

# Insurance Brokers Association of Manitoba

## Closing Arguments

Manitoba Public Insurance 2020/21 General Rate Application

Public Utilities Board of Manitoba

Friday, October 25, 2019

# “Context” & “Perspective”

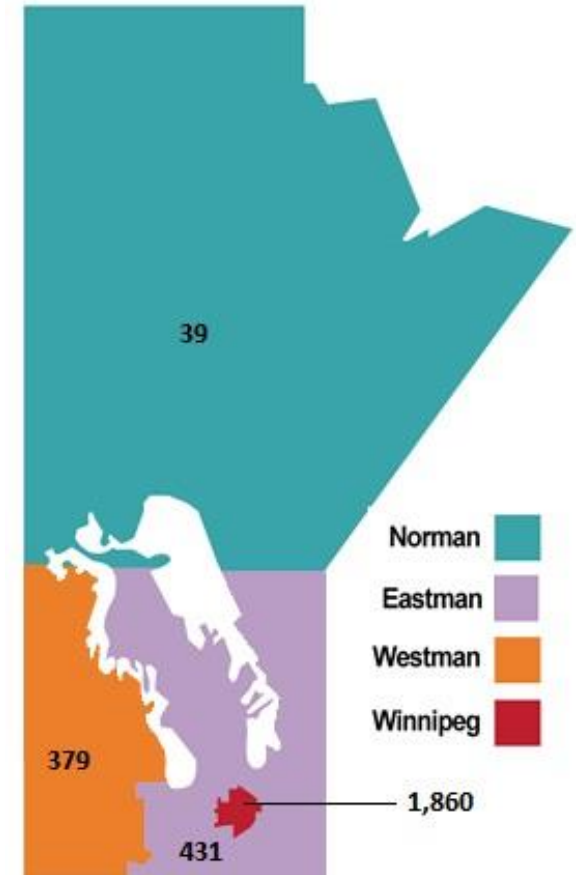
- Started this hearing on October 7, 2019. At that time, highlighted 2 words for consideration: *‘context’* and *‘perspective’*.
- This was a friendly reminder that numbers must always be put into proper context / perspective (as a \$ value and/or as a % value).
- These numbers have now been put into proper context and/or perspective and confirm that:
  - Manitobans are provided a valuable service by brokers at a fraction of the cost paid by insurers in other jurisdictions; and
  - Brokers should remain involved in any online service delivery model that may be implemented by MPI for the purposes of maintaining consumer protection.

# IBAM

- IBAM and its 2,000 broker members represent the interests of brokers and the consumers of P&C insurance in Manitoba.
- IBAM wants to ensure that the consumer is knowledgeable and informed about all of their choices, exposures and risks when purchasing auto, property and commercial insurance.
- IBAM works with MPI and the *Insurance Council of Manitoba* (“**ICM**”) to advance the interests of the consumer and the broker.

# Who are the Brokers?

- 300 P&C brokerage storefronts in approximately 120 communities in Manitoba
- Employ over 2,600 people and currently offer services in 31 languages.
- Over 70% of brokers volunteer in their communities and brokers contribute to an average of 16 community partnerships per year.
- Brokers in Manitoba donate more than \$3.0 million to local charities and partner with over 6,000 local community groups/charities each year.
- Important part of the “*social fabric*” in the community.



## IBAM Did Not Want To Be Here

- IBAM did not make the decision to intervene in the 2020 GRA lightly.
- It did not want to be here. However, it became clear that MPI and CAC chose to focus on the broker channel at the PUB.
- IBAM had little choice but to intervene so that the PUB had the complete story.

# Why Was the Broker Channel Made a Focus of the GRA?

- After the evidence the Board has heard, your guess is as good as ours.
- Based on the submissions made on behalf of MPI yesterday, it appears that they, too, are wondering the same thing.
- Was this an attempt to further the false narrative being portrayed in the media?
- If so, it was an attempt that failed miserably.

# Context

- Brokers in Manitoba are paid the *lowest* commission rates in the country.
- Brokers bring in 99.4% of *Basic* premiums to MPI.
- Broker's commissions paid on *Basic* were \$32.7 million.
- In 2019, commissions paid on *Basic* represented 2.28% of MPI's total expenses of \$1.429 billion.
- Conversely, the average compensation for MPI employees is \$93,560. MPI is forecasting an 8.92% increase in total compensation expense in 2020.
- MPI projects that the upgrades to systems will require an annual operating expense of \$21.3 million.

