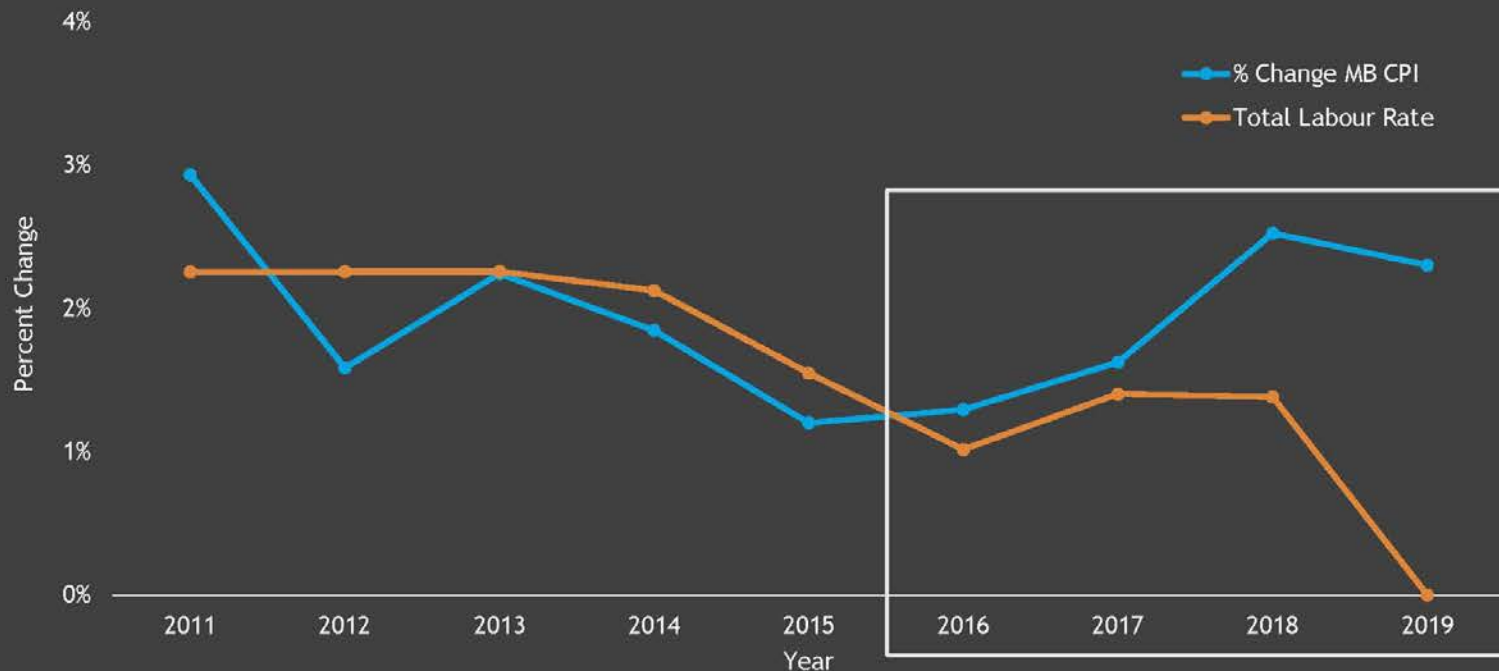




PUB presentation October 19<sup>th</sup> 1:15PM to 1:25PM Presenters  
Craig Dunn, Craig Dunn Chevrolet Buick GMC Ltd.  
Portage la Prairie, MB  
Scott Wideman, Collision Program Manager  
Volkswagen Group Canada Inc.

