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MANITOBA	Board Order 151/00
THE PUBLIC UTILITIES BOARD ACT	
THE MANITOBA PUBLIC INSURANCE ACT	
THE CROWN CORPORATIONS PUBLIC REVIEW AND ACCOUNTABILITY ACT	December 4, 2000

Before: G. D. Forrest, Chairman
P. Britton, Member
E. Jorgensen, Member

AN APPLICATION BY MANITOBA PUBLIC INSURANCE FOR AN ORDER APPROVING COMPULSORY DRIVER AND VEHICLE INSURANCE PREMIUMS FOR THE YEAR ENDED FEBRUARY 28, 2002

Executive Summary

The Manitoba Public Insurance Corporation ("the Corporation") filed an application with The Public Utilities Board ("the Board") on June 7, 2000 for approval of premiums to be charged for compulsory driver and vehicle insurance ("basic insurance") for the insurance year commencing March 1, 2001 and ending February 28, 2002 ("fiscal 2002"). The Corporation subsequently amended its application on October 2, 2000 and on November 8, 2000. The Corporation is seeking no overall change in vehicle insurance premium revenue and no change to existing driver basic premiums, but requested a surplus dividend totalling $75.4 million by way of a ***one-time*** 16.6% reduction of motor vehicle premiums otherwise payable on insurance renewals during fiscal 2002. The surplus dividend is proposed to reduce the excess funds in the Rate Stabilization Reserve ("RSR"). Total earned revenue in fiscal 2002 is forecast to be $483.5 million, and net income is forecast to be $28.7 million after investment income of $67.7 million.

In 1995, the Corporation implemented a multi-year RSR plan to rebuild the retained earnings for basic insurance from a deficit balance of $49.9 million. The Board approved a 2% RSR contribution for fiscal 1997, followed in fiscal 1998 by a further 2% RSR contribution, and an additional 1% RSR contribution in fiscal 1999. The Board then decreased the RSR contribution in fiscal 2000 by 1% and eliminated the remaining 4% RSR adjustment in fiscal 2001.

As a result of contributions made directly and indirectly by motorists to the RSR through the dedicated RSR contributions totalling approximately $55 million, as well as from profits on operations, investment income and a $39 million gain on the sale of investments, there has been a $227 million improvement in the RSR from a $49.9 million deficit in fiscal 1996 to a surplus of $177.3 million projected for fiscal 2002.

The Corporation had initially proposed to reduce the excess RSR by way of a one-time 5% dividend surplus as well as $25 million in fund transfers targeted for other purposes. This was subsequently amended to a 10% dividend surplus and a $30 million fund transfer, proposing a $10 million fund transfer to the Division of Driver and Vehicle Licencing ("DDVL") for a new driver licence system and $20 million to fund university infra-structure initiatives.

surplus remained in the Corporation, the Corporation's Board might use those funds for other purposes in the future.

The Corporation's financial projections for the fiscal year ended February 28, 2002 indicate a net income of approximately $28 million. It is the Board's view that this level of income is not consistent with another stated object of the Corporation that it will break even over the long term on basic compulsory coverage. However, in light of the significant surplus refund already approved, the Board is reluctant to consider a reduction in base premiums at this time in addition to the surplus refund. To do so would seriously impact the accepted principles of stable, understandable, and predictable rates. The net income for the 2002 fiscal year will increase the balance in the RSR at the end of 2002, and should be considered by the Corporation in next year's application by way of a plan for the disposition of any amount in the RSR that is surplus to an acceptable target based on an updated Risk Analysis. In addition, future applications should be prepared based on operating results that are closer to a breakeven, given the significant RSR balance forecast for the near term and the Corporation's stated objective of breaking even over the long term while maintaining an adequate basic RSR.

As previously stated, the Board will approve a one-time surplus dividend of 16.6% to be refunded to each policyholder for all policies issued between March 1, 2001 and February 28, 2002. This one-time surplus dividend should be clearly shown as a separate item on all statement of accounts with the policyholders. The Corporation must carefully manage the communication of this one-time refund so that all policyholders have a clear understanding of premiums that would otherwise be payable, but for the one-time refund.

In the Board's view, the RSR is derived from policyholders, whether directly from premiums and RSR contributions approved by the Board, or indirectly from income earned from the investment thereof. Since policyholders are the sole source of the RSR funds, they should be the sole beneficiaries of any surplus refunds, in accordance with a refund strategy to be reviewed and approved by this Board. In approving this one-time refund, the Board recognizes that the balance of the RSR after the refund may still be considerable and will require a reasonable plan for the future. However, the excess surplus issue is one that likely should not be corrected in one fiscal year. Just as the RSR was built up over a period of years in accordance with an approved plan, so to should any significant excess be dealt with in a reasoned fashion, likely over a period of time that exceeds one year.