# MPI Opening Statement

- *“The old way of doing business is simply not working... With transparency comes the expectation of providing Manitobans with value for their money... **I**f compensation paid to service providers is too high, or not fair to the customer, then the compensation model is broken and must be fixed”.*
- The evidence clearly establishes that the compensation paid to brokers is not too high. 3% commission on *Basic* is lowest in the country.



# The Current Compensation System Contributes to MPI's Success

- Manitobans pay among the lowest auto insurance rates in the country.
- MPI's OPEX Ratio is much lower than other insurers.
- MPI is seeking a 0.6% reduction in rates.
- Brokers in Manitoba are paid the lowest commission fees in Canada while delivering valuable services to Manitoba.
- MPI does not have clear data to confirm the actual work that brokers perform on an annual basis.
- MPI suggested that broker compensation was "*high*", but have no benchmarks to support this contention.

# IBAM Welcomes Online Service

- Contrary to reports, brokers want customers to be provided with online services.
- Brokers should be part of any online transformation through collaboration with MPI.
- Broker oversight over customer transactions will ensure consumer protection while increasing technology options:
  - Continued access to low-cost professional advice; and
  - Continued exposure to other insurers' extension products.
- Customer self-service without the oversight of a broker may result in an increase in underinsured drivers
  - Consequences of being underinsured can be dire for Manitoba consumers.

# MPI's 4 Core Values

- MPI has stated that it has four (4) core values:
  - **Striving for Excellence**: Providing exceptional coverage and service, while adapting to meet evolving customer and industry needs, focusing on continuous improvement;
  - **Providing Value to Manitobans**: Maintaining affordable rates and ensure accessible coverage;
  - **Doing What's Right**: Acting with integrity and accountability; striving to be open and transparent; and
  - **Investing in People**: Empowering its employees to provide excellent service, while work together with business, community and road safety partners.

# IBAM & MPI

- Over the course of the past 48 years, brokers have worked hand-in-hand with MPI in furtherance of its 4 core values by:
  - Providing exceptional coverage and service to Manitobans, while adapting to meet evolving customer and industry needs, focusing on continuous improvement;
  - Maintaining affordable rates and ensuring accessible coverage;
  - Acting with integrity and accountability; striving to be open and transparent; and
  - Empowering its employees to provide excellent service, while working together with MPI, community and road safety partners.

# “International” Perspective To MPI

- Mr. Graham was hired, in part, to bring an “*international*” perspective to MPI.
- Not a bad thing.
- However, the reality is, unlike his predecessors:
  - No knowledge of history at MPI;
  - No knowledge of history with IBAM; and
  - Only worked in private insurance jurisdictions.
- Attempting to implement private insurance ideas in a public insurance setting can be like trying to fit a square peg into a round hole.

# MPI Has Already Considered Online Services

- MPI already offers some online services:
  - Booking knowledge and road tests;
  - Making payments; and
  - Managing appointments.
- Current MPI management wants to expand upon this and offer the purchase of insurance directly from MPI online.
- MPI previously considered this option and determined it could go no further for three (3) reasons:
  - (1) Consumer protection would be negatively impacted;
  - (2) The cost would exceed what was being paid to brokers; and
  - (3) MPI made a commitment to the broker network.

# (1) Consumer Protection

- Marilyn McLaren, October 25, 2011 [IBAM Exhibit 19, Tab H]:
  - *“... corporately we have a -- a real commitment to independent brokers as the key distributor of our products. And we would not expect, without a significant policy change at the highest level, we would not expect to -- to change that and all -- and allow Manitobans to do things online that up until now have been required to be done at a broker... We will -- in -- in my view from a policy perspective, we will never allow people to file an address change online like you can with many, many organizations. But we understand that the Manitoba driver licence or the Manitoba identity card is a key identification document for Manitobans... And we also know that -- that -- I can't say for sure this has happened in Manitoba, but there have been cases of attempted identity theft, fraud, by, you know, people looking fairly similar to someone else would change their address and send all that person's documents somewhere else. So address changes have to be done in person. We take a new photo every time somebody reports a move, and we compare that photo to the photo we have on file through our software that does that. So, it's really one (1) of the mechanisms to reduce opportunities for identity theft...”*

# (1) Consumer Protection (con't)

- Dan Guimand, October 23, 2013 [IBAM Exhibit 19, Tab F]:
  - *"MR. REGIS GOSSELIN: ...and I guess one of the things I'm wondering about is whether or not I'd be able to interact to a greater extent with MPI via the web as opposed to having to go to the local broker shop? ...*
  - *MR. DAN GUIMOND: ...What we did from -- from a -- hardwired into our service delivery model is that when you look at the broker transactions, like when you have to interact with the brokers, you'll notice that all the transactions that can be automated have been automated. And the rest that are left are tied to two (2) things. One (1), transactions that are tied to -- to physical inventory...The second thing we did is for consumer protection is your identity. We -- we like the idea that you go through the broker for your driver licence and your -- and anything that has to do with personal information about you. Why? Because it offers consumers protection against identity theft. ...What we do for identity, anything that has to do with your personal information we want you to go to a broker. We're going to take a picture of you. We're going to run you through facial recognition, and we're going to make sure that it's you that's there. And then we'll allow the card to be printed and sent to the new address, if it's an address change, or if it's a name change, or whatever. But there'll be consumer - - that's the consumer protection aspect of -- of how our model works...*



## (2) Cost

- Dan Guimond, September 23, 2014[IBAM Exhibit 19, Tab F] :
  - *“...So the benefit we get with the brokers, from a -- from a consumer protection perspective and servicing the public, I mean, you can't beat what they're doing right now for -- for what we're paying. Now -- now, there's three hundred and five (305) locations throughout the province, and it's about a hundred and fifty-nine (159) owners. You know, if -- if the bank would -- you know, let's say you -- you go from three hundred five -- three hundred and five (305) locations over time and you're down to -- to, you know, fifty (50) locations owned by banks, I mean, maybe that's something we could talk about. But right now, it's pretty hard to beat what they provide.”*

## (3) Commitment to the Broker Network

- 2008 Broker Accord:
  - Page 6: Customer Traffic;
  - Page 7: Directing Customers to Brokers;
  - Page 7: At the Forefront of New Products; and
  - Page 8: Online Selling.
- In addition to contractual commitments, MPI has repeatedly represented their commitment to the broker network.

## (3) Commitment to the Broker Network

- Marilyn McLaren, October 12, 2010 [IBAM Exhibit 19, Tab A]:
  - **“You know, the online insurance world is ... growing somewhat in popularity in this country. ... You know, quite frankly, on a simple mathematics basis we could probably handle most of the business directly in this... province with our own service centres. We have absolutely no intention of doing that. We have a commitment not to do that.”**
  - ***“the key reason really that brokers were very willing to work with us and ... agree to such a significant reduction in their commission [from 5% to 3%] is that they know that we have a commitment to work with them over the long-term.”***

# Saskatchewan and B.C.

- Closest comparable jurisdictions are Saskatchewan and B.C.

- They have both committed to the broker channel

- SGI Canada Website [IBAM Exhibit 17]:

*“...While many insurance companies are moving away from independent insurance brokers, **SGI CANADA chooses to embrace its broker network to provide a personal connection and better customer service.***

***Having a network of brokers who sell our products not only gives you choice and personal 1-on-1 advice; it gives you flexibility that fits your schedule and lifestyle. Our brokers set their own hours, pay their own expenses and have complete control over their own business.***

***Many of these brokers also market other companies' products and services. By representing a number of insurance companies, independent brokers provide you with professional advice and arrange for insurance coverage on your behalf. We believe this provides you with the opportunity to choose the best value for your money.***

***An independent broker serves you best because they represent you and are able to market your insurance to the company that best meets your needs...”***

# Direct-to-Consumer Sales

- MPI is contemplating a direct-to-consumer online model that:
  - No other public jurisdiction has done;
  - Is expressly contrary to the repeated assurances provided by Mr. Graham's predecessors; and
  - Is contrary to the 2008 Broker Accord:
    - MPI agreed to direct customers to brokers;
    - MPI agreed that brokers will be the first point of contact for customers for new product launches; and
    - MPI agreed not to endeavor to provide customers with the option of renewing services online.

# Direct-to-Consumer Sales

- Other insurers have struggled with online direct-to-consumer sales.
- Carol Jardine, President of the Canadian P&C Operations for Wawanesa [IBAM Exhibit 15]:
  - **“Anyone who thinks it’s easy to do direct insurance is extremely naïve... I have been in this business for over 40 years... The one thing I know is that brokers look after their customers better than the directs. Brokers know what their customers need and want, and brokers will provide the value that a customer requires, which is choice.”**
- Economical has experienced a loss in income since launching Sonnet Insurance in 2016.

