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Public Utilities Board of Manitoba
400-330 portage Avenue
Winnipeg, MB R3C 0C4

MANITOBA PUBLIC INSURANCE 2021-22 GENERAL RATE APPLICATION

INTRODUCTION

Good afternoon Board members, MPI staff, MPI legal counsel, interveners and presenters. Thank you for this opportunity to speak to Manitoba Public Insurance's (MPI) 2021 rate application. Although currently president of the Coalition of Manitoba Motorcycle Groups (CMMG), today I'm speaking on my own behalf as some of the views expressed are my own and not necessarily those of CMMG.

I intend to address MPI's rate increase, but also express my concerns with respect to current MPI policies and methodologies that permit premium avoidance by high risk drivers, and suggest alternatives to current rate setting, so as to incorporate fairness in premium methodology and cost allocation.

MOTORCYCLING BACKGROUND

I've been riding motorcycles for about 55 years or so and have been a member of CMMG for about 26 years. I've also served as a director on the board of the Motorcyclists Confederation of Canada (MCC), a national motorcyclists' advocacy group, of which CMMG is a member.

I'm a retired municipal planner, and a single parent with 4 middle-aged children. I've been a motorcyclist most of my life and motorcycling is how I spend much of my spare time. My girlfriend and I usually ride between 15,000 to 30,000 km a year on vacations, on weekends with friends and with adult children. It's also how I often travel to visit my grandchildren. My eldest daughter is also a motorcyclist, but as a single parent, finds premiums difficult to manage.

CHANGING ATTITUDES TOWARDS MOTORCYCLES

I'll begin with the positive. Attitudes towards motorcycles and motorcyclists have changed substantially from twenty years or so ago, when CMMG members were unceremoniously asked to leave the MPI board room. Although not always agreeing, CMMG now enjoys a more collaborative relationship with MPI and

Manitoba Infrastructure staff. Motorcyclists are now recognized as “vulnerable road users”, and not “inherently dangerous”. For many years CMMG has been invited into the board rooms of MPI and Manitoba Infrastructure and it participates on a number of MPI and Manitoba Infrastructure Committees.

CMMG has also provided input into the Vehicle Equipment, Safety and Inspection Regulation and more recently into amendments thereto.

Last year MPI staff had positive discussions with CMMG for input on opportunities to reduce insurance rates for motorcycles. These options have been presented in this year’s GRA, but as I understand it, are not to be implemented at this time.

SAFETY INITIATIVES

Safety initiatives not only reduce accident claims, but save lives and reduce injuries and much of CMMG’s discussions with MPI involves safety. CMMG is a member of MPI’s External Stakeholder Committee on Loss Prevention, participates on an interdepartmental Vulnerable Road Users committee and has provided input into MPI’s wildlife strategy and the Province’s Road Safety Plan. CMMG has also provided input into MPI’s safety pamphlet and annual safety campaigns.

As a CMMG member, I’d like to thank MPI for its support and participation in attending and providing some financial assistance for our annual Motorcycle Safety Awareness Rally and for attending our general meetings as guest speakers.

CMMG is of the opinion that driver and motorcycle training is the best safety initiative and that graduated licencing and mandatory motorcycle training have been major contributing factors in reducing motorcycle accidents and resulting claims. Motorcyclists now know how to ride before entering highways.

MPI has supported motorcycle training and has followed CMMG’s recommendation to encourage riders to take the longer “Gearing Up” course by providing a \$200 rebate. There is also an Experienced Rider Course available, but in spite of a lower fee of \$179, I understand that the uptake has been minimal. Many long term riders don’t believe they could benefit from training, so perhaps there is need for a marketing strategy to convince older riders the benefits of this course or alternatively, provide financial incentives such as premium reductions. To date, MPI has not supported the latter.

ESCALATING PREMIUMS AND PIPP

Like most motorcyclists, I was shocked with last year’s, last minute 5.1% premium increase for motorcycles, while other groups were to get reductions.

At first, this year's 1.8% increase didn't sound too bad except that automobile owners were to enjoy an 11.0% decrease. Then to add insult to injury MPI, at the last minute, amended the GRA so that motorcyclists will now suffer a 4.7% increase while automobiles will still enjoy a 9.4% decrease. Average motorcycle premiums will now increase from \$847 to \$811, not including comprehensive coverage and increased deductibles. If automobile rates are considered a base line, this is the equivalent of a 14.1% increase for motorcycles, contradicting trends of recent years. To explain, I'll regress some 27 years.

From 1993 to 2006, with the introduction of "no fault Insurance" and the Personal Injury Protection Plan (PIPP), motorcyclists were hit with annual premium increases of up to 15%. CMMG argued that these increases were due to the previous methodology of assigning the costs of all motorcycle claims, including those for which motorcyclist were not at fault, to motorcycle premiums.

PUB recognized this inequity and in 2002 ordered MPI to undertake a Loss Transfer Study, resulting in the May 2005 special hearing into Manitoba Public Insurance's ("MPI") claims attribution approach, and the concept of Loss Transfer.