Forecasting Net Income

On an overall basis, the Corporation's forecasts of claims costs and other operating expenses since 1994, when PIPP was introduced, has been reasonably accurate. On the other hand, the Corporation has consistently under-estimated its annual premium revenue over the same time period. Higher than expected premium revenues in combination with improved investment income, and gains on sales of portfolio holdings, and approved RSR contributions has resulted in a significant RSR balance, part of which is now being refunded.

The Board understands that claims costs generally will tend to increase over time due to inflation, indexing of Accident Benefits, cost of vehicle repairs, and increased operating costs. While being mindful of the difficulties of precisely forecasting the future, the Board finds the historic trend in understating forecasted vehicle premiums of some concern, and urges the Corporation to focus its attention in this area. In all other material respects, the Board believes that the Corporation's forecasting methodologies and results are reasonable.

Risk Analysis

The Board's desire is to bring closure as to the methodology to be employed in determining the appropriate RSR target for rate setting purposes. The Board notes the Corporation's comments that in one year there was an underwriting loss of approximately $55 million. The Board wishes to point out, however, that of this amount, approximately $39 million was a provision for adverse development of pre-PIPP claims. With the advent of no-fault insurance, such an occurrence in the future is unlikely. Nevertheless, this is precisely the type of unexpected event which the RSR

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MANITOBA	Order No. 150/05
THE PUBLIC UTILITIES BOARD ACT	
THE MANITOBA PUBLIC INSURANCE ACT	
THE CROWN CORPORATIONS PUBLIC REVIEW AND ACCOUNTABILITY ACT	November 14, 2005

Before: Graham F. J. Lane, C.A., Chairman
Leonard Evans, Member
Eric Jorgensen, Member

AN APPLICATION BY MANITOBA PUBLIC INSURANCE FOR AN ORDER APPROVING COMPULSORY DRIVER AND VEHICLE INSURANCE PREMIUMS FOR THE YEAR ENDING FEBRUARY 28, 2007, AND OTHER MATTERS.

The Board's findings reflect the evidence provided through the GRA process, and provide the Board's determination of the public interest. The Board interprets the "public interest" to include not only issues of particular concern to policyholders but also the broader interests of society, inclusive of the objectives initially established for compulsory motor vehicle insurance and the financial health and stability of MPI.

The Board finds:

a) MPI's application for Basic premiums and fees for 2006/07 acceptable, subject to a Board direction that motorcycle premiums be increased by an average of 5%, rather than the 12.7% requested;
b) the RSR is in excess of current and projected requirements, and will therefore direct a 10% premium rebate;
c) a Risk Analysis, supported by a Value at Risk Analysis, represents an approach tailored for MPI's situation and circumstances that the Board continues to find efficacious;
d) the RSR range requires amendment, and the Board resets the range to $65 million to $100 million;
e) the IIF is a component of RSR for purposes of assessing RSR adequacy;
f) opportunity yet concern with the projected effects on Basic from the transfer of DVL from the Province, its placement within the unregulated Extension Division of MPI, and the continued loss of annual commission offset payments from the Province;
g) MPI's anti-theft initiative, including both the immobilizer program and the Winnipeg theft suppression pilot project, is reflective of the public interest;
h) MPI's plan to proceed with an independent review and the establishment of benchmarks of and for PIPP is important and is supported and strongly encouraged by the Board as a means of better assuring on-going cost-effectiveness and good customer service;

The Board notes MPI's policy decision to transfer deemed excess retained earnings of SRE and Extension to the Basic RSR, and observes that this source of Basic RSR funding has been an important component in the growth of the RSR. The Board notes that MPI has indicated no change to this policy. MPI reported that the approved maximums for the retained earnings of Extension and SRE established by MPI's Board of Directors had been revised to:

Line of Business	Target Level
SRE	$37 million
Extension	$35 million

MPI has advised that due to competition and other factors, Extension and SRE annual earnings may vary widely, and accordingly, the maximum retained earnings target levels for SRE and Extension are reviewed annually. With the forecast losses associated with DVL operations, Extension Net Income forecasts cannot be ascribed the confidence previously provided.

At the 2004 GRA hearing, MPI projected aggregate net income for Basic for 2004/05, 2005/06 and 2006/07 at an accumulated loss of $9.4 million. The current forecast for the same period is for net income of $115.7 million, an improvement of $125.1 million (over twice the premium rebate directed by this Order). The two main contributors to the positive variance were an actuarially supported reduction in the Provision for Unpaid Claims with respect to pre-PIPP bodily injury claims and realized gains on the sale of securities.

The Board concludes that the RSR is in excess of current and projected requirements and directs a 10% premium rebate (approximately $58 million). The Board notes previous deliberations and confirms that refunds are appropriately paid to those who contributed to the surplus. Therefore, the rebate is to be provided to Basic policyholders of record in 2004/05, as long as they remain policyholders as of December 31, 2005, and is to be paid in 2006/07. The payment is to be made independently of premium collection so that it is clear to policyholders that rebates are "one-time" events and do not necessarily indicate that average premiums should be reduced.