# Direct-to-Consumer Sales

- Sonnet recently sought a 50.3% rate hike in auto insurance for 2020 [IBAM Exhibit 13].
- Going directly online to consumers removes the important role of independent professional insurance brokers.
- Will lead to increased liability. MPI likely follow Sonnet [Exhibit 16]:

*“7. Disclaimer: Sonnet does not guarantee the quality, accuracy, completeness or timeliness of the information or other Website Content provided... To the maximum extent permitted by the applicable law, Sonnet disclaims all warranties, representations and conditions regarding ... the information or other Website Content provided...”*

# MPI Cannot Do It “Cheaper and Better”

- Despite these existing examples, MPI apparently believes that it can do it “cheaper” and “better” than the current broker channel.
- Not the first time a government entity has made such a claim.
- “Government innovation”? October 8, 2019 Transcript:
  - ***"MR. MARK GIESBRECHT: Yes. There was -- there was lost effort, or the -- the effort did not materialize into a -- a product that we could put in use. And so we -- we have been making strides to change or move from a -- an innovator to more of a -- a market follower in terms of technology to make sure that we can adopt proven technology and not be on the bleeding [sic] edge of technology. So we have lessons learned from this exercise."***
- MPI would be the first public insurer to provide products for sale directly to consumers online. This will make MPI an “*innovator*” rather than a “*follower*”.



# “Cheaper”

- Project Nova will cost over \$100 million, plus \$20 million annually.
- Contrary to MPI’s historical use of the “*distributed model enterprise*” to reduce costs (ie. imbedding itself in brokers’ businesses). October 23, 2014 [IBAM Exhibit 19, TAB F]:
  - *MR. DAN GUIMOND: ...the biggest difference that we do, if -- if you look at us in terms of our -... business model and in terms of ... our pattern, so to speak, in terms of trying to be the lowest price across Canada and be able to beat inflation, is that we have what we call 'the distributed enterprise model'. And what we mean by that is we embed ourself from a technology perspective with our business partners. So we've embedded technology into the broker side... from a comparative advantage perspective in the marketplace, what we're doing is we're embedding ourselves into our business partners to be able to work with them to achieve magic numbers to be able to have the lowest -- to be able to beat inflation, to be able to have the lowest price across Canada without having to change the -- the coverage we have in -- in our policy...*

# “Cheaper” – Cost of Broker Commissions

- Broker commissions paid since 2010 have increased but have not kept up with the consumer price index:
  - This reduces the real growth in commissions experienced by brokers.
- Brokers commissions have been reduced from 5% to 3% in anticipation of a decrease of customer traffic / ongoing commitment from MPI:
  - Brokers have not experienced an 80% reduction in customer traffic.
- Brokers’ trailing commissions are in place to compensate brokers for their work that is not directly compensated but do not compensate brokers fully for their work:
  - Oct 14,2009 [Exhibit 19, Tab K]:
    - *"MS. MARILYN MCLAREN: ...We know very well that brokers do significant uncompensated work outside of the renewal process. The renewal commission is intended -- just like in every other insurance commission arrangement between insurers and brokers. There -- there's no expectation ever that the commission paid on a renewal is intended to compensate fully and only the work related to processing the renewal."*

# “Cheaper” – Cost of Broker Commissions

- Dan Guimond, October 23, 2014 [IBAM Exhibit 19, Tab F]:
  - “Mr. Dan Guimond: *So the benefit we get with the brokers, from a – from a consumer protection perspective and servicing the public, I mean, you can’t beat what they’re doing right now for – for what we are paying.... Right now its pretty hard to beat what they provide*”
- Luke Johnston, October 10, 2017 [IBAM Exhibit 19, Tab D]:
  - “The *Basic commission being less than 3 percent is very, very low, so the extension coverage is much higher.*”
- Marilyn McLaren, October 18, 2010 [IBAM Exhibit 19, Tab I]:
  - “MS. MARILYN MCLAREN: *The Corporation worked with the brokers to find mutually acceptable commission levels on everything, and it was really a joint recommendation to government that ended up being in a regulation...We want to work with brokers. We want to continue to make sure the Manitobans choose MPI even when they don't have to. So we -- we don't believe that we're paying more than we should. We don't believe we're paying an inordinate amount. We think it is appropriate given the -- the way the -- the business is done in the future.*”

# “Better” – MPI Service Centres & Call Centre

- MPI Service Centres currently collect only 0.6% of total *Basic* revenues.
- MPI anticipates 50% of transactions will move to online:
  - Currently unacceptable wait times at call centre as it is;
  - Advice and support will be required to be provided to online customers;
  - MPI has not budgeted for any increases in FTEs to support customer self-service; and
  - MPI has difficulties with retaining employees, including in the call centre.
- In contrast to brokers, MPI employees:
  - Do not have a fiduciary duty to customers;
  - Are not subject to the provisions of the *Insurance Act* or discipline by ICM; and
  - Cannot offer *Extension* products from competitors.

# “Better” – MPI Service Centres & Call Centre

- Dan Guimond, October 23, 2014 [IBAM Exhibit 19, Tab F]:
  - *"MR. DAN GUIMOND: ...I mean, for what we pay brokers and what they do for us, it would -- you know, like, it's -- it's really -- let's say we -- we were to go direct and just deal through our service centres, for example. I mean, the -- the impact on customer service would be horrible. I mean, these guys are open -- the brokers are open seven (7) days a week. Their hours of operation in the malls and so on are from 9:00 in -- you know, 8:30 in the morning to 9:30 at night. People are used to buying a car and just having their plates right away and be able to -- to drive with -- with their car with -- with proper insurance and proper registration. **So the benefit we get with the brokers, from a -- from a consumer protection perspective and servicing the public, I mean, you can't beat what they're doing right now for -- for what we're paying...**"*

# “Better” – MPI Service Centres & Call Centre

- Marilyn McLaren, October 5, 2011 [IBAM Exhibit 19, Tab B]:
  - *"MS. MARILYN MCLAREN: But the reality is [MPI] has always worked with brokers because we want people to really truly have professional insurance advice."*
- Dan Guimond, October 23, 2014 [IBAM Exhibit 19, Tab F]:
  - *"MR. DAN GUIMOND: Yeah. And, I mean, they -- it's -- it's also -- like, the customer service aspect, from a customer service perspective, I mean, it's -- it's not worth changing that; it's really not. I think it's really to the advantage of -- of customers, both in terms of customer service and identity protection, because once you're in the community, people know each other, people know something's going on. And it's -- it's a way to -- to really service the customer and offer protection that we could never do on our own."*

# Direct-to-Consumer Online will Diminish Choice

- Current distribution model provides choice:
  - In-person services available where Service Centres are not located;
  - Having a network of brokers provides choice (bad experience with one broker; go to another);
  - Having a network of brokers provides healthy competition (ie. hours of operation to accommodate clients, going above and beyond, etc.); and
  - Brokers can provide customers with competitive *Extension* products whereas MPI employees and MPI online direct-to-consumer could not.

# Direct-to-Consumer Online will Diminish Choice

- Mr. Ben Graham, October 7, 2019:

"As a -- as a truly competitive line, I don't think it's our obligation to do that. I think that should happen at the point of sale. So, if there was -- and again, **the role of the broker is to compare what the best coverage is for a customer. So, if there is an -- an Extension coverage that meets a customer's needs better, then it is their duty to inform the buyer of what are the pros and cons and what is the price of that coverage.**"

- Mr. Todd agreed that an MPI Direct-to Consumer online model would further subsidize *Extension* insurance.



# Direct-to-Consumer Online will Diminish Choice

- We have heard that MPI has a 95% market share on *Extension*:
  - Brokers are the reason that this market share is not 100%;
  - Brokers provide the provide to customers that is the best fit; and
  - MPI's *Extension* products are often best for consumers due to price and ease of claim.
- Mr. Ben Graham, October 7, 2019:

*"...I assume that that is a byproduct of two things. The first one is ease of claim. If there is a claim, you're only dealing with MPI. And the second dynamic there would be the price...So we actually reduced our Extension prices this year by approximately 6 percent already, so I assume that they are the major drives of our market share."*

# Direct-to-Consumer Online will Diminish Choice

- Marilyn McLaren, October 11, 2011 [IBAM Exhibit 19, Tab C]:

- *" ...We know Manitobans largely choose brokers to -- to do this business. We don't want to do anything that acts -- that jeopardizes that access for Manitobans... **So we've really moved away from that and really focused more on appointing agents who qualify as independent insurance brokers, able to offer more than one (1) line of insurance and to really behave as professional insurance advisors to people.**"*

Marilyn McLaren, October 5, 2011 [IBAM Exhibit 19, Tab B]:

- *"**Autopac agents, independent insurance brokers are required to offer more lines of business than just ours...**So if ... your broker chose, and believed it was in your best interests, they wouldn't say, Go down the street, they'd say, I can sell you 'X' or 'Y', or I can keep you with MPI. They are the ones that provide those options...**So brokers are the places where people buy from others. It -- it's not anywhere else other than the brokers who are primarily selling ours, but they do have other markets. We insist that they have other markets. We don't want them just to be Autopac agents in hardware stores anymore.**"*

# Consumer Protection is of Utmost Importance

- Brokers provide consumer protection in the following ways:
  - Advice from a licenced insurance professional;
  - Regulated by the *Insurance Act* and subject to Insurance Council of Manitoba;
  - Independent professionals act in best interests of the client;
  - Must offer products and coverages not available from MPI, if in the best interests of the client;
  - By representing other companies, brokers provide professional advice and arrange for insurance coverage on behalf of the client;
  - Umbrella insurance products available; and
  - Provides opportunity to choose the best value for their money.
- The role of the broker is to make sure that customers are making informed decisions.
- Customers' needs will change over time and need to be reassessed.

# Consumer Protection is of Utmost Importance

- IBAM supports consumer choice (at least as much choice as a consumer can have in a jurisdiction where there is a government monopoly).
- However, the PUB should not allow choice at the expense of consumer safety and service.
- Mr. Graham said at last year's GRA (October 15, 2018) and reaffirmed again this year:
- *"... However, we need to be clear, that our customer base is immature when it comes to the understanding of insurance. There is a few, when it comes to bonding new insurance policies, and it is noted that only 35 percent would prefer online at the bonding of a new insurance policy, yet 75 percent would be comfortable renewing their policy online. That is a hurdle that we will need to overcome ...."*

# Consumer Protection is of Utmost Importance

- Manitoba is not unique; insurance is a complex product and most consumers are busy in their work and personal lives.
- Brokers must remain to ensure that consumers are protected.
- Direct-to-consumer online sales, without some sort of broker involvement, removes the ability to ensure that the insurance purchased is, in fact, in the best interests of the consumer.
- Brokers know their customers and should be able to flag sudden changes in coverage purchased online – reach out and ensure a full understanding.
- Evidence is that Manitobans are extremely "*price sensitive*". Risk that most will default to the cheapest - not the most appropriate - coverage (ie. \$200k third party liability).

# MPI Claims that It Is Not A Competitor

- MPI wrote in its closing submission:
  - *"128. [...] Brokers act as MPI's agent for the delivery of insurance products and DVA services. MPI and brokers are not competitors; MPI pays brokers to provide services on its behalf."*
- David vs. Goliath. MPI expects 50% of all market transactions. Google Ad "battle".
- MPI and brokers *will* be in competition should MPI establish a direct to consumer model:
  - Going direct-to-consumer online will not augment choices for consumers;
  - The broker industry in Manitoba will likely be decimated, resulting in fewer options for customers; and
  - Those brokers who remain may not provide Autopac, resulting in a decimation of competition of *Extension* as there will be no or fewer brokers selling competing products.

# Jurisdiction of the Board

- IBAM takes no position on the validity of the *Reserves Regulation*.
- IBAM agrees with MPI as to the issues to be addressed at conciliation but reserves to add issues, as necessary:
  - What services will be provided online?;
  - How will online services be delivered?; and
  - What will be the compensation structure for the online delivery of these services?
- The PUB has jurisdiction on the delivery of online services and is required to make orders fixing just and reasonable standards or practices in relation to the online services delivery model.

# Jurisdiction of the Board

- S. 25(3) of *The Crown Corporations Governance and Accountability Act* (“**CCGAA**” ) provides that *The Public Utilities Board Act* applies, with any necessary changes, to a review of MPIC rates for services.
- S. 25(5) of the CCGAA provides that the Board may, at an MPI General Rate Application, take into consideration all elements of insurance coverage affecting insurance rates.
- The delivery model of insurance coverage would clearly affect insurance rates.



# Jurisdiction of the Board

- S. 74(1) of *The Public Utilities Board Act*:
  - "74(1) The board has a general supervision over all public utilities and the owners thereof subject to the legislative authority of the Legislature, and may make such orders regarding equipment, appliances, safety devices, extension of works or systems, reporting, and other matters, as are necessary for the safety or convenience of the public or for the proper carrying out of any contract, charter, or franchise involving the use of public property or rights."
- *Centra Gas Manitoba Inc. v Manitoba (Public Utilities Board)*, [1997] 6 WWR 301, [1997] MJ No 165 (MBCA)
  - "34 The provisions in the Board's order, designed to ensure that no cross-subsidization exists between regulated and unregulated entities, clearly meet the fundamental jurisdictional test of power over discriminatory rates (sec. 82) and are consistent with broader consideration of protection of the public interest under secs. 74(1) and 77. It is not unreasonable that the Act would allow the Board to be concerned about the corporate structure that could well, at the end of the day, affect the rates offered to the utilities' customers. How can it be said that this is not a matter that affects the public interest? As noted earlier in *Bell Canada v. Canada (Radio-Television & Telecommunications Commission)*, the powers of any administrative tribunal may often need to be exercised by necessary implication from the wording of the Act, its structure and purpose."

# Jurisdiction of the Board

- S. 77(b) of the *Public Utilities Act* specifically provides this Board with the power to fix just and reasonable standards or practices over MPIC
  - Our requested directives fall under this power
- S. 74.1(2) requires the Board to make such directives:
  - "74.1(2) *The board shall not make a determination to refrain under subsection (1) in relation to a public utility, person, product, class of products, service or class of services, if the board finds as a question of fact that to refrain would be likely to impair unduly the establishment or continuation of a competitive market for that public utility, person, product, class of products, service or class of services.*"
    - MPI's decision to provide online services *directly* to consumers will impair the *Extension* market and the broker market and therefore s. 74.1(2) applies

# Requested Directives

- ORDER that MPI establish an online service delivery model that includes licensed insurance broker oversight of MPI customers' online files;
- ORDER that MPI establish an online service delivery model that requires customers to periodically attend to a broker, whether by telephone or in-person, in order for customers to receive advice from said broker, including in relation to non-MPI *Extension* products;
- ORDER MPI to fully disclose the allocation of Flat Fee revenues and reallocate said revenues to the appropriate line(s) of business (why is such a high % of Flat Fee revenue being allocated to Basic?);
- ORDER that MPI require that the purchase of insurance products be performed in consultation with a licensed professional broker;

# Requested Directives

- ORDER that MPI compensate brokers fairly for the value that brokers provide both to MPI and to the residents of Manitoba;
- DECLARE that MPI providing online services directly to consumers outside of the broker channel would be in breach of the Accord and representations made by MPI;
- DECLARE that MPI providing online services directly to consumers and without involvement of licensed insurance brokers would adversely affect existing consumer protection; and/or
- In the alternative, if it is determined by the Board that it does not have jurisdiction on the issue of the delivery of online services, we would ask that the Board issue the aforementioned directives as recommendations.

# Conclusion

- Brokers want to modernize the service delivery of Autopac but should be involved in the online provision of services.
- The current service delivery model is the envy of Canada and MPI should not be putting this relationship at risk.
- Brokers provide consumer protection and choice that MPI is unable to provide:
  - Consumers may purchase services online directly through MPI yet rely on brokers for uncompensated advice; and
  - In the alternative, customers may not seek the advice that they do not know that they need.

# Conclusion

- Brokers provide customer service levels that MPI cannot meet due to brokers having to compete in a competitive market.
- Mr. Graham's predecessors have already been down this road and determined:
  - They could not go any further "*online*" without compromising consumer protection;
  - The cost would exceed what was being paid to brokers; and
  - MPI made a commitment to the broker network.
- MPI should adhere to its "*Core Values*" and honour this commitment.
- Brokers are not chess pieces; they are community members with families.
- MPI is attempting to be an innovator rather than a follower; don't let history repeat itself.

# Conclusion

- Little doubt that brokers have contributed to the success of MPI.
- They have done so in exchange for compensation that is the lowest % in the country.
- Five (5) year renewal has not resulted in fewer visits. If anything, it has resulted in stagnation. October 18, 2019:

*“MR GRAHAM: I believe the five hundred (500) deductible was in 1997, and I believe the third-party liability coverage was on my sixth birthday in 1983.”*

- *Competition Act?* Not mentioned once in MPI’s Opening Statement.
- The broker channel should be modernized, not demonized.