

Pre-Hearing Conference

2022 General Rate Application

July 9, 2021

Presented by

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Presentation Topics

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1. 2022 GRA THEME



Continuing the Transformation (1/2)

Modernizing MPI to better meet the needs of its Customers

- **Highlights**
 - MPI introduces its new CEO, *Eric Herbelin*
 - MPI successfully adapts to new reality presented by COVID-19 Pandemic
 - ▶ Operational expenses favourably impacted
 - ▶ Work from home strategy successful
 - ▶ Customer service options maintained/improved
 - ▶ Efficiencies preserved/increased through sensible staffing levels
 - Project NOVA
 - ▶ proceeds unabated (COVID-19 impacts negligible)
 - ▶ updated 15-year project Net Present Value (NPV)
 - NPV now \$18.4m – an increase of \$5.7m over original \$12.7m NPV
 - MPI 2.0
 - ▶ MPI looks further into future through new 5-year initiative



Continuing the Transformation (2/2)

Modernizing MPI to better meet the needs of its Customers

- **Capital Management Plan (CMP)**
 - 2-year trial period concludes this year – MPI gained valuable insight
 - Capital release methodology unable to adapt to COVID-19 Pandemic demands
 - MPI now prefers rebates to releases – is developing replacement methodology
 - Extension to DVA transfers needed for support at critical juncture
- **Driver Safety Rating (DSR)**
 - Existing Registered Owner Model preferred with tweaks to improve actuarial soundness and reduce cross-subsidization
 - Pricing analysis filed July 7, 2021



2. 2022 GRA SUMMARY



Summary of 2022 GRA Requests (1/2)

- **-2.8%** overall rate indication (*provisional*)
 - **100% break-even cost of Basic vehicle premiums**
 - **Changes to Vehicle Discounts on DSR**
 - **Removal of 5.0% capital release**
- Effective April 1, 2022-March 31, 2023
- No changes to:
 - **Misc. Permits & Certifications**
 - **Driver Premium Discounts on DSR**
 - **Basic Service & Transaction Fees**
 - **Fleet Rebates & Surcharges**



Summary of 2022 GRA Requests (2/2)

- How overall rate change will impact each major class (on average)

Figure RM- 1 Indicated Rate Change

Line No.	Major Class	Current Average Rate	Indicated Average Rate	Indicated Rate Change
1	Private Passenger	\$1,161	\$1,130	-2.6%
2	Commercial	\$865	\$858	-0.8%
3	Public	\$2,139	\$2,208	3.2%
4	Motorcycles	\$903	\$888	-1.7%
5	Trailers	\$73	\$68	-6.6%
6	Off-Road Vehicles	\$7	\$6	-14.3%
7	Overall	\$885	\$863	-2.5%
8	DSR Scale Movement			-0.3%
9	Overall including DSR Scale Movement			-2.8%



3. ISSUES LIST



Final Issues List

Determining Scope and Focus of the GRA

- MPI takes no issue with the content of the Preliminary Issues List (Order 56/21)
- As per the discussion at the July 5, 2021 Issues Workshop:
 - MPI supports adding Extension to DVA transfers to **Issue #7** (CMP) as sub-issue
 - **Issue #13** (DSR) can remain as indicated, within scope of GRA in normal course
 - MPI supports adding the proposed Special Rebate Application as sub-issue to **Issue #18** (Financial Impact of COVID-19)



4. SPECIAL REBATE APPLICATION



Special Rebate Application (1/2)

Customers to reap Benefits of MPI's Strong Financial Position

- **\$155 million Rebate Proposed**
 - Equivalent to an overall rate reduction of ~ 15%
 - Net impact on premiums for 2022/23 insurance year approximately -13% (average)
 - More than offsets rate increase from removal of capital release provision
 - Customers will receive rebate cheques averaging approximately \$150-\$200
- **Rebate Calculation**
 - Is the capital excess of 100% MCT RSR Target per CMP and the *Reserves Regulation*
 - Plus projected savings generated between March 31, 2021 and September 30, 2021



Special Rebate Application (2/2)

Customers to reap Benefits of MPI's Strong Financial Position

- **Separate Application**

- As rebate is a return of premiums paid and GRA is for new premium rates, MPI requires separate application for leave
- Rebate Application will seek to have both proceedings consolidated/heard together
 - ▶ Relief part of its Omnibus motion to be filed on **September 17, 2021**
- MPI anticipates that it will file its Rebate Application on or before **July 19, 2021**
 - ▶ Earliest feasible date due to variety of circumstances
 - ▶ Some evidence upon which Rebate Application based already in the GRA
 - E.g. **PF-1 and PF-3, EPF 3, Figure CI-12, Figure REV-15 and REV-16**
 - ▶ Despite later filing date, parties will have ample opportunity to test evidence
 - Previous Rebate Applications proceeded with 1 Round of IRs



5. OCTOBER RATE UPDATE



October Update

What MPI Expects to Provide on October 1, 2021

- **Update** (expected to be filed on **October 1, 2021**)
 - Includes updates to:
 - ▶ expense, revenue, investment and claims forecasts
 - ▶ capital position
- **Schedules to be Updated**
 - MPI agrees should mirror level of disclosure directed in **Order 88/20**
 - ▶ Pro Forma **PF-1, PF-2, PF-3, PF-5, PF-6**
 - ▶ Extension Pro Forma **EPF-1, EPF-3**
 - ▶ Indicated Rate Change **RM-1, RM-12, RM-13, RM-14, RM-17, RM-18, RM-19**
 - ▶ Investments **Figure INV-13**
 - ▶ Narrative of material impacts of interest rate on Pro Forma Financial Statements and Responses to Information Requests
 - ▶ Amendments to sections of GRA materially affected by Final Rate Indication
 - ▶ Updates to be based on *Naïve* interest rate forecasts and without CMP