Finally with respect to the RSR issue and the Board's decision to direct a "return" of excess RSR to Basic policyholders, the Board has considered the perspective of Interveners to the hearing. CAA, CMMG and CAC/MSOS all called for a premium rebate, after having heard and considered MPI's rationale for higher RSR levels and no rebate. While none of the Interveners have expressed any view other than a desire for a financially-strong public insurer, they all called for a rebate given the present circumstances.

DVL Transactions

The Board reiterates concern expressed in Order 148/04 as to the effects on Basic from the transfer of DVL from the Province, its placement within the unregulated Extension Division of MPI, and the loss of annual commission offset payments from the Province. In aggregate, the Board notes that in MPI's worst case scenario, Basic can expect to receive $70 million less over five years in commission offset payments and transfers from Extension than may have been the case in the absence of the transfer of DVL functions, subsequent expenditures planned to overhaul DVL and related Basic functions, and the loss of the commission offset..

Preceding the transfer of DVL, and as indicated by MPI, the Province unilaterally cancelled a longstanding annual commission offset payment by the Province effective the last quarter of

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MANITOBA	Order No.156/06
THE PUBLIC UTILITIES BOARD ACT	
THE MANITOBA PUBLIC INSURANCE ACT	
THE CROWN CORPORATIONS PUBLIC REVIEW AND ACCOUNTABILITY ACT	November 20, 2006

Before: Graham Lane, C.A., Chairman
Leonard Evans, LL.D. (Hon.), Member
Eric Jorgensen, Member

MANITOBA PUBLIC INSURANCE: COMPULSORY 2007/08 DRIVER AND VEHICLE INSURANCE PREMIUMS, PREMIUM REBATE, AND OTHER MATTERS.

1.0 EXECUTIVE SUMMARY

This Order arises out of an application filed by Manitoba Public Insurance (MPI) for Basic premium rates and fees for the fiscal and insurance year 2007/08; a public hearing was held to review the application in October 2006. The Public Utilities Board (Board) has jurisdiction over rates and service of the compulsory basic motor vehicle insurance program operated by MPI, but not of Extension and SRE lines.

By this Order, the Board accepts MPI's proposals for an overall 2.6% decrease in Basic premiums, fees and discounts for 2007/08, except as follows:

a) the Board directs MPI to provide a premium rebate of 10% to all policyholders who paid basic compulsory insurance premiums in the 2005/06 insurance year, net of premium refunds and fleet rebates; and

b) the Board directs MPI to amend, without affecting premiums for any other class or vehicle, its proposed premium changes so as to:

   i) reduce the average increase in motorcycle rates to 5%, rather than the proposed 8.4%; and

   ii) cap increases in moped premiums at 25%, while retaining the 20% cap for increases for other vehicles (no cap is to apply for decreases to motor scooter premiums).

By these changes, the average premium decrease will be marginally more than the 2.6% proposed by MPI.

MPI opposed the approximate $60 million rebate to policyholders now ordered herein by the Board. The second rebate in as many years, and third in five years, reflects recent favourable financial results, brought about by a decline in claims expenditures from the forecast and higher than expected investment income. Notwithstanding opportunities that lie in the future to reduce accidents and claims expenditures, rebates should not be considered the norm.

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MANITOBA	Order No. 150/07
THE PUBLIC UTILITIES BOARD ACT	
THE MANITOBA PUBLIC INSURANCE ACT	
THE CROWN CORPORATIONS PUBLIC REVIEW AND ACCOUNTABILITY ACT	November 26, 2007

Before: Graham Lane, CA, Chairman
Leonard Evans, LL.D, Member
Alain Molgat, B.Comm, CMA, Member

MANITOBA PUBLIC INSURANCE: COMPULSORY 2008/09 DRIVER AND VEHICLE INSURANCE PREMIUMS, PREMIUM REBATE, AND OTHER MATTERS.

1.0 EXECUTIVE SUMMARY

This Order arises out of an application filed by Manitoba Public Insurance (MPI) for Basic premium rates and fees for the fiscal and insurance year 2008/09, reviewed at a public hearing held over seven days in October 2007.

The Public Utilities Board (Board) has jurisdiction over the rates for services of MPI's compulsory basic motor vehicle insurance program (Basic), and, although the Board has no jurisdiction over the competitive lines of Extension and Special Risk Extension (SRE), the Board considers the financial position and projections of all of MPI's operating segments, including Extension and SRE, in assessing MPI's overall financial position and prospects.

By this Order, the Board:

a) accepts MPI's proposal for 2008/09 Basic premiums, fees, surcharges and discounts – no overall change from 2007/08; MPI's rate proposal was, as required, actuarially sound and statistically driven, using the methodology tested and accepted by the Board;

b) accepts MPI's proposed insurance use changes for Dealer Trailer and Dealer Moped use;

c) directs a premium rebate of 10%, approximately $63 million rather than the $49.1 million (7.75%) rebate proposed by MPI, to be paid to all policyholders who paid basic compulsory insurance premiums in the 2006/07 insurance year, net of premium refunds and fleet rebates; and

d) rejects MPI's request for a three-year application process.

