets are going down, our liabilities can adjust as well so that, overall, we are not seeing significant variations of multimillion dollars in the net income of MPI on a year-over-year basis.

Mr. Wasyliw: So, when you do have a good year where you've double-digit profits, do that—do they just get recycled into the fund, or can they be taken out and used for other MPI purposes?

Mr. Herbelin: So, there are several components of that.

One that is related to our insurance liabilities—that is, on the left side of the balance sheet, and it's the biggest part of the balance sheet. It's the money that we provision or reserve for payment of—or, future payment of claims that happen in, you know, an example of a person disabled and that will continue to receive MPI cheques for the next, you know, 10, 20, 30, 40 years, whatever that is.

On average, we have a claim duration of 10 years. That is, any claim, on average, lasts 10 years on our books. And that is a consequence—an immediate consequence of the generous PIPP program that we have—the personal insurance protection plan that we have.

For those liabilities, any movement up or down are immediately seeing the correction, or the equivalent movement up or down on the liabilities, because interest rates are linked to the time value of money and the discount rates at which we discount for liabilities.

So, for that—and that is by far the largest part of our investments—we don't see any consequences in terms of the money being redirected anywhere or not.

* (10:40)

For the reserve capital, we don't have that asset-liability matching mechanism, and so any increase in the capital will have a direct impact in terms of the MCT going up or going down. That is, we have more or less capital available in comparison to the capital that is being required. And that could be an *[inaudible]* for MPI, if we hit our threshold, to return money to Manitobans.

In no way would the capital or those surplus excess capital go anywhere but in the form of a rebate

to Manitobans or stay in the reserve to absorb the volatility of it.

Mr. Wasyliw: I'm wondering if you could give us an idea of what percentage of the bond holdings are Manitoba provincial sovereign debt or Hydro sovereign debt.

Mr. Herbelin: Subject to getting updates on precise numbers, but it's the vast majority provincial bonds. Vast majority.

We don't have government—federal government, all our—the vast majority of our investments are in Manitoba provincial bonds.

Mr. Wasyliw: Now, I know—I think I saw a list a couple years ago about equity holdings for MPI. And, going through the list, I notice there was a number of fossil fuel companies that MPI invested in.

And I'm wondering, is there any sort of ethical investment strategy involved in this? Is there any check or balance about, you know, what companies that MPI is investing in. I'm wondering if you could expand on that.

Mr. Herbelin: You know, I think this is an issue that is becoming more and more a part of the way we think and make decisions. Per se, I would say it's a new subject for MPI, but an important one.

And I think, while we don't have a formal strategy today, we are mindful of where our investments are going, and I could suspect that in the future we'll become more and more specific and diligent about that.

Mr. Wasyliw: So, I think you told us there was board of directors that makes these decisions, but there's no formal policy or framework to guide the work of the board? It's all sort of individual board members' views of what investments MPI should undertake?

Mr. Herbelin: Well, we have a very specific investment policy, so it's not to the discretion of board of directors members to steer in one or the other direction. And we have a very robust process that we go through in terms of deciding what part of our portfolio is invested in what kind of asset and in what proportions.

Once the strategy is defined, we hire investment managers for the different classes of assets. Those managers are selected based on a straight set of criteria in terms of their performance, integrity, their reputation and whatnot. And we are reviewing their performance on an ongoing basis, and should the

manager not perform over a number of years, we are making decisions to exit those relationships and reallocate our assets funds.

Mr. Wasyliv: So, I—if I interpret your comments correctly, the main metric would obviously be performance-based, but I take it you can confirm for the committee today that Manitoba currently—MPI currently invests in fossil fuel companies.

Mr. Herbelin: I cannot answer that question for certain.

I will take that away as an undertaking, making sure that we provide a transparency.

Mr. Wasyliv: But there's currently no policy in place that would prevent MPI from investing in fossil fuel companies.

Mr. Herbelin: We'll definitely add that to our answer to provide the full clarity.

Mr. Sandhu: Just recently—I still go to Project Nova.

I know there's new changes are coming with Project Nova. The newcomers such as visitors to Manitoba—it's really hard for them to prove their residency.

Is the—would the bill 14 with Project Nova, is there any changes that will make it easier for people to prove their residency in Manitoba so they can get licensed? This is also related to visitor and permanent residents driving in Manitoba.

Madam Vice-Chairperson in the Chair

Mr. Herbelin: Yes, thank you for the question.

Indeed, one aspect that will make the process easier is around AVRL. The list of guarantor will be extended.

Mr. Sandhu: So, currently you have to be—known the person on the guarantor form for two years. How—what are the other changes? Because only Manitoba and Alberta allow a visitor to obtain a licence. How can they prove their residency in Manitoba?

One way to do is providing—they needed two pieces of Manitoba residence address. How can do that—how can they do that?

Mr. Herbelin: So, for visitors to Manitoba, it is an ability to stay and drive in Manitoba for three months without having to make any changes, and that will continue. And that offers, I would hope, some good degree of flexibility already.

In terms of the guarantors lists, it will extend, and so more people will be able to be on the list and provide additional opportunities for newcomers that decide to become residents to get the support needed in that aspect.

Mr. Sandhu: Permanent residents are arriving in Manitoba, and they also have to prove their residency.

One way to do it is obtaining a void cheque from the bank with their address on it. Sometimes, people live with their friends, their family members, and there's no way to obtain the second piece of proving their residency.

How can they do it with this new Project Nova?

Mr. Herbelin: Yes, so really a second proof of residence is what the guarantee—guarantor and the guarantor list come in.

And having a larger number of guarantors available will improve access to this aspect that you just mentioned.

Mr. Sandhu: A guarantor is—again, you have to know and you can only sign it after you know that person for two years. And there's no way for newcomers to obtain a licence quicker because you will not going to know for two years someone. The guarantor—there's a specific list on it, such as doctors, MLAs, MPs. You will not going to know someone for two years.

* (10:50)

So, is there a way to make it a little bit easier for newcomers to obtain a licence? I know Manitoba Health allows a—the family member to sign a piece of paper where it says, yes, this person will live with me for at least a six months. That's how Manitoba Health proves someone's residency.

Mr. Chairperson in the Chair

Will MPI consider this, also?

Mr. Herbelin: So, in terms of the question asked, I understand that guarantors would need to know an individual for two years with a number of exceptions. But based on that, MPI has an exception process in place that is open to all facing challenges and that would assist in trying to find additional ways to prove the identity.

I am told that this process has been working quite well, and that we would continue doing that.

Mr. Wasyliv: I have a question about brokerages and whether or not they potentially can cause a risk factor to MPI.

There's obviously a growing train in Manitoba where brokerages are consolidating into bigger and bigger companies, and there is fewer and fewer sort of ma-and-pa, single-outlet insurance brokerages.

I'm wondering if you can comment on that trend and to see if that will, in the future, affect MPI operation to where you're not dealing with 120 brokerages anymore, you're dealing with 10, 15 large, many out-of-province, brokerage companies.

Mr. Herbelin: I'm aware of the consolidation process happening in the brokerage space. For now, what we are seeing is the change of signs on the front door of locations. We're not seeing a reduction in the number of locations or consolidation at this level.

Occasionally, MPI is being asked to consider the transfer of a licence attached to a certain location to another location, and we are reluctant to providing that, because we always look at whether a given location is serving the needs and making sure that local community is able to access the services.

And we want to make sure that as many Manitobans as possible can continue and have services accessible to them, especially outside of Winnipeg.

I think in Winnipeg, there's more choice, but as soon as we go outside, typically you will find one broker and that one broker, if they were to all of a sudden disappear, that would cause some disruption in service.

So, we are acutely following that and making sure that we are not, you know, helping, through the consolidation, having a number of locations that would be diminished and with that, services diminished.

Having said that, over time, what will it be and what the consequences might be—I don't know; I don't have a crystal ball. But we're very, very aware of that and making sure, to the extent we can, that brokers continue and operate in all parts of Manitoba.

Mr. Wasyliw: So, is there any concern that there's a lack of competition in rural Manitoba? And not only maybe there's only one brokerage in a small town, all the towns next to it have the same company owning that one brokerage.

And I think you alluded to that there's a possibility that these large, Vancouver-based companies will start shutting down these rural outlets to save money.

And does MPI have a plan in place should that happen? And does MPI see this as a problem that we have to increase competition amongst local brokerages?

Mr. Herbelin: Well, I would first say that MPI is not regulating the brokerage profession. Now, we are working in partnership to try and make sure that, together, we provide the best service to Manitobans.

I would repeat what I mentioned before is, really, we are aware and mindful and, I would say, concerned that—you know, we want to ensure that Manitobans in all parts of the province have access to a broker and can transact at that local location whenever they want to.

I think part of the evolution of where we're going is, in addition to providing access to a broker whenever someone would want to interact in person or just picking up the phone and talking to a human, is the provision of online services that also will help alleviate, maybe, some of those concerns.

But we are in no way interested in seeing brokers consolidating to the extent whereby locations would reduce, and access—especially outside of Winnipeg—access to services would be diminished.

Mr. Sandhu: I have one last question.

It's maybe not in the report, but this is related to that. As we know, Manitoba is divided, I think, into four zones—the insurance that you can get is city of Winnipeg and then the—outside the city.

When a person from, such as Thompson or The Pas, drives into Winnipeg, their children are not allowed to use that vehicle to work or even to school, in case of—there's an accident, there's no coverage.

Is MPI doing any kind of advertisement on this so people are aware of this?

Mr. Herbelin: I would say, as a general statement, that currently the map is divided in a number of territories and that has, you know, some history to it. But there is constant discussions with PUB and intermediaries at PUB whether it makes sense to have the divisions we have and the use codes we have and so on.

And so, we are currently trying to understand the pros and the cons of the model and potentially suggest changes that would be in the benefit of the MPI citizen users.

Having said that, one of the key roles of the broker is to inform their customers about what they

are covered for, what they are not covered for, to provide the changes needed whenever there is a change needed. So sometimes it's just a matter of changing from all-purpose to, you know, a more casual use of the vehicle or the other way around.

It might be a question of laying off the vehicle for a number of months during the winter times. This is what the MPI staff in the service centre and the brokers are expected to provide.

Having said that, on the insurance transactions, specifically, more than 90 per cent of those transactions are conducted by the brokers, and so it is very much in their responsibility to do.

Mr. Sandhu: This is—I'll probably be providing you that—MPI—this information, that I recently received an email.

A person from The Pas moved—not moved—his parents came to Winnipeg, then he drove the vehicle to work and he had an accident and he's not covered for it.

Mr. Chairperson: I would have to advise the member that this is about general things in the report, not about specific incidents, so I don't think that question is one that's really part of this committee.

Mr. Sandhu: Is there going to be any—put it this way—any advertisement done reminding people of their

rights and how to—just direct about people's rights around this sort of thing?

* (11:00)

Mr. Herbelin: Yes, two aspects to that question. First of all, in terms of territories as such, they are relevant to determine pricing, but the territories as such are not restricting the usage that one can make from a vehicle.

More generally, there's a lot to know about MPI, and so each and every year we publish an Autopac guide on our website that is also accessible through the broker. So, that is where Manitobans can get all the information that is relevant about the Autopac.

Mr. Chairperson: Seeing no further questions, I will now put the question on the report.

Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ending March 31st, 2022—pass.

The hour being 11:01, what is the will of the committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 11:01 a.m.

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