6. CSI PROCESS



CSI Process

A Transparent and Efficient System

- CSI process approved and used in 2020/2021 GRAs works well
- MPI requests that same process be adopted this year
- Same Undertaking Forms and Confidentiality Agreements as last year
- MPI expects to file omnibus Motion on **September 17, 2021**



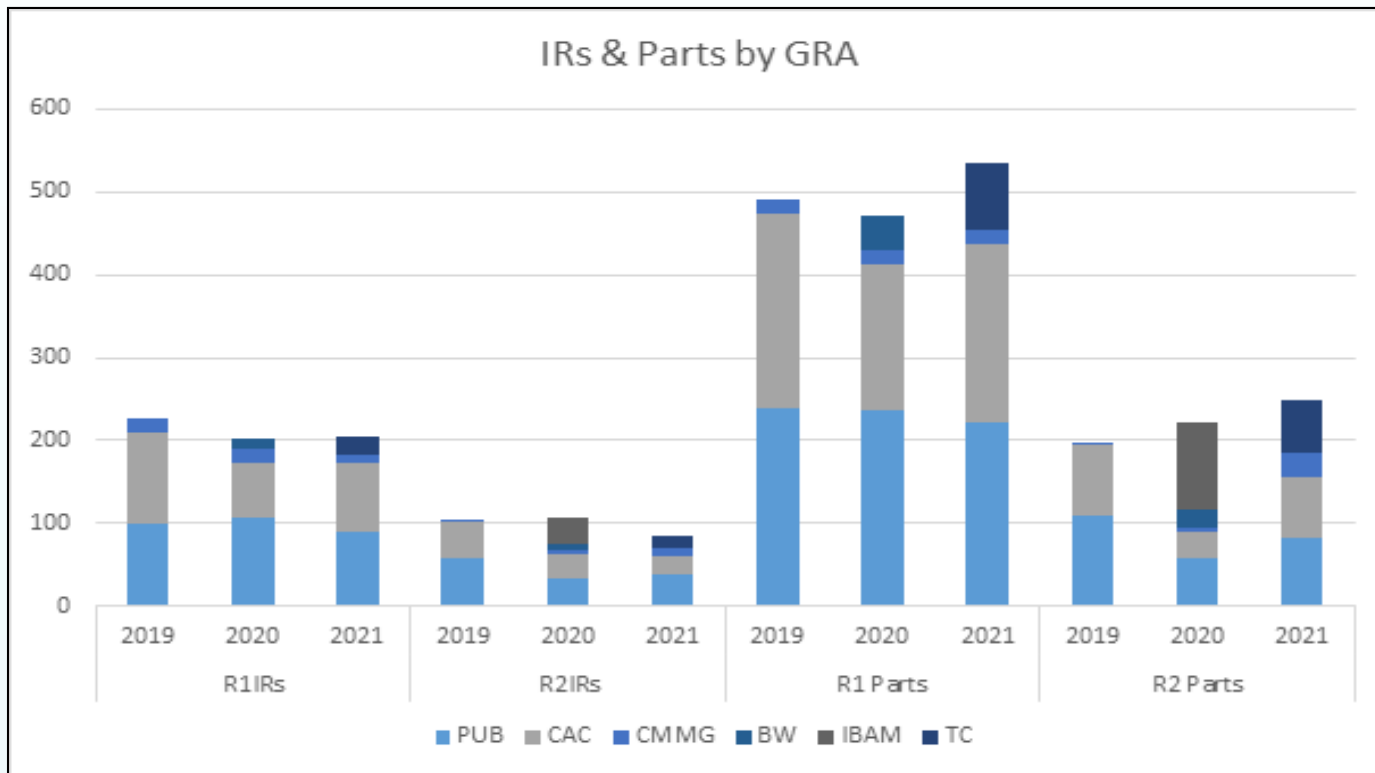
7. INFORMATION REQUESTS



Information Requests (1/2)

MPI Encourages Maximizing Benefit of Discovery Process

- Extremely important to GRA process
- Between 2018 and 2020 MPI received on average:
 - **300+** Information Requests (IRs) and **700+** specific questions (Parts) within IRs



Information Requests (2/2)

MPI Encourages Maximizing Benefit of Discovery Process

- MPI tracks IRs by GRA topic
- Some topics thoroughly canvassed through the pre-hearing discovery process may still require further review at the oral hearing
 - [2021 GRA Example - PIPP](#)
 - ▶ 13% of Total IRs
 - ▶ 8% of Total Oral Hearing Panel Time
 - MPI seeks to maximize efficiency of hearing process by highlighting instances where topics covered in detail at oral hearing not significantly canvassed beforehand
 - [2021 GRA Example - DSR](#)
 - ▶ 2% of Total IRs
 - ▶ 12% of Total Oral Hearing Panel Time



8. INTERVENER APPLICATIONS



Intervenor Applications (1/6)

- **MPI position on Intervener Applications**
 - **Consumers' Association of Canada (Manitoba) Inc. (CAC)**
 - ▶ No objection to request for Intervener status
 - **Coalition of Manitoba Motorcycle Groups Inc. (CMMