

APPLICATION TO REVIEW AND VARY
ORDER 176/19
December 31, 2019



MANITOBA
PUBLIC INSURANCE

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RV.1 Introduction

Pursuant to Public Utility Board's (PUB) Rules of Practice and Procedure 36(1) Manitoba Public Insurance (MPI) seeks specific relief with respect to Directives 13.10 and 13.7(a), as outlined below. While not requesting specific relief, this application also provides additional commentary on the Road Safety directives and the PUB's expectations regarding Information Technology (IT) Benchmarking.

RV.2 Timing of Meeting on IT Initiatives

Directive 13.10 of Order 176/19 is as follows:

- 13.10 The Corporation shall meet with the Board Advisors on a date to be agreed, but no later than six (6) months prior to the filing of the 2021 GRA, wherein the Corporation will provide the Board with an update on the following Information Technology (IT) initiatives:*
- a) Project Nova, including an update on all aspects of the project including but not limited to resourcing, training, component progress, budget and prototypes;*
 - b) IT staffing and consultant strategy and progress towards reduction;*
 - c) IT Strategy;*
 - d) Progress on IT Information Security, IT Risk Management Process, IT Technology Risk Management, and Enterprise Architecture;*
 - e) Agile implementation, training, key performance indicators and overall progress within the Corporation, and discussion of an additional pilot project using Agile;*
 - f) Physical Damage Re-Engineering;*
 - g) High School Driver Education Redevelopment;*
 - h) Credit Card Strategy and related PCI DSS*
 - i) BI3/Fineos; and*

j) *Finance Re-Engineering.*

RV.2.1 Background

In Order 159/18, by Directive 11.12, the PUB directed that MPI:

"engage in discussions on an ongoing basis with the Board, with respect to progress on the Legacy Modernization project, any business cases created for the initiative, and the establishment of higher level key performance indicators"

This engagement took the form of a meeting between MPI's senior IT leadership and PUB staff and the PUB IT advisor on April 9, 2019, at MPI's head office. At that meeting MPI delivered the same presentation and report as provided to MPI's Board of Directors earlier in the year. By all accounts the meeting was successful in bringing the PUB staff and advisor up to date on the major issues and decision points of Project Nova (then Legacy Systems Modernization).

MPI is pleased to again facilitate such a meeting with PUB staff and advisors and expects the meeting will foster a deeper understanding of MPI's IT Initiatives.

RV.2.2 Analysis

MPI notes that Directive 13.10 requires that the meeting between MPI and PUB staff should occur "no later than six (6) months prior to filing the 2021 GRA". The typical cadence of MPI's GRA process, would have the GRA filed in about mid-June of a given year, meaning that the meeting would be required to take place in early January. However, MPI is anticipating filing the 2021 GRA in early May 2020, meaning the meeting would had to have taken place in early December 2019, shortly after the issuance of Order 176/19.

The Project Nova leadership team anticipates three major gates, where MPI's Board of Directors will be required to make major decisions that will impact the project. The first of these gates is in February 2020.

MPI also notes that PUB's desired scope for the upcoming meeting is significantly broader than the meeting in April of 2019, which focused only on Project Nova. That meeting lasted nearly 3 hours. Given the extensive list of IT initiatives identified in Order 13.10, it is

important that MPI have a clear understanding of the breadth and depth of the update expected on each of the initiatives/issues identified, in order to keep the meeting length manageable, and the meeting effective.

RV.2.3 Grounds

MPI seeks to review and vary Directive 13.10 on the grounds that it presents a compliance dilemma. Directive 13.10 requires that the meeting be held no later than six months in advance of filing the 2021 GRA, which based on MPI's current expected timeline for the 2021 GRA, would have been in early December 2019. MPI is unable to comply with the strict wording of the directive, but proposes alternative timing for compliance in the section below.

RV.2.4 Relief Sought

MPI proposes that the meeting occur no earlier than March 2020, after the first major project gate. At that time, MPI's Board of Directors will have made key decisions related to Project Nova, and MPI will be in a position to more effectively update the Board advisors on those decisions.

Given the extensive list of IT initiatives specified in directive 13.10, MPI also proposes that PUB staff and advisor communicate (and/or meet) with MPI in January 2020 to clarify the depth and detail of the update for each initiative/issue, and thereafter determine mutual availability in March 2020, based on the anticipated length of the meeting.