# Operators' purchasing power has decreased as CPI outpaces labour rates

Total Labour Rate (% Change) vs. MB CPI (% Change)



## Definitions

MB CPI	The consumer price index measures changes in the price level of a weighted average market basket of consumer goods and services purchased by households.
Total Labour Rate	The sum off all Labour rates in Southern MB for the corresponding year (ie. Tech, Frame, Mechanical, Glass)

Labour Rate effective dates and actuals are shown in Appendix A

- Since 2016, the annual percentage change in labour rate has fallen below the percentage change in CPI
- In 2019 the labour rate percent change was 0% and the CPI percent change was 2.3%
- The labour rate is used to cover various costs such as certifications and overhead, not just wages.
- The graph indicates that from 2016 to 2019 prices were increasing at a higher level than the labour rate paid to auto body shops. This indicates the auto body shop's buying power is decreasing.

**MB AVG Insurance Repair**

**\$ 3,328**

**MB AVG Non-Insurance Repair**

**\$ 1,746**

	<u>Insurance</u>	<u>Non-Insurance</u>
<b>Alberta</b>	<b>\$ 4,648</b>	<b>\$ 1,801</b>
<b>Saskatchewan</b>	<b>\$ 3,757</b>	<b>\$ 1,852</b>
<b>British Columbia</b>	<b>\$ 3,644</b>	<b>\$ 1,630</b>

Note: due to the wide variety of non-insurance repairs (warranty, fleet, customer pay, etc.), all subsequent KPIs and calculations from this point forward are based on insurance repairs only.

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# AVG RO SALE BREAKDOWN

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The breakdown of the average insurance-pay repair provides insight into the influence of hourly rates paid, replacement parts policies and paid vs. non-paid procedures within a repair.