The direction to pay the third rebate in as many years, and fourth in the last ten, reflects a continuation of favourable MPI financial results (driven in large part by higher than forecast investment earnings), projections of modest future positive results, without any need for overall rate increases, and the Board's overall assessment of MPI's financial strength and prospects.

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M A N I T O B A	Order No. 122/10
THE PUBLIC UTILITIES BOARD ACT	
THE MANITOBA PUBLIC INSURANCE CORPORATION ACT	
THE CROWN CORPORATIONS PUBLIC REVIEW AND ACCOUNTABILITY ACT	December 08, 2010

Before: Graham Lane, CA, Chairman
Len Evans, LLD, Member

MANITOBA PUBLIC INSURANCE: COMPULSORY 2011/12 DRIVER AND VEHICLE INSURANCE PREMIUMS AND OTHER MATTERS

convincing the Board that these fees should be reduced. MPI's operating expenses continue to increase, and as such, it is the Board's view that these fees, which are essentially administrative handling fees, should remain unchanged. The Board does accept the Corporation's request that there be no change in service and transaction fees for 2011/12.

As to MPI's proposed premium rebate, the Board directs that a rebate of 10% of 2009/10 vehicle premiums be issued by MPI through the issuance of cheques to ratepayers. MPI applied for a 12.9% rebate. The overall value of the rebate is expected to be in the range of $71.5 million, to be paid in 2011 by May 31. The rebate is subject to the Board's final approval – that currently expected to follow subsequent to the Board's review of further information MPI will be directed to file (the review is to provide the Board with further assurance that MPI's financial position remains such as to justify the rebate being paid).

The Board notes the significant projects and initiatives undertaken by MPI over the last few years, including the success of the anti-theft initiative and the expectations related to the Business Process Review (BPR). However, the Board continues to have concerns with respect to a number of factors affecting MPI's operations and results, including:

a) the continuation of high accident frequency and severity rates, and the need for a greater investment in road safety and traffic law enforcement initiatives. The Board understands that MPI will be developing a new Road Safety Vision, and suggests that the Corporation set aside 2.9% of 2009/10 vehicle premiums (MPI sought to rebate the additional sum to ratepayers) to establish out of Basic's Rate Stabilization Fund a Road Safety Fund, similar to the Immobilizer Incentive Fund established by the Corporation previously, the new Fund to be used to fund additional road safety research and initiatives;

b) MPI's current forecast for Basic operations for 2011/12, which has deteriorated from previous forecasts (a small deficit is now expected);

c) the risk of future interest rate and inflation increases that would affect negatively the value of MPI's bond portfolio, which comprises over 80% of the Corporation's investments, and the Corporation's net income;

d) the magnitude of MPI's operating cost increases, which are in excess of inflation;

e) MPI's history of significant differences between actual and projected claims incurred, giving rise to the risk that, at some point in the future, there will be a significant under-projection (rather than the positive over-estimations that have been experienced over the last six consecutive years);

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M A N I T O B A	Order No. 43/11
THE PUBLIC UTILITIES BOARD ACT	
THE MANITOBA PUBLIC INSURANCE ACT	
THE CROWN CORPORATIONS PUBLIC REVIEW AND ACCOUNTABILITY ACT	March 31, 2011

Before: Graham Lane, CA, Chairman
Len Evans, LLD , Member

MANITOBA PUBLIC INSURANCE: REVIEW AND VARY ORDER 122/10

Board Findings

The Board notes that the excess reserves the Corporation is now enjoying are "driven" in part by improvements to its forecasting approach, and acknowledges that both the new recognition of the extent of the "excess" and the improvements in the actuarially derived estimates of required Unpaid Claims liabilities are positive developments.

That said, the Board is disappointed to have to admonish MPI for (a) not informing the Board much earlier of its knowledge of the indications of an impending material change to its Unpaid Claims liability as the result of the Actuary's Report, (b) failing to advise the Board of further retroactive benefit enhancements when MPI became aware of same, (c) failing to file the Actuary's Report it received on or about February 3, 2011 with the Board until March 24, 2011, and, (d) failing to provide the Board the Corporation's expectations of a materially different net income result for fiscal 2010/11 until March 24, 2011.

Effective regulation can only be achieved in an atmosphere of openness and transparency involving, at least, the regulated entity and its regulator. Failure to achieve that "atmosphere" is not in the public interest, and the Board expects and looks forward to a changed approach by MPI to its meeting its responsibilities with respect to that "atmosphere". Both MPI and this Board are mandated to operate in the public interest, and MPI itself was established to work for the benefit of its insureds, Manitobans.

The Board also notes that the findings and implications of the E&Y Actuary's Report are unrelated to the 10% rebate conditionally provided in Order 122/10. As such, the Board has considered directing an additional or "new" rebate, over and above the 10% rebate.

The Board does not accept the approach to the discovery of "excess" proposed by MPI at the special hearing of March 30, 2011, contrarily, the Board understands and has empathy for the sentiments and recommendations of the interveners which provided submissions on that day. If MPI has "new plans" that would involve the investment of "policyholder" generated premiums, such would best be presented and tested at the next and future annual GRA hearings, with the outcome to either affect or not affect premium levels as may be warranted.

In considering whether, in essence, to increase the amount of the rebate provided in Order 122/10, the Board was mindful of a number of factors including:

1) MPI will likely have to sell securities to fund an increased rebate, which, while associated with some risk, may also "trigger" new income, perhaps derived from the balance in AOCI (Accumulated Other Comprehensive Income), while decreasing the overall level of its investment portfolio;

2) There is a possibility (though not expected to be material) that MPI's audited financial statements, when tabled in the Legislature, may differ (other than recognizing the altered rebate) from the unaudited draft statements provided in confidence to the Board; and

3) The intergenerational inequities inherent in the payment of rebates driven by actuarial adjustments only intensify with the passage of time. In other words, if a greater rebate is not paid "now", there will be greater inequities a year from now than exist today.

On the basis of all of the foregoing, and for reasons to be set out in a second order to be issued after the finalization and tabling of MPI's audited financial statements, the Board has determined that a total 45% rebate (which includes the initial conditional 10% rebate of Order 122/10) is appropriate, given all of the circumstances.

The Board anticipates that, after payment of the approved revised rebate, the RSR balance (as perceived by the Board) will still remain above the Board's maximum target range of $154 million, even taking into account a notional provision of $20 million for the Board recommended Road Safety fund. (The Board notes and appreciates MPI's indication, at the special hearing of March 30, 2011, that the Corporation does intend to consult widely towards developing enhanced road safety measures.)

The Board also indicates its expectation of an Unpaid Claims liability as at February 28, 2011, which will include adequate IBNR and Provisions for Adverse Deviation, that will adequately provide for the Corporation's claim liabilities. Finally, the Board notes the additional "cushion" expected from the balance in AOCI, and the security which arises from MPI being a monopoly owned by the Province that operates a mandatory program with no risk of loss of policyholders to competition.

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

IT IS THEREFORE ORDERED THAT:

1. Order 122/10 is hereby varied, such that MPI shall issue a 45% rebate of 2009/10 vehicle premiums in 2011, and by no later than May 31, 2011, upon production to the Board of its audited 2010/11 financial statements.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, C.A."
Chairman

"HOLLIS SINGH"
Secretary

Certified a true copy of Order No. 43/11 issued by The Public Utilities Board

Secretary

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The Public Utilities Board

2nd Floor
280 Smith Street
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MANITOBA

Order No. 130/95

THE PUBLIC UTILITIES BOARD ACT

THE MANITOBA PUBLIC INSURANCE CORPORATION AMENDMENT AND CONSEQUENTIAL AMENDMENTS ACT

THE CROWN CORPORATIONS PUBLIC REVIEW AND ACCOUNTABILITY ACT

December 13, 1995

BEFORE: G. D. Forrest, Chairman
D. T. Anderson, Q.C., Member
T. D. Bulloch, Member
K. Collin, Member

AN APPLICATION BY THE MANITOBA PUBLIC INSURANCE CORPORATION FOR AN ORDER APPROVING COMPULSORY DRIVER AND VEHICLE INSURANCE RATES FOR THE 1996/97 INSURANCE YEAR

Corporation further indicated that there will be no incremental costs in the 1996/97 insurance year as a result of this deficit, other than a lost opportunity to achieve higher investment income.

9.4 Impact of Staggered Renewals

Effective March 1, 1995, the Corporation began the transition towards a system of staggered renewals with the provision of transition policies for periods of between six months and one year. The Corporation introduced its Autopac On-line system in July 1995, enabling the Corporation to offer a staggered insurance renewal program.

Due to the impact of the future staggered rate adjustments and, consequently the staggered earning pattern, only about 58 percent of the revenue expected to be generated by the proposed rate adjustments to take effect March 1, 1996 will be included in premiums earned during the 1996/97 insurance year. This amount is estimated at $12.2 million, consisting of $8.2 million from rate and classification adjustments and $4.0 million from the 2 percent RSR rate increase. The Corporation's currently requested rate adjustments will actually generate premiums in accordance with the following timetable:

($000s)

	1996/97	1997/98	Cumulative
Rate adjustments & CLEAR classification changes	$ 8,238	$ 5,872	$ 14,110
2% RSR profit loading	4,000	2,827	6,827
Total	$ 12,238	$ 8,699	$ 20,937

9.5 Board Findings

The Board notes that the significant RSR deficit projected as at February 28, 1996, arose largely from unfavourable variances in physical damage claims in 1994/95 of some $12 million, the $29 million IBNR adjustment, and $6 million in unusual and non-recurring expenses in 1995/96 related to the implementation of Autopac On-line System and VSIP. The Board will direct the Corporation to clearly disclose at the next rate hearing any further unusual or non-recurring costs incurred in 1995/96 or 1996/97 related to these or other matters.

The Board is concerned that, as a result of the Corporation being unable to provide reliable and consistently reported, closed and pending claim count data, actuarial tests that might have answered the relevant questions relating to case reserve adequacy and claim closure rates could not be performed. Given Mr. Oakden's testimony that there was a reasonable expectation that case reserve adequacy and closure rates might increase in a run-off environment and given that such changes would generally result in IBNR decreases, the Board has a concern that the $29 million IBNR adjustment may prove to be excessive. Accordingly, the Board will review the IBNR indications as of June 30, 1996 in conjunction with next year's general rate application. In that regard, the Board directs the Corporation to engage its actuary to analyze the Basic pre-PIPP bodily injury IBNR indications as at June 30, 1996, with whatever tests that can be reasonably performed to assess the degree to which case reserve adequacy differs at that date from the level contemplated by the assumed loss development patterns. Such a report must be filed with the Board by September 30, 1996.

Even if the validity of the IBNR adjustment were challenged and consideration was given to the excess of market value over the book value of the Corporation's investments, the resulting RSR would still fall significantly below the Corporation's target RSR. Therefore, the Corporation is seeking a 2 percent additional across-the-board rate increase in order to generate a $4 million earned profit in 1996/97 to reduce the RSR deficit from $27 million to $23 million. The Board notes, however, that as a result of staggered renewals, the full impact of the rate adjustments requested by the Corporation will not be earned until 1997/98. Accordingly, the RSR deficit, absent any changes in costs or the underlying vehicle population in 1997/98, will be improved by a further $8.7 million in 1997/98 without any further rate adjustment.

The Board is of the opinion that the rate of improvement in the RSR, as represented by the proposed 2 percent RSR rate adjustment, is not unreasonable in the circumstances. However, while some provision should be made in the rates for RSR contributions, the Board is also of the opinion that ratepayers should not bear sole responsibility for rebuilding the RSR, but the Corporation should also contribute to the rebuilding of the RSR by means of cost-effective corporate management. Accordingly, the onus is placed on the Corporation to increase the contribution to the RSR by managing the company's costs by means including but not limited to:

- limiting future claims incurred costs by expanded safety initiatives, tracking of rehabilitation costs, or other means at the Corporation's disposal;
- controlling all component costs associated with physical damage claims;
- managing the corporation's human resource costs and requirements; and
- any other effective means at its disposal.

The Board believes that special levies should not be granted without strict constraints regarding the use of the funds generated, the separate recording and identification of these revenues, and an indication as to the life span of such a special levy. Due to the uncertainty surrounding the appropriateness of the $29 million IBNR adjustment and the Corporation's efforts to control its underlying costs, the Board will approve a 2 percent RSR rate increase for a period of one year beginning on March 1, 1996.

The Board will direct the Corporation to ensure that the surplus generated over the next two years, in excess of the 1996/97 operating deficit, remains within the RSR. To this end, the Board will require the Corporation to disclose the revenue generated from the 2 percent RSR rate increase as a separate line item below "Net Income (Loss) - After Gain on Sale of Investments." It is the Board's opinion that the impact of a rate adjustment specifically required to fund the RSR deficit should be disclosed separately from those rate adjustments required to fund the operating deficit.

At the end of 1996/97 insurance year, the Corporation may request that the 2 percent RSR rate component be continued or modified. However, pursuant to such a request, the Board will require that information be provided by the Corporation including, but not be limited to, the following:

- a report from the Corporation's actuaries regarding the basic pre-PIPP bodily injury IBNR, including current case reserve adequacy and claim file closure rates; and
- the cost/benefits achieved to date from the efforts and initiatives of management with regard to cost control.

focus on fixed income investments, the Corporation's return on its investment has compared favourably with the property and casualty industry in general in recent years. Accordingly, the Board believes that, given the significant subsidy of underlying insurance rates provided by the Corporation's investment portfolio, any significant changes in the Corporation's underlying investment strategy should be implemented cautiously and in a prudent fashion. Further, the Board encourages the Board of Directors to ensure that the Corporation's Vice-President of Finance, who has historically been involved with investment decisions undertaken by the Department of Finance, play an active role in any investment strategy to be formulated or implemented in the future.

10.2 Territory Classification for Communities Adjacent to Winnipeg

In response to direction from the Board, the Corporation undertook a review of the loss costs for municipalities bordering Territory 1 (Winnipeg). Based on the indications from the data collected, the Corporation did not find any compelling evidence to revise the existing territory structure at this time.

10.3 RSR Plan

10.3.1 Summary

The Corporation filed, for information purposes, a Rate Stabilization Plan indicating anticipated incremental rate increases or profit loading to fund the RSR of 2 percent per year to February 28, 2000. This would amount to an 8 percent profit loading imbedded in rates by the 1999/2000 insurance year.

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The Public Utilities Board

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MANITOBA

THE PUBLIC UTILITIES BOARD ACT

THE MANITOBA PUBLIC INSURANCE CORPORATION AMENDMENT AND CONSEQUENTIAL AMENDMENTS ACT

THE CROWN CORPORATIONS PUBLIC REVIEW AND ACCOUNTABILITY ACT

Order No. 116/96

December 5, 1996

BEFORE: G. D. Forrest, Chairman
D. T Anderson, Q.C., Member
K. Collin, Member
E. Jacks, Member

AN APPLICATION BY THE MANITOBA PUBLIC INSURANCE CORPORATION FOR AN ORDER APPROVING COMPULSORY DRIVER AND VEHICLE INSURANCE RATES FOR THE 1997/98 INSURANCE YEAR

The Public Utilities Board

Executive Summary[1]

On June 5, 1996, the Manitoba Public Insurance Corporation ("the Corporation") applied to the Public Utilities Board ("the Board") requesting changes to rates charged for compulsory driver and vehicle insurance to be effective March 1, 1997 and remain in place for the Corporation's 1997/98 insurance year. Public hearings were held in Winnipeg, Manitoba from October 16, 1996 to October 22, 1996.

The Board has approved the overall vehicle rate adjustments proposed by the Corporation which will result in a 2.1 percent revenue increase, subject to limiting the overall average rate increase for the motorcycle insurance use to 15 percent. The Board has also approved the continuation of a 2 percent Rate Stabilization Reserve ("RSR") rate adjustment approved in Board Order No 130/95, together with approval of a further 2 percent RSR rate adjustment, both RSR adjustments being approved for a period of one year beginning March 1, 1997. The average dollar rate change is a $9.90 increase for experienced based adjustments and $9.50 for each of the 2 percent RSR adjustments, for a total increase in vehicle premiums of $28.90.

As a result of these and other approved changes, premiums earned are forecast to increase $10.7 million for the 1997/98 insurance year. In addition, total claims and expenses are forecast to reduce by $4.8 million, mostly as a result of reduced claims costs. Operating income is forecast to be $10.7 million for the 1997/98 insurance year, including specific RSR contributions of $10.3 million. With the proposed rate increases, the basic RSR deficit at the end of the 1997/98 insurance year is forecast to be $19.7 million. Without the approved rate increases, the Basic RSR deficit at February 28, 1998 is forecast to be in the range of $35.2 million.

Other increases accepted by the Board included increasing the basic drivers licence premiums by $10 from $35 to $45, increasing accident surcharges for the second and subsequent at-fault claim within a three-year period for the second accident from $250 to $350, for the third accident from $500 to $600, and for the fourth and subsequent accident from $750 to $900, an increase of $100 to the deductible, the applicability of the deductible to losses due to theft, lightning, and fire, and flat rates for off-road vehicles of $82. Other changes that are discussed in this Order include transition to actuarially sound rates, elimination of rate caps, and a continuation of the realignment of rating groups to coincide with the Canadian Loss Experience Automobiling Rating system.

In approving this Application, the Board is mindful of the fact that the Corporation is involved in a high risk-based business and many factors, including the adverse weather conditions of last winter and summer, have had a negative impact on financial results. These factors, coupled with driver habits and road conditions and the adjustments to reserves for pre-PIPP claims, have all significantly impaired the financial position of the Corporation.

The rate changes approved by the Board are to be effective March 1, 1997.

[1] This Executive Summary is provided for the convenience of the reader and does not form part of the Board's Order

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The Public Utilities Board

2nd Floor
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MANITOBA

Order No.93/97

THE PUBLIC UTILITIES BOARD ACT

THE MANITOBA PUBLIC INSURANCE CORPORATION AMENDMENT AND CONSEQUENTIAL AMENDMENTS ACT

THE CROWN CORPORATIONS PUBLIC REVIEW AND ACCOUNTABILITY ACT

December 8, 1997

BEFORE: G. D. Forrest, Chairman
D. T. Anderson, Q.C., Member
K. Collin, Member
E. Jacks, Member

AN APPLICATION BY THE MANITOBA PUBLIC INSURANCE CORPORATION FOR AN ORDER APPROVING COMPULSORY DRIVER AND VEHICLE INSURANCE RATES FOR THE 1998/99 INSURANCE YEAR

The Public Utilities Board

Executive Summary

On June 4, 1997 Manitoba Public Insurance Corporation ("the Corporation") applied to the Manitoba Public Utilities Board ("the Board") for approval of premium rates to be charged for compulsory driver and vehicle insurance to be effective from March 1, 1998 to February 28, 1999. The Board held a public hearing in Winnipeg from October 6 to 15, 1997.

The Corporation projects that the total cost of operating and providing benefits for coverage under the Basic Insurance will be $445 million for the year ending February 28,1999. To cover the total cost of operations and providing benefits and coverage, the Corporation applied to the Board for an increase in premiums charged to Manitoba motorists for compulsory driver and vehicle insurance. On an overall revenue basis, the application requests a 2.5% increase in premiums. However, each motorist will be affected by different increases and decreases because of the four different components that are included in the calculation of appropriate premiums for different insurance coverages.

The Corporation has requested a continuation of the 4% Rate Stabilization Reserve ("RSR") load currently included in premiums, and requested an additional 2% RSR load. This special loading is to replenish the RSR to be used to assist the Corporation in facing adverse financial circumstances and mitigate future significant rate increases that otherwise might be necessary because of unexpected severe loss experiences. In 1996, the RSR for Basic insurance was at a deficit of $50 million after two years of adverse financial circumstances, and is forecast to be at a deficit of $6 million by the end of the 1997/98 fiscal year. The Corporation has a RSR target of 15% of direct premiums written, which is approximately $70 million for Basic insurance. The Board has approved the continuation of the 4% RSR load as well as an additional 1% RSR load. In making this decision to reduce the requested 2% increase, the Board noted that the Corporation should further consider internal savings so as to achieve the target rather than depending on rate increases from Manitoba motorists.

The second component of the rate increase requested relates to experience based adjustments averaging 1% overall, but ranging from -15 to +15% for certain vehicles. Experience adjustments take into account claims history based upon insurance use, territory in which the vehicle is used and type of vehicle. Some vehicles do not pay premiums in accordance with their full cost of benefits and coverage and are therefore facing experience adjustments. Upward adjustments are capped at 15% (13% in the case of motorcycles). The Board has approved all experience based adjustments as applied for.

A third component of the requested premium increase is the implementation of the Canadian Loss Experience Automobile Rating System (CLEAR). Currently being implemented by automobile insurers across Canada as an improved rating system, CLEAR reflects the actual claims cost history for each vehicle model and therefore better aligns the premiums to reflect the risk of claims attached to each vehicle. The Corporation has been implementing the phase in of CLEAR since 1996. As a result of CLEAR, many vehicle owners will experience significant changes in their premiums. Some will experience large rate increases since they have been paying far less than the actuarially indicated premiums and therefore have been subsidized by others. Similarly, a number

The Public Utilities Board

of vehicle owners will receive decreases in their premiums since CLEAR will better reflect relevant claims costs. The Board is of the opinion that the Corporation should expedite the implementation of CLEAR since it is an improved and more accurate automobile insurance rating system. As the Corporation continues to implement CLEAR and move vehicles to their proper rate class, premium increases/decreases of a similar magnitude may be necessary in future years.

The following are examples of some significant premium increases and decreases that various vehicle owners will experience as a result of this decision:

	Rate Group Upgrade	Clear Offset	RSR	Exp. Adj.	Change	Old	New	% Change
Major Increases								
Territory 1								
96 Jeep Grande Cherokee Limited Farming All Purpose	$49	$ 37	$ 10	$ 145	$ 241	$1,023	$1,264	23.5%
Territory 3								
96 Chevy Blazer All Purpose	83	48	13	30	174	1,181	1,355	14.7%
Major Decreases								
Territory 1								
1997 Ford F150 Pickup U Drive	(155)	62	21	(322)	(394)	2,377	1,983	-16.6%
Commuter								
1977 Pontiac Parisienne All Purpose Passenger	(175)	15	4	30	(126)	547	421	-23.0%

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MANITOBA	Order No. 154/98
THE PUBLIC UTILITIES BOARD ACT	
THE MANITOBA PUBLIC INSURANCE ACT	
THE CROWN CORPORATIONS PUBLIC REVIEW AND ACCOUNTABILITY ACT	December 1, 1998

Before: G. D. Forrest, Chairman
D. T. Anderson, Q. C., Member
K. Collin, Member

AN APPLICATION BY THE MANITOBA PUBLIC INSURANCE CORPORATION FOR AN ORDER APPROVING COMPULSORY DRIVER AND VEHICLE INSURANCE RATES FOR THE 1999/2000 INSURANCE YEAR

Given the Board's concerns with certain deficiencies in the revised RSR target resulting from the Corporation's RSR Review, and until those concerns are appropriately addressed, the Board will continue to apply the existing RSR target methodology.

The Board directs the Corporation to provide an updated report at the next GRA on the appropriateness of the RSR target, including comments on any proposed modifications to the revised target presented at this hearing.

Continuation of the 5% RSR Adjustment

The Board has reviewed the Corporation's undertaking related to the RSR scenarios that was filed after the close of the hearing and in reaching its decision, gave weight only to the attached rate scenarios.

The Board believes there is a risk of exceeding the RSR target by continuing the current 5% adjustment, and therefore believes action must be taken to moderate the build up of the RSR. The Board will deny the request for the continuation of the 5% RSR adjustment and will reduce the RSR adjustment from 5% to 4%, effective March 1, 1999. The Board will approve the continuation of the 4% RSR adjustment to fund the Rate Stabilization Reserve for a period of one year beginning on March 1, 1999. The Board also directs the Corporation to provide a detailed plan at the next GRA for the phasing out of the remaining RSR adjustment.