MPI requests that the portion of directive 13.10 that states "but no later than six (6) months prior to the filing of the 2021 GRA" be struck from the Order, and that the PUB adopt MPI's proposal for timing, and scoping the meeting.

RV.3 Timing of DSR Directives

Directive 13.7 of Order 176/19 is as follows:

13.7 With respect to the Driver Safety Rating (DSR) system, the Corporation shall:

- a) *File information in the 2021 GRA as to which rating model it intends to proceed with;*
- b) *File a pricing examination in the 2021 GRA, including the financial impact on premium revenue and the cost of modifying the system, of the Registered Owner and Primary Driver rating models;*
- c) *File information in the 2021 GRA as to whether it has collected data to recalibrate the amounts of driver premium to be charged under DSR system to be more statistically sound, based on experience; and*
- d) *Conduct a review of best practices for rating models in other Canadian jurisdictions and file the results of the review in the 2021 GRA.*

RV.3.1 Background

PUB Order 130/17, Directives 11.7 through 11.9 broadly instructed MPI to revisit the DSR scale to ensure that principal driver risk is reflected in the vehicle premium discounts and the driver premium rates are statistically consistent with average claims costs. MPI filed a review and variance of these directives on the grounds that they constitute fundamental changes to the structure and implementation of the program, the justification for which had not been adequately canvassed in the public hearing process.

In Order 29/18, the PUB varied directives 11.7 through 11.9 by holding them in abeyance, until the issues could be adequately examined in subsequent GRA's. In the 2020 GRA MPI filed an extensive public consultation report on the DSR options, but was unable to provide the preliminary pricing examination of key models prior to the hearing.

RV.3.2 Analysis

In its application to review and vary Directives 11.7 through 11.9 of Order 130/17, MPI explained that the DSR is not only a tool for assessing and pricing driver risk. There is a public policy component to the DSR, insofar as the rating scale is also used as a deterrent for *Criminal Code* offenses and contraventions of *The Highway Traffic Act*. The affordability of a driver's license for new drivers (typically young people with a zero rating on the DSR scale), or experienced drivers with good records, is also public policy consideration.

The particulars of the DSR program including the application of discounts to registered owners (as opposed to principal drivers) are established in the *Driver Safety Rating System Regulation*. Certain other elements of the drivers' certificate, including discounted driver premium and additional driver premium in addition to the requirements for receiving a vehicle premium discount are defined in the *Automobile Insurance Plan Regulation*. Charges for the base driver's license, which may be impacted by changes to the DSR, are governed under the *Charges for Licences, Registrations, Permits and Other Services Regulation*, pursuant to *The Highway Traffic Act*. Changes to a charge for a base Driver's License, or a change that might impact the revenue stream from base driver's licenses may also require Treasury Board approval.

Depending on the model chosen, there could be impacts to one or more of these three regulations, which in turn could require consultation and collaboration with Manitoba Infrastructure and Treasury Board, as well as passing the proposed regulatory changes through the Regulatory Accountability Secretariat, and ultimately the Lieutenant Governor in Council.

MPI must also assess and coordinate the impacts of any changes to the DSR with Project Nova, and the Driver & Vehicle Administration (DVA) systems component. In particular, changes to the DSR should be planned to coincide with the installation of new software, to avoid having to modify the existing software just prior to its decommissioning.

The assessment of options, beginning with the preliminary pricing analysis, is presently underway and MPI's Executive expects the Board of Directors to be in a position to decide on the direction for the DSR by mid-2020 (at the earliest). Subsequently, the process of regulation amendments, if any, is expected to take approximately 12 months.

Finally, MPI has not abandoned the Driver Premium Model, and will review its merits and implications, alongside the Registered Owner and Primary Driver models.

RV.3.3 Grounds

MPI seeks to review and vary Directive 13.7 on the grounds that it presents a compliance dilemma. Changes to the DSR may impact other branches of government and the decision to change fundamental aspects of the DSR is not exclusively MPI's.

MPI's objection is one of timing. In light of the potential for complexities around public policy, impacts to other branches of government, regulation changes, and IT system impacts, MPI cannot reasonably comply with the order to determine which rating model it intends to proceed with, prior to filing the 2021 GRA.