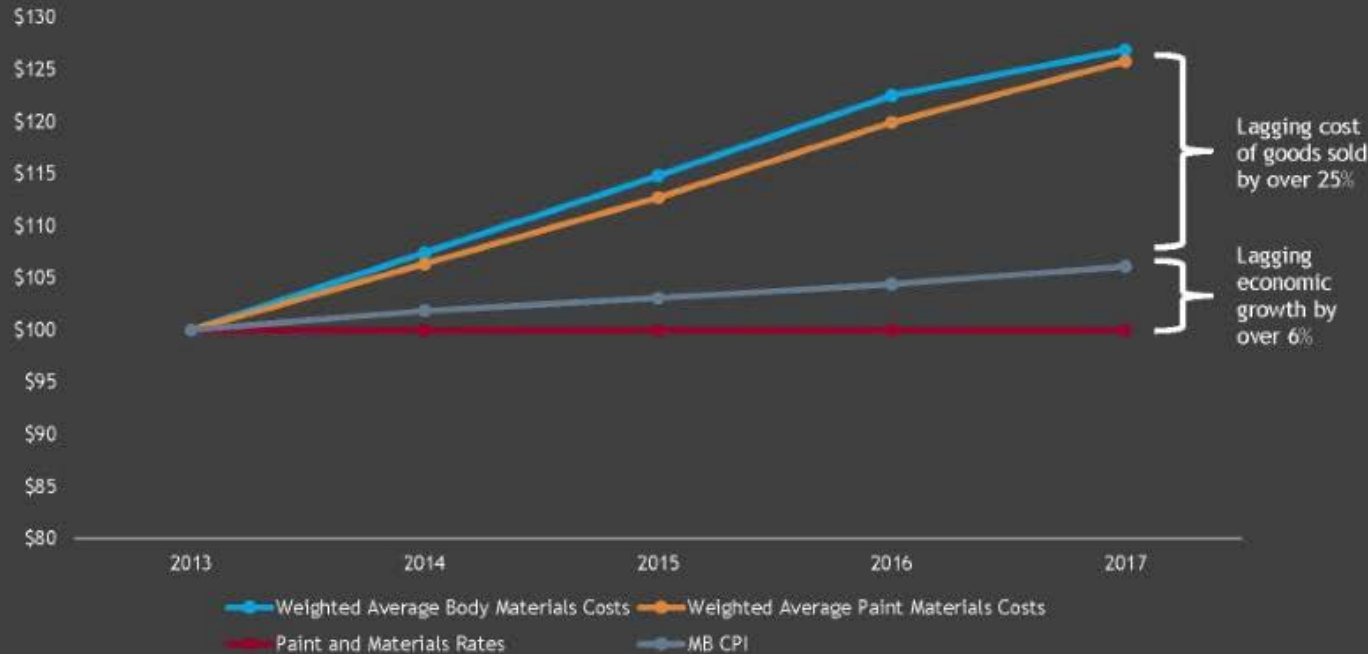
## AVG RO Labour Sales

Total labour includes all non-refinish labour operations such as body, frame, mechanical and other. We have listed body labour as a sub-category of total labour because it is the largest segment. Refinish labour includes all refinish related labour categories.

	Total Labour (excl. Refinish)	Body Labour	Refinish Labour
<b>MB</b>	<b>\$ 840</b>	<b>\$ 756</b>	<b>\$ 540</b>
<b>Alberta</b>	<b>\$ 1,099</b>	<b>\$ 973</b>	<b>\$672</b>
<b>Saskatchewan</b>	<b>\$ 1,009</b>	<b>\$ 901</b>	<b>\$708</b>
<b>British Columbia</b>	<b>\$ 989</b>	<b>\$ 900</b>	<b>\$608</b>

# Paint and material costs have been consistently increasing with no increase in rates

Paint and Body Materials Costs vs. Paint and Materials Rate (relative change since 2013 with \$100 as a base)



## Definitions

Paint Material Costs	Weighted Average of select categories of percent changes in costs of paint materials
Body Material Costs	Weighted Average of select categories of percent changes in costs of body materials
Paint and Materials Rate	The Labour Rate paid to auto body shops to cover the costs of paint and materials

\*2014 data unavailable, so assumed as a linear estimate between 2013 and 2015

- Paint and body material costs have been increasing significantly faster than paint and material rates (which have been unchanged since 2009).
- Over the 2013 - 2017 period, paint and body material costs increased over 25% each while paint and material rates saw 0% growth.



## Appendix “A” - Pay Plan

The Pay Plan shall form a part of the Collective Agreement between Manitoba Public Insurance and Manitoba Government and General Employees’ Union.

Effective **September 18, 2016**, the Corporation shall increase all points in the pay plan by a general wage increase of **one percent (1%) and apply a market adjustment of one percent (1%)**.

Effective **September 17, 2017**, the Corporation shall increase all points in the pay plan by a general wage increase of **one percent (1%) and apply a market adjustment of point five percent (0.5%)**.

Effective **September 16, 2018**, the Corporation shall increase all points in the pay plan by a general wage increase of **two percent (2%)**.

Effective **September 15, 2019**, the Corporation shall increase all points in the pay plan by a general wage increase of **two percent (2%)**.

## Condensed Statement of Operations

For the years ended February 28

(Unaudited – in thousands of Canadian dollars)

	Notes	2018	2017
<b>Earned Revenues</b>			
Gross premiums written		1,247,731	1,169,044
Premiums ceded to reinsurers		(15,381)	(15,624)
Net premiums written		1,232,350	1,153,420
Increase in gross unearned premiums		(40,608)	(23,406)
Increase in reinsurers' share of unearned premiums		16	2
Net premiums earned		1,191,758	1,130,016
Service fees & other revenue		34,187	31,547
<i>The Drivers and Vehicles Act</i> operations recovery		30,179	29,272
<b>Total Earned Revenues</b>		<b>1,256,124</b>	<b>1,190,835</b>
<b>Claims Costs</b>			
Direct claims incurred – gross		884,327	980,398
Claims (recovered) incurred ceded to reinsurers		(514)	900
Net claims incurred		883,813	981,298
Claims expense		161,583	137,102
Loss prevention/Road safety		15,345	14,801
<b>Total Claims Costs</b>		<b>1,060,741</b>	<b>1,133,201</b>
<b>Expenses</b>			
Operating		117,778	122,313
Commissions		80,665	77,880
Premium taxes		36,214	34,369
Regulatory/Appeal		4,458	4,911
<b>Total Expenses</b>		<b>239,115</b>	<b>239,473</b>
<b>Underwriting loss</b>		<b>(43,732)</b>	<b>(181,839)</b>
<b>Investment income</b>	6	<b>134,808</b>	96,635
<b>Net income (loss) from operations</b>		<b>91,076</b>	<b>(85,204)</b>

## Condensed Statement of Operations

For the years ended February 28  
(in thousands of Canadian dollars)

	Notes	2019	2018
<b>Earned Revenues</b>			
Gross premiums written		1,332,345	1,247,731
Premiums ceded to reinsurers		(16,733)	(15,381)
Net premiums written		1,315,612	1,232,350
Increase in gross unearned premiums		(39,404)	(40,608)
Increase in reinsurers' share of unearned premiums		9	16
Net premiums earned		1,276,217	1,191,758
Service fees & other revenue		36,982	34,187
<i>The Drivers and Vehicles Act operations recovery</i>		30,250	30,179
<b>Total Earned Revenues</b>		<b>1,343,449</b>	<b>1,256,124</b>
<b>Claims Costs</b>			
Direct claims incurred – gross		1,031,851	884,327
Claims recovered ceded to reinsurers		(15,926)	(514)
Net claims incurred		1,015,925	883,813
Claims expense		143,832	161,583
Loss prevention/Road safety		13,146	15,345
<b>Total Claims Costs</b>		<b>1,172,903</b>	<b>1,060,741</b>
<b>Expenses</b>			
Operating		126,971	117,778
Commissions		85,638	80,665
Premium taxes		38,788	36,214
Regulatory/Appeal		4,329	4,458
<b>Total Expenses</b>		<b>255,726</b>	<b>239,115</b>
<b>Underwriting loss</b>		<b>(85,180)</b>	<b>(43,732)</b>
Investment income	6	242,586	134,808
Gain on disposal of property and equipment		1,739	–
<b>Net income from operations</b>		<b>159,145</b>	<b>91,076</b>



## Condensed Statement of Operations

For the periods ended (in thousands of Canadian dollars)	Notes	13 months ended March 31, 2020	12 months ended February 28, 2019
<b>Earned Revenues</b>			
Gross premiums written		1,526,194	1,332,345
Premiums ceded to reinsurers		(19,833)	(16,733)
Net premiums written		1,506,361	1,315,612
Increase in gross unearned premiums		(48,575)	(39,404)
Increase in reinsurers' share of unearned premiums		76	9
Net premiums earned		1,457,862	1,276,217
Service fees & other revenue		43,405	36,982
<i>The Drivers and Vehicles Act operations recovery</i>		32,771	30,250
<b>Total Earned Revenues</b>		<b>1,534,038</b>	<b>1,343,449</b>
<b>Claims Costs</b>			
Direct claims incurred – gross		1,009,465	1,031,851
Claims recovered ceded to reinsurers		(644)	(15,926)
Net claims incurred		1,008,821	1,015,925
Claims expense		161,236	143,832
Loss prevention/Road safety		14,495	13,146
<b>Total Claims Costs</b>		<b>1,184,552</b>	<b>1,172,903</b>
<b>Expenses</b>			
Operating		130,906	126,971
Commissions		96,347	85,638
Premium taxes		44,329	38,788
Regulatory/Appeal		4,953	4,329
<b>Total Expenses</b>		<b>276,535</b>	<b>255,726</b>
Underwriting income (loss)		72,951	(85,180)
Investment income	5	107,221	242,586
Gain (loss) on disposal of property and equipment		(13)	1,739
<b>Net income from operations</b>		<b>180,159</b>	<b>159,145</b>



On behalf of the MMDA Thank you for the opportunity to present Craig and Scott are available for any questions you may have.