PUB agreed with CMMG and pursuant to PUB Order No. 97/05, ordered MPI to develop a claim cost attribution model for rate setting purposes so as to implement a form of "loss transfer" for PIPP claims, commencing with the 2007/08 insurance year. Later this methodology was extended to collision claims, as well as wildlife and "hit and run" collisions. In following years, motorcycles experienced rate roll-backs and reductions ranging between 6.6% and 10.3% between 2010 and 2016.

In recent years, from 2016 to 2019, in spite of some last minute changes to the GRA, motorcycle premium increases remained somewhat stable, reflecting cost of living and paralleling somewhat those of automobiles. Sometimes a little higher: sometimes a little lower. That brings us back to the current year, with its 14.1% premium differential with automobiles.

Why is it that, in spite of motorcycles declining accident frequency, motorcycle premiums are increasing again at a much greater rate than automobiles? I've been told that motorcycle premium increases are linked to the low yield of investment interest relative to long term PIPP costs for motorcyclists; however, it's difficult for me, and many of our members, to understand and accept how the same methodology that affects an overall rate decrease could cause an increase for motorcycles. Why increases are even necessary with last year's recorded profit and rebates. Is the methodology different now than it was several years ago?

To address this matter, last year PUB directed MPI to consider an investment strategy to ameliorate the effect of interest rate changes on the motorcycle class and report at this year's GRA. MPI responded that it did not support the idea of creating a special asset backing portfolio specifically for motorcycle claims liability

purely for the purposes of lowering the motorcycle rate indication. Instead, it would use interest rates at points on the yield curve corresponding to the liabilities, instead of the current single discount rate. This could be implemented in the 2022 GRA, but since the interest curve is flat, there would be no significant benefit to motorcycles.

In my opinion, this response does not address the issue. **If a methodology either benefits or is unfairly detrimental to a particular vehicle class, then the methodology is discriminatory and must be changed! Future earnings and/or lack thereof should have an equitable impact on all vehicle classes.**

I urge this board not to accept MPI's response and once again, as in 2005, either order appropriate changes to methodology or hold a special hearing to address this matter in detail.

MOTORCYCLE PRODUCT REVIEW

I was pleased to find a separate section in this year's GRA dealing with motorcycle premiums and possible changes. These options have been discussed with CMMG directors and brought forward at a general meeting.

Most CMMG members were favourable to the suggestion of reconfiguring the seasonal earnings of motorcycle premiums: one type of policy for the core May to September season and another similar to the current seasonally adjusted premiums for the entire year. More details are necessary though.

Motorcycle licence premiums are another matter. MPI reports that there are only 21,000 registered motorcycles, but 75,000 persons with a Class 6 licence. It proposes that there be a \$45 motorcycle licence premium so that all licence holders contribute to premiums or simply give up their Class 6.

Our members were generally not receptive to a licence premium as there still is a general mistrust of MPI and whether the licence premium would translate into equivalent premiums reductions or disappear into general revenue. Comments like "I just got my Drivers licence down to \$35. Why should I pay more?"

Most agreed that the numbers opting to pay this licence premium would not be in the 70,000 range. Many of these persons have aged out, can't afford it or no longer ride, and would cancel their class 6, resulting in a more realistic 21,000 to 30,000 class 6 holders, and thereby reducing the premium benefit.

I personally have no objection to such a premium, but it must first be demonstrated that it will result in reduced premiums.

I don't believe that the motorcycle licence premium will have any impact on the 27% of claims involving a motorcycle driver without a registered motorcycle. These riders are either inexperienced, without merits, or high risk drivers who are riding a motorcycle registered to another family member or person with a higher premium discount. They could also be the same person driving an automobile or pickup truck registered in the same manner.

In my opinion, the \$45 licence premium will not eliminate this practice as it is less costly to pay the extra premium for the registered owner than to register the motorcycle in their own name with demerit penalties.

There are many motorcycles owned by persons without a valid class 6 licence and are presumably being ridden by another person in order to obtain a higher DSR discount. In my opinion, the higher DSR rating should be eliminated from the registered owner's premium, thus contributing a greater share into the motorcycle premium pool and being more reflective of the actual rider's risk.

PREMIUM AVOIDANCE AND FAIRNESS IN PREMIUMS

I'm sure if MPI examines its data, it will discover that vehicle ownership increases with the increase in merits and lower premiums and conversely, as drivers go down the DSR scale, with increased demerits and potentially higher premiums, the level of vehicle ownership decreases.

When someone avoids paying premium penalties on their vehicle, good drivers bear the cost. The current Driver Safety Rating (DSR) is a good system, but can be manipulated. For those who are not the registered owners of a vehicle, the added demerit cost is only applied to the drivers licence and that person may still drive a vehicle owned by another family member or employer, insured at a higher DSR discount. As such, this system encourages "high risk drivers" to transfer ownership to other family members so as not to pay higher vehicle premiums and therefore, not contribute fairly into the public insurance system.

Transfer Penalties to Driver's licence – Perhaps vehicle premiums should be based on the average DSR rating of all persons who drive a vehicle, but this can still be manipulated and difficult to police. There is another option. Drivers and riders cause accidents, vehicles don't, so perhaps the easiest and fairest solution is to apply all penalty costs to the driver's licence and not the vehicle. Then there is no financial incentive to transfer ownership.

