

Attachment A

CAC Manitoba Application to Intervene: MPI 2022/23 General Rate Application

1) Overview

Along with the rest of the country and most of the world, Manitobans have experienced unprecedented changes as it relates to our lifestyle and our economy since March 2020, when the first case of COVID-19 was confirmed in our province. Over a year after the pandemic became a reality in Manitoba, the third wave of COVID-19 seems to finally be showing signs of receding. A large proportion of people, however, continue to work from home and businesses are not yet back to normal operations with the economy slowly beginning to reopen and public health orders remaining in place. It is unclear what the “new normal” will look like, including whether or not many Manitobans will return to their old habits of commuting to work.

As it relates to MPI, the pandemic has had significant effects in terms of reduced collision costs, due to less drivers commuting to work, and a resulting accumulation of excess capital. The COVID-19 pandemic has raised important questions about how to return excess capital to Manitoba ratepayers fairly and on a timely basis, while recognizing the process contemplated in MPI’s Capital Management Plan and the economic hardship faced by many Manitobans.

The Manitoba Branch of the Consumers’ Association of Canada (CAC Manitoba) seeks to protect the interests of all MPI ratepayers with a particular focus on the private passenger class. Among the specific issues that CAC Manitoba will canvass in the current General Rate Application (GRA) are:

- Whether the proposed 2.8% overall rate decrease is just and reasonable in light of the current financial circumstances of MPI as well as its medium and longer term risks. Also, whether the proposed removal of the 5% capital release provision previously approved by the PUB in the 2021 GRA and the anticipated third Special Rebate Application are appropriate;
- The appropriateness of and compliance with the Capital Management Plan, in light of the two exemptions that were granted in the first and second Special Rebate Applications and the anticipated third Special Rebate Application, combined with the proposed removal of the 5% capital release provision and MPI’s self-proclaimed discretion to transfer capital out of Extension to Driver and Vehicle Administration;

- The implications of COVID-19, both operational and financial, on the short term and longer term circumstances of MPI including the implications on rates, claims incurred forecasts and the Capital Management Plan;
- Risks and opportunities for Manitoba ratepayers with respect to Project NOVA, especially in light of the budget increase by \$21.7M and the business case, which now forecasts the Net Present Value to be positive over a period of 15 years; and
- Whether MPI's proposal relating to the Driver Safety Rating model is just and reasonable or whether there are other options that would better reflect the risk that drivers bring to the system. Also, the equity and fairness of the allocation of the overall rate decrease of 2.8% to vehicle discount levels and the actuarial soundness of this proposal. Issues relating to territories and use will also be examined.

Other issues that CAC Manitoba intends to examine include ratemaking and actuarial assumptions, benchmarking, investment performance and forecasts and capital project funding.

CAC Manitoba has had discussions with the representatives of other prospective interveners, including the Coalition of Manitoba Motorcycle Groups (CMMG), the Taxi Coalition, the Automotive Trades Association (ATA) and the Insurance Brokers Association of Manitoba (IBAM). Some potential areas for collaboration have been identified with the CMMG and the Taxi Coalition and CAC Manitoba intends to continue to work cooperatively with these groups to maximize hearing effectiveness and efficiency.

2) Introduction

This document provides background to the proposed intervention of CAC Manitoba by outlining:

- who is CAC Manitoba?
- reasons for the Proposed Intervention, including how CAC Manitoba represents consumers who will be directly affected by the Board's decision in this matter and how CAC Manitoba represents a substantial number of ratepayers;
- CAC Manitoba's experience, information and expertise relevant to this matter;
- the nature of the Proposed Intervention, including the key issues that CAC Manitoba intends to address in this proceeding; and

- a brief overview of how CAC Manitoba intends to participate in this proceeding, including the legal advisors and consulting experts and how CAC Manitoba meets the criteria for an award of cost. The proposed estimate of costs will be consistent with similar bills in the past for hearings of similar length and complexity.

3) Who is the Manitoba Branch of the Consumers' Association of Canada?

Please describe the mandate of your organization and provide a description of the membership, including the number of members. Please also confirm whether the organization's intervention in this proceeding is supported by a resolution of the governing body, if any. Please enclose the resolution, if any, with your Application, along with supporting documentation of your mandate and membership:

CAC Manitoba is a volunteer, non-profit, independent organization working to inform and empower consumers and to represent the consumer interest in Manitoba. Formed in 1947, the organization is governed by a volunteer Board of Directors elected annually at a general meeting of its membership. It is a branch of the national Consumers' Association of Canada but is financially separate and separately incorporated.

CAC Manitoba represents the interests of consumers across Manitoba in a number of areas including food safety and security, patient rights and health care, financial services, access, and inclusion, environmental sustainability, and regulatory review of utilities and Crown's delivering services and products to consumers. The organization seeks input on its policy positions from consumers through the innovative use of surveys, focus groups, social media, and through its ongoing programs and services to the public. In addition, the organization seeks other perspectives on relevant issues through the use of policy community advisory committees and interviews, and contacts with its network of community groups and organizations working with underrepresented consumers.

There is no resolution of the Board of Directors of CAC Manitoba supporting the intervention in this proceeding. Rather, the decision to participate is made by senior management, following the organization's established policies and past practice.

The organization's policy is guided by its understanding of generally accepted consumer rights including:

- **The right to satisfaction of basic needs** - To have access to basic, essential goods and services: adequate food, clothing, shelter, health care, education, public utilities, water and sanitation.

- **The right to safety** – to be protected against products, production processes and services that are hazardous to health or life.
- **The right to be informed** – To be given the facts needed to make an informed choice, and to be protected against dishonest or misleading advertising or labelling.
- **The right to choose** – To be able to select from a range of products and services, offered at competitive prices with an assurance of satisfactory quality.
- **The right to be heard** - To have consumer interests represented in the making and execution of government policy, and in the development of products and services.
- **The right to redress** – To receive a fair settlement of just claims, including compensation for misrepresentation, shoddy goods or unsatisfactory services.
- **The right to consumer education** – To acquire knowledge and skills needed to make informed, confident choices about goods and services, while being aware of basic consumer rights and responsibilities and how to act on them.
- **The right to a healthy environment** -To live and work in an environment that is non-threatening to the well-being of present and future generations.

CAC Manitoba is also guided by the following consumer responsibilities:

- **Critical awareness** - consumers must be awakened to be more questioning about the provision of the quality of goods and services.
- **Involvement or action** - consumers must assert themselves and act to ensure that they get a fair deal.
- **Social responsibility** - consumers must act with social responsibility, with concern and sensitivity to the impact of their actions on other citizens, in particular, in relation to disadvantaged groups in the community and in relation to the economic and social realities prevailing.
- **Ecological responsibility** - there must be a heightened sensitivity to the impact of consumer decisions on the physical environment, which must be developed to a harmonious way, promoting conservation as the most critical factor in improving the real quality of life for the present and the future.

- **Solidarity** - the best and most effective action is through cooperative efforts through the formation of consumer/citizen groups who together can have the strength and influence to ensure that adequate attention is given to the consumer interest.

4) Reasons for the proposed intervention

Please state your reasons for intervening in this proceeding:

CAC Manitoba aims to protect and reconcile the interests of all Manitoba Public Insurance consumers with a particular emphasis on members of the private passenger class. It seeks to present an evidence-based intervention guided by a principled consideration of the consumer interest. It is represented by the Public Interest Law Centre.¹

CAC Manitoba intends to test whether the proposed average rate reduction of 2.8%, as well as the proposed removal of the 5% capital release provision and the anticipated third Special Rebate Application, are just and reasonable in light of the financial circumstances of MPI including its current and future risks and opportunities. Consistent with the statutory test and focusing on the issues list directed by the PUB for the purposes of this hearing, CAC Manitoba will consider:

- the reliability of MPI forecasts;
- the prudence and reasonableness of MPI expenditures and operations;
- the overall health of the corporation including material risks and opportunities;
- whether expected costs are reasonably allocated among different classes of ratepayers;
- whether the proposed rates are just and reasonable.

Please state how you are directly affected by the Board's decision in this matter:

MPI ratepayers are directly affected by the Board's decision in this matter, both relating to the overall rate for 2022/23 and the proposed rate rebate, as well as other issues which will have long-term impacts on automobile insurance rates in Manitoba, such as the Driver Safety Rating model, the Capital Management Plan and Project Nova risks and opportunities.

¹ An independent office of Legal Aid Manitoba.

Please explain whether and how you represent a substantial number of ratepayers that are otherwise not represented on issues that are within the scope of this proceeding:

CAC Manitoba seeks to protect the interests of Manitoba Public Insurance ratepayers with a particular focus on the private passenger class. It will assert their right to just, reasonable and sustainable rates that are determined in a publicly accessible and transparent process.

No other intervener or group actively participating in this proceeding represents the private passenger class. CAC Manitoba intends to actively collaborate with other intervenors on areas of common interest.

For CAC Manitoba, bringing the voice of consumers directly to the Public Utilities Board is of primary importance in the independent rate-setting process. The organization places a priority on direct consumer input through focus groups, engagement sessions and stakeholder panels.

In preparation for the upcoming MPI General Rate Application, CAC Manitoba expects to meet with a number of potential stakeholders representing various Manitoba perspectives. It will conduct at least two focus groups with Manitoba consumers on issues relevant to public auto insurance and is considering whether to collect quantitative data through an omnibus survey question. In addition, the organization will seek to better educate consumers about the rate application through the use of a variety of public engagement tools including social media.

Please describe your experience, information, or expertise relevant to this matter that would contribute to the Board's decision making, including any other prior interventions in regulatory matters before this Board or other decision-makers:

Over the past 30 years, CAC Manitoba has been active in rate regulation matters relating to Manitoba Public Insurance, Manitoba Hydro, Centra Gas, government cheque cashing and payday lending rates. In addition, the organization has extensive and intersecting regulatory experience at the Canadian Radio-television and Telecommunications Commission and the Manitoba Clean Environment Commission. It takes pride in its long-standing record of quality, evidence-based advocacy.

Over the past 30 years, CAC Manitoba has been particularly engaged in regulatory matters relating to Manitoba Public Insurance including every General Rate Application and technical conference as well as the Driver Safety Rating proceeding.

CAC Manitoba has a mandate to provide Manitoba consumers with unbiased information. Through interventions at rate hearings, the organization represents the consumer interest on prices and quality of service (“rates for service”).

In recent regulatory proceedings before the Public Utilities Board on Manitoba Public Insurance matters, CAC Manitoba has played an active role in issues such as:

- ratemaking in accordance with accepted actuarial practice;²
- an evidence based approach to setting reasonable reserves;³
- the validity of the *Reserves Regulation* and the appropriateness of the Capital Management Plan;⁴
- an evidence based approach to interest rate forecasting;⁵
- the need for increased rigour in information technology expenditures and demonstrable benefits for ratepayers including a post project review of expenditures related to the personal injury protection plan technology management system;⁶
- risks and opportunities for Manitoba ratepayers relating to Project Nova and the Physical Damage Re-engineering project;⁷
- efficiency in expenditures on staffing;⁸
- a modern approach to road safety investments that provides good value to ratepayers and enhances protection for all Manitobans;⁹
- the necessity for a modernized approach to the Corporation's investment portfolio that better balances risk and reward;¹⁰
- the importance of a fair and effective Driver Rating System.¹¹

² *Public Utilities Board Order 162-16*, p. 5, 16, 18-19, 31-32, 35, 65-67; *Public Utilities Board Order 130-17*, p 25-26.

³ *162-16* p. 7, 59, 61 – 63; *130-17*, p 75-77, 79; *159/18*, p 31-33.

⁴ *Public Utilities Board Order 176/19*, p. 36-41, 57-61.

⁵ *162-16*, p. 6, 16, 18, 46, 50, 54-56; *130-17*, p 65-66, 69; *Public Utilities Board Order 159/18*, p 30-31.

⁶ *162-16*, p. 6, 31-32, 33-34, 36; *130-17*, p 51-53; *159/18*, p 69-70.

⁷ *162-16*, p. 22, 28 -29, 32, 34, 36; *130-17*, p 56.

⁸ *162-16*, p. 26.

⁹ *162-16*, p. 7, 70, 80 -82; *130-17*, p 87; *179/19*, p. 120.

¹⁰ *162-16*, p. 6, 15-16, 44-45, 50; *130-17*, p 66; *159/18*, p 84-88.

¹¹ *162-16*, p. 14; *130-17*, p 33; *Public Utilities Board Order 1/21*, p. 65-66.

5) Proposed areas of analysis, evidence and expert witnesses

Please list the key issues you intend to address in the proceeding. Please be specific.

Do you intend to participate fully and actively, including attendance at hearings, submission of evidence, and testing of evidence and cross examination of witnesses? If yes, please describe your intended participation.