RV.3.4 Relief Sought

MPI requests that Directive 13.7 (a) be held in abeyance until such time as MPI can advise that it is in a position to determine the future direction of the DSR.

Or, MPI proposes that the wording of the 13.7(a) be modified to read:

- (a) *File information in the 2021 GRA as to the timeline and major milestones for determination of which rating model it intends to proceed with;*

Further, MPI proposes that material changes to the DSR, once determined, be brought to the PUB for approval by way of a dedicated rate design application, separate from the GRA process. MPI believes that material changes to the DSR should be reviewed in a dedicated forum. However, if MPI was to maintain the status quo, it could be done through the annual GRA process.

RV.4 Road Safety Directives

In the following sections, MPI outlines some observations and concerns about the Road Safety directives 13.15 through 13.18. MPI is not applying to vary these directives, and believes that it can comply with the strict wording of the directives. However, certain factors outlined below, will likely influence the final results of these directives.

Notwithstanding these factors, MPI will take all reasonable steps to comply with the directives, and will target meaningful completion of the directives in time for the 2021 Road Safety Technical Conference.

RV.4.1 Road Safety Technical Conference

Directive 13.15 of Order 176/19 reads as follows:

13.15 A Technical Conference shall be held on road safety and loss prevention in early 2021, which shall be initiated by the Board but on such dates as are mutually agreed as between the Board and MPI, with the results of the conference to be reported on in the 2022 GRA. The Technical Conference shall be wide-ranging, covering the Corporation's road safety priorities and programming, budget, and continued progress of its efforts to address road safety through engagement with stakeholders.

MPI fully supports a Technical Conference on Road Safety in 2021, as a lead into the 2022 GRA. MPI believes that the 2019 Road Safety Technical Conference was beneficial in fostering dialogue, and efficiently handling Road Safety matters in the 2020 GRA.

However, to build on the success of the 2019 Technical Conference, MPI envisages that each party to the Technical Conference will bring a meaningful contribution, in terms of content and presentation material. The content of the 2019 Technical Conference was largely provided by MPI (but not exclusively). MPI is only one of many players in Manitoba's road safety landscape. Each of the parties in attendance play meaningful roles, and the strategies, initiatives, and efforts undertaken by these groups should also be explored. To that end, MPI proposes that the schedule of the event include time for all parties to speak to their strategies, initiatives, activities and overall contribution to road safety in Manitoba.

RV.4.2 First Nations Road Safety Strategy

Directive 13.16 of Order 176/19 is as follows:

13.16 In the 2022 GRA, the Corporation shall report on its engagement with First Nations and Manitoba consumers generally on the issue of road safety, as well as any progress made in the development of a First Nations road safety strategy.

This directive seeks a progress report in the 2022 GRA, which MPI will be able to provide. However, MPI is uncertain as to how much progress can actually be made. MPI must first

decide if it can, and second if it should, proceed with developing a First Nations Road Safety Strategy. To do this MPI must:

- Determine what jurisdictional hurdles exist that could constrain an effective Road Safety strategy;
- Determine the interest and willingness of First Nations to participate or partner in such an effort, recognizing that First Nations in Manitoba are diverse in terms of geography, economic development, infrastructure, and law enforcement etc., all factors that could impact road safety programming;
- Determine if such a strategy should focus on First Nations lands, or First Nations people generally;
- Determine the appropriate involvement of Federal and Provincial Governments, including which level of government should lead such an effort;

At this time, MPI has little insight into these questions, and the initial progress in the coming year will be limited to scoping how to develop a strategy, and what should be contained in such a strategy.

Once these determinations are made, MPI can then decide if it should proceed with developing a First Nations Road Safety Strategy.

RV.4.3 Large Vehicle Analysis

Directive 13.7 of Order 176/19 is as follows:

13.17 The Corporation shall conduct an analysis of whether larger vehicles, such as pickup trucks, are causing a disproportionate amount of damage to smaller vehicles and vulnerable road users, and report back on its findings in the 2022 GRA.

MPI is prepared to investigate this research question, but respectfully reminds the PUB of the limitations expressed in response to BW (MPI) 2-5, where MPI explained that:

3.i.(b) MPI's data and analytics teams are also uncertain as to whether the necessary control data is available (while such a study would certainly have to control for number of factors, such as vehicle speed at the time of impact, this particular data is not collected by MPI); and

- 3.ii. *MPI's data and analytics team have concerns that the research question itself is not clearly stated, and so defining data availability, appropriate statistical and econometric techniques, and scope of study is not currently possible.*

The absence of control variables may prove fatal to such a research effort. However, MPI will engage Bike Winnipeg to identify the source studies that support the regulations on vehicle design adopted by the European Union (referenced by Bike Winnipeg at the Technical Conference). A literature review may uncover a reproducible study, or provide a base model that MPI can modify to conform with the currently available data.

MPI notes that a number of factors of the study need to be clarified, such as:

- the design characteristics that constitute a 'large vehicle', including, Gross Vehicle Weight (GVW) and/or Gross Vehicle Weight Rating (GVWR); design and composition of the bumper, windscreen, and A-pillars;
- classification and grouping of pedestrian injuries; and
- classification and grouping of vehicle damage.

It is not clear at this time, how the results of this study will inform MPI's Road Safety programming (or priority setting). The current IBM frameworks will be reviewed as the 2017-2020 Operational Plan is refreshed, and MPI will consider how any meaningful results of the study can be incorporated into program design and development.

MPI also notes that the issue of accident costs attributable to different sizes of vehicles was addressed in the PUB's special hearing on claims cost attribution (or loss transfers), which culminated in Order 97/05¹. In that Order, the PUB directed that the total PIPP costs of a collision be attributed equally across the rating categories of the vehicles involved in the collision, with the effect that all vehicle types would be treated the same in a multi-vehicle accident². The PUB expected that PIPP loss costs for commercial and public use vehicles

¹ See BW (MPI) 1-6

² Order 97/05 p. 53

would increase under this approach, given their propensity to inflict more damage³. MPI will assess the impact of PIPP cost attribution as an element of this study.

Finally, MPI notes that a recent study by IIHS⁴ points to collision avoidance technology as a promising means for vehicles to reduce collisions and injuries to pedestrians, which is similar to the position MPI has advanced with respect to wildlife collisions. It is more likely that customer demand will prompt the auto industry to broadly adopt collision avoidance technology, and do so more quickly than by developing federal regulations on exterior design features, such as the hood, windscreen and A-pillars, as was done in Europe in the early 2000s.

RV.4.4 Driver Training and Testing Data Collection

Directive 13.18 of Order 176/19 is as follows:

13.18 The Corporation shall collect data from its driver training and testing program, in order to identify the gaps in road safety knowledge among Manitoba drivers, and report on its progress in that regard in the 2022 GRA.

MPI can report on data collection and trends from the DriverZ program, and new driver testing, as well as through the driver improvement and control program. How this information will ultimately inform the Road Safety priority setting is unclear at this time.

Improving road safety is in many cases about the behaviors and decisions of individual drivers in the moment, for example, the choices people make to drive while impaired, or to use a handheld device while driving.

A person's knowledge of safe following distance, or the dangers of impaired or distracted driving, and other knowledge areas that are taught and tested in MPI's driver training programs do not universally translate into good choices, and correct behaviors behind the wheel. For example, virtually all drivers acknowledge that it is dangerous, or at the very least illegal, to drive impaired or distracted. Even though one may express support for

³ Order 97/05 p. 54

⁴ <https://www.iihs.org/news/detail/new-ratings-address-pedestrian-crashes>

appropriate behaviors in a classroom or educational setting, in order to obtain a driver's license, they may not make safe or appropriate choices behind the wheel.

It is not clear at this time, how this data will inform MPI's Road Safety priority setting. As mentioned above, the current IBM framework will be reviewed as the 2017-2020 Operational Plan is refreshed, and MPI will consider how this data might be incorporated into program design and development.

RV.5 IT Benchmarking

While not identified as a directive, MPI notes that at page 89 of Order 176/19, the PUB articulates its expectation that the new IT Benchmarking service provider will:

- Carry forward any prior recommendations, assess and provide a status on each of those recommendations for continuity;

MPI has not yet contracted a new service provider, but does not expect the new service provider will comment on recommendations that are not their own. Accordingly, MPI will carry forward prior recommendations, and endeavor to provide status updates on those recommendations for continuity. Depending on the timing of the vendor selection, and the particular vendor, MPI may not be in a position to file the IT benchmarking results at the time filing the 2021 GRA, but rather through a supplemental filing. MPI will provide its latest estimate with the April 1st compliance update.