PIPP PREMIUMS ARE NOT APPLIED EQUITABLY

Motorcycles have been placed in a separate rating classification, not because motorcyclists have more accidents, but due to severity of their injuries, resulting in greater personal injury (PIPP) costs. As a motorcyclist, I understand the

relationship of premiums to our higher PIPP claims. On the surface, this seems fair, except that some vehicle classes do not pay PIPP and are still being subsidized by premiums paid by other major classes. Also not paying are persons with drivers licences, who do not own vehicles, but who contribute to accident costs. As well, there are others who receive PIPP benefits who neither own a vehicle nor have a drivers licence.

About 8 or 9 years ago, MPI stats revealed that 1.5% of registered vehicles, did not pay for PIPP coverage. I expect that this nearly equals to the number of insured motorcycles. It would be interesting to obtain current data to determine if the same relationship exists.

Classes not paying PIPP include inter-provincial trucks and exempt vehicles such as Government of Canada, and fire department vehicles. Although it's true that drivers of these vehicles may be eligible for Workman's Compensation if injured, it is usually the occupants and passengers of smaller vehicles who sustain injuries. If however, a large semi causes an accident, this vehicle would not be contributing to the PIPP costs of persons in the other vehicle. In addition, off road vehicles, dirt bikes, snowmobiles and bicycles do not contribute to PIPP; however, if the riders are involved in a collision with an automobile in motion, they receive PIPP benefits, even if at fault. I believe the same applies to pedestrians.

One-Third of PIPP Claims from Non-Vehicle Owners

Records from 2011 indicated that one-third of PIPP claims were from non-vehicle owners. Drivers without a registered vehicle accounted for 27% of PIPP claims. Un-licensed, non-vehicle owners accounted for another 6% of total vehicle claims. Perhaps PUB can request MPI to update this data.

Since all Manitobans can receive PIPP benefits and since 1/3 of all PIPP claims are for non-contributors, why then should motorcyclists pay substantially more for this coverage when other vehicle owners, ATV owners, snowmobile owners and licensed non vehicle owners pay nothing?

NEW METHODOLOGY FOR ASSIGNING PIPP COSTS

It's time to re-think the methodology and insert fairness for assigning PIPP costs to premiums. The following paragraphs describe a number of different ways.

Flat Rate for PIPP - The fairest way might be to establish a flat rate for PIPP premiums and spread them equally across all vehicle groups, with increases based on experience and driving record, not severity of injuries. Penalties should be attached to the drivers licence and not the vehicle.

Allocate a Greater Share of PIPP to Larger Vehicles - Motorcyclists are vulnerable road users and more likely to sustain more serious bodily injuries in accidents, but are less likely to inflict serious injury on pedestrians, cyclists or the occupants of automobiles and trucks. Conversely, larger vehicles have the potential to inflict serious injury to pedestrians, riders and occupants of smaller vehicles. Perhaps premium methodology should be revised so these vehicles bear a greater share of PIPP costs.

Transfer PIPP Premiums to Driver's Licence - It is the driver who causes accidents and not the vehicle. Since nearly 1/3 of PIPP claims are from drivers who do not own a vehicle, it would be a much more equitable system if PIPP as well as liability premiums were transferred to the drivers licence, rather than placed solely on the vehicle. Only collision and comprehensive coverage would be necessary for the vehicle. In other words, separate the "tin from the skin".

Multi-vehicle Discounts for Motorcycles - Like most motorcyclists, I own other vehicles and pay PIPP on all, but only drive one at a time. Unlike other insurers, MPI provides no discount for a 2nd vehicle, the assumption being that both could be driven at the same time, with risk of accident. It is my understanding that premiums for each vehicle class are based on the accident history of that vehicle classification independent of other classifications. It is my observation that in most cases, when the motorcycle is being ridden, the other vehicle remains unused, thereby reducing its risk. More likely however, when the other vehicle is driven, the motorcycle remains parked. Motorcyclists as a rule, do not share their ride.

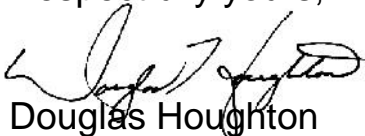
Statistics indicate that when a motorcycle is registered, the risk goes down on the owner's passenger vehicle. According to the table attached to the 2015 GRA [CMMG(MPI) 1-18], the per unit claims cost for passenger vehicles owned by non motorcycle owners is 68% higher than for those passenger vehicles where the registered owner also has a registered motorcycle. (\$397 vs. \$236) I'm confident that a more detailed actuarial investigation will support a multi-vehicle discount where one of the vehicles is a motorcycle.

All the above scenarios, or combinations thereof, require proper actuarial analysis. Premiums would have to include other factors such driving record, and the proportion of PIPP and penalty costs assigned to drivers' licence premiums.

SUMMARY

That concludes my presentation. Thank you for giving me this opportunity to speak and for your attention to this matter.

Respectfully yours,



Douglas Houghton