The intervention of CAC Manitoba in this proceeding will be guided by the Public Utilities Board criteria for the consideration of just and reasonable rates. Pursuant to its jurisdiction and the statutory framework in which it operates, the Public Utilities Board has characterized the key elements of its independent review function and rate-setting role as follows:

- Ensuring that forecasts are reasonably reliable;
- Ensuring that actual and projected costs incurred are necessary and reasonable;
- Assessing the reasonable revenue needs of an applicant in the context of its overall general health (including reserves);
- Determining an appropriate allocation of costs between and within classes; and
- Setting just and reasonable rates in accordance with statutory objectives.¹²

Through its information requests, cross examination and oral submissions, the proposed intervention of CAC Manitoba will consider all issues identified in the PUB issues list. As elaborated in the overview to this document, currently, CAC Manitoba intends to focus on the following key issues:

- Whether the proposed 2.8% overall rate decrease, the proposed removal of the 5% capital release provision and the anticipated third Special Rebate Application are just and reasonable in light of the current financial circumstances of MPI as well as its medium and longer term risks;
- The appropriateness of and compliance with the Capital Management

¹² *Public Utilities Board Order 98/14* at p 28, 37; *PUB Order 5/12* at p 27. See also the *Crown Corporations Public Review and Accountability Act, C.C.S.M. c. C336*, the *Public Utilities Board Act, C.C.S.M. c. P280* and the *Manitoba Public Insurance Corporation Act, C.C.S.M. c. P215*.

Plan, including MPI's self-proclaimed discretion to transfer capital out of Extension to Driver and Vehicle Administration;

- The implications of COVID-19, both operational and financial, on the short term and longer term circumstances of MPI including the implications on rates, claims incurred forecasts and the Capital Management Plan.
- Risks and opportunities for Manitoba ratepayers with respect to Project NOVA; and
- Whether MPI's proposal relating to the Driver Safety Rating model is just and reasonable, as well as the equity and fairness of the allocation of the overall rate decrease of 2.8% to vehicle discount levels and the actuarial soundness of this proposal. Issues relating to territories and use will also be examined.

Other issues that CAC Manitoba intends to examine include ratemaking and actuarial assumptions, benchmarking, investment performance and forecasts and capital project funding.

Given the short time frame between the filing of the application and the pre-hearing conference, this overview of issues is necessarily preliminary.

At the current time, CAC Manitoba does not anticipate calling a witness or filing evidence. It reserves the right to seek permission to provide expert evidence after its review of the first round information requests especially with regard to the five key issues outline above.

CAC Manitoba's team of expert analysts currently includes:

- Mr. Peter Dyck, former MPI controller and regulatory accountant;
- Mr. Jeff Crozier, former MPI head of regulatory affairs and regulatory economist;
- Valter Viola, investment consultant; and
- Ms Paula Elliot and Mr. Rajesh Sahasrabuddhe, actuarial consultants with the firm Oliver Wyman.

The expert team supporting PILC is engaged in active discussions on how to efficiently coordinate their respective roles while minimizing costs and duplication.

Ms. Andrea Sherry is included in CAC Manitoba cost estimate because she was retained as a consultant to assist CAC Manitoba with its participation in the Technical Conference on Vehicles for Hire on April 20, 2021. Ms. Sherry will not be assisting CAC Manitoba for the purposes of the GRA and her hours were limited to the Technical Conference.

The curriculum vitae of Mr. Dyck, Mr. Crozier, Mr. Viola, Ms. Sherry, Ms. Elliot and Mr. Sahasrabuddhe are attached.

6) Costs

Do you intend to request an award of costs for your participation? Please explain how you meet the criteria for an award of costs.

CAC Manitoba intends to request an award of costs for its participation in the 2022/23 MPI GRA.

As stated in the Intervener Costs Policy, in any proceeding, the Board may award costs to be paid to any Intervener who has:

- (a) made a significant contribution that is relevant to the proceeding and contributed to a better understanding, by all parties, of the issues before the Board;
- (b) participated in the hearing in a responsible manner and cooperated with other Interveners who have common objectives in the outcome of the proceedings in order to avoid a duplication of intervention;
- (c) represented interests beyond their sole business interest; and
- (d) a substantial interest in the outcome of the proceeding and represents the interests of a substantial number of ratepayers.

CAC Manitoba intends to make a significant contribution to this proceeding through its information requests, its cross-examination of MPI's witnesses and its final submissions. Its intervention will be guided by the PUB's criteria for the consideration of just and reasonable rates. CAC Manitoba also expects its intervention to be guided by engagement with Manitoba ratepayers.

Collaboration with Other Interveners

CAC Manitoba will participate in this hearing in a reasonable manner and will cooperate with other interveners who have common objectives. CAC Manitoba will make reasonable efforts to ensure that its participation is not unduly repetitive of other interveners. CAC Manitoba's intervention will be limited to those issues that are raised in this application and approved in the PUB's procedural order following the Pre-Hearing Conference.

Specifically, CAC Manitoba has already had discussions with other prospective interveners. Of note is that at least four areas of shared interest have been identified with CMMG, but the focus of the examination and ultimate positions may not be aligned. While it has been determined that jointly retaining an actuarial consultant would not be in the best interest of the respective

interveners, counsel will be meeting regularly to reduce duplication and align efforts relating to information requests and cross-examination.

It is CAC Manitoba's understanding that Mr. Crozier is also assisting representatives of two other intervenor, which is anticipated to result in efficiencies in Mr. Crozier's time and budget. It is expected that Mr. Dyck and Mr. Viola will be made available to other intervenors where possible.

Notes on CAC Manitoba Budget Estimate

We have provided a budget estimate for legal counsel based on Mr. Byron Williams' time as this is our best estimate considering experience from past years. It is expected, however, that junior legal counsel will take the lead on this file. As a result, while total hours may be higher than indicated in the cost estimate filed as Attachment C to this application to intervene, the hourly rates for junior counsel are lower so CAC Manitoba expects to remain within the total budget estimate for legal counsel, which is consistent with past proceedings of similar length and complexity.

To ensure efficiency and minimize duplication, the experts of CAC Manitoba will be assigned lead responsibility for different aspects of the application with the PILC legal team.

In terms of costs for expert analysts, it is expected that Mr. Crozier will be assisted by colleagues to increase efficiencies and reduce the overall budget. Mr. Viola's estimate is lower than past years as his focus will be limited to specific issues.

Regarding Ms. Elliot and Mr. Sahasrabuddhe, we initially asked for an estimate relating to 10 areas of analysis, which resulted in a budget estimate of \$81,970. Based on our review of the application and the need to keep our overall budget as efficient as possible, we have reduced the areas of analysis to six priority issues, resulting in a lower budget estimate. The estimate, however, remains higher than for previous actuarial consultant because of:

- 1) the issues of importance in this hearing, especially Driver Safety Rating, the Capital Management and the impacts of COVID-19; and
- 2) the consultants' higher hourly rate, which has been discussed with PUB staff in advance of filing this application to intervene. The hourly rate represents a blended rate, taking into account that Ms. Elliot and Mr. Sahasrabuddhe will be assisted by more junior colleagues to reduce their overall budget.

Substantial Interest in Outcome of Proceeding

As has been described above, CAC Manitoba represents the interests of all Manitoba ratepayers, and in particular the private passenger class. As a result, it

has a substantial interest in the outcome of the proceeding and represents the interests of a substantial number of ratepayers.

Do you intent to seek approval for any other form of participation or provision of evidence, including for which you intend to seek an award of costs? If yes, please provide details and an explanation of the relation to issues in scope in the proceeding.

At the current time, CAC Manitoba does not anticipate calling a witness or filing evidence but reserves the right to seek permission to provide expert evidence after its review of the first round information requests especially with regard to the five issues outlined below:

- Whether the proposed 2.8% overall rate decrease, the proposed removal of the 5% capital release provision and the anticipated third Special Rebate Application are just and reasonable in light of the current financial circumstances of MPI as well as its medium and longer term risks;
- The appropriateness of and compliance with the Capital Management Plan, including MPI's self-proclaimed discretion to transfer capital out of Extension to Driver and Vehicle Administration;
- The implications of COVID-19, both operational and financial, on the short term and longer term circumstances of MPI including the implications on rates, claims incurred forecasts and the Capital Management Plan;
- Risks and opportunities for Manitoba ratepayers with regard to Project NOVA; and
- Whether MPI's proposal relating to the Driver Safety Rating model is just and reasonable, as well as the equity and fairness of the allocation of the overall rate decrease of 2.8% to vehicle discount levels and the actuarial soundness of this proposal. Issues relating to territories and use will also be examined.

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