

October 21, 2019

Undertaking #30

MPI to answer the question: Where there's an increase in Extension at a new broker, who gets the commission and what happens to the trailing commission?

RESPONSE:

A response to this Undertaking was provided *viva voce* by Ms. Carol Hora on October 17, 2019:

MS. CAROL HORA: Thank you very much. So the -- the scenario that you describe, Mr. Gabor, was that you attended a broker who was not the designated broker to make a mid-term change -- and when I say "mid-term," you would have been in year two (2) or three (3) of your five (5) year renewal?

So I apologize for not having the full information earlier. What I understand is that the broker you attended would receive commission on that Extension product on a prorated basis up to the reassessment year or the end of the reassessment.

So if you were six (6) months into your annual policy, it would be 50 percent commission on that Extension product only.

When the reassessment would have -- would occur, the designated broker would take on that commission as well as any other commission that they were receiving on the originally purchased policy which would have been whatever was purchased on the renewal."¹

Further clarification was provided by Ms. Hora on October 18, 2019:

MS. CAROL HORA: Good morning. So I wanted to clarify that we mentioned the fact that customers may change their designated agent at any time. However, customers with three (3) or more active policies -

¹ Tx:1760-1761

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- that would be vehicles or trucks -- may request to change their designated agent, but only once per term.²

Additionally, please refer to Appendix 1 for detailed information on different categorizations for commissions.

² Tx: 1771

Appendix 1: Agent Commission Allocations

Autopac agents are assigned one of the following three roles to determine which agent will receive the compensation and/or the broker notification task for a specific transaction

- Designated Agent
- Responsible Agent
- Transacting Agent

Designated Agent

IWS automatically assigns a Designated Agent to each policy, driver's licence and identification card. This Designated Agent is entitled to the eligible commission for that assigned product.

The Designated Agent assigned to a specific policy, driver's licence or identification card is the agent who performed the latest of the following transactions on that specific product:

- Issue
- Renew
- Re-apply

Manual reassessments, transfers and mid-term change transactions do not change the Designated Agent assigned to a product. However, if a customer attends an agent other than the current Designated Agent to renew or re-apply for a product, that agent will become the Designated Agent for that product.

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Request to Change a Designated Agent

Customers with three or more active policies for passenger vehicles or trucks may request to change their Designated Agent once per renewal term.

To make this request, a customer must visit their Autopac agent of choice (the Autopac agent who they wish to have as their new Designated Agent) to complete a [Request to Change Designated Agent](#) form. The Autopac agent will then fax the completed form to their Broker Services Administrator.

Responsible Agent

The Responsible Agent is the agent who performed the image capture or opened the financing agreement for a customer. If there are any issues with an image capture, the agent who took the photo will receive the corresponding Broker Notification Task. If there are any issues with or changes to a financing agreement, the agent who opened the financing agreement will receive the corresponding Broker Notification Task.

In most cases, the Responsible Agent and the Designated Agent will be the same agent.

Example of When the Responsible Agent and Designated Agent are Different

Jane Doe visits ABC Insurance to set up her Manitoba Public Insurance customer number and have her driver's licence photo taken (her image captured). A few weeks later, Jane passes her Class 5 Knowledge Test and visits XYZ Insurance to have her driver's licence issued.

ABC Insurance is the Responsible Agent and XYZ Insurance is the Designated Agent.

If Jane's photo is rejected, ABC Insurance (the Responsible Agent) will receive the Broker Notification Task for the photo re-take.

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Transacting Agent

A Transacting Agent is any agent, other than the Designated Agent, who performs a transaction that does not affect the Designated Agent assignment for that product.

The Designated Agent receives the eligible commission for the product and the Transacting Agent receives a flat fee (if applicable) for the transaction.

Example of Transacting Agent

Jane Doe renewed her policy with ABC Insurance. ABC Insurance is the Designated Agent for Jane's policy. Two years into her multi-year term, Jane decides to change the deductible on her policy from \$300 to \$200 (a mid-term change). Jane visits XYZ Insurance to make this mid-term change. A mid-term change does not change the Designated Agent assignment.

ABC Insurance remains the Designated Agent assigned to Jane's policy and will receive the commission for the policy reassessment. XYZ Insurance is the Transacting Agent and will receive a flat fee for processing Jane's mid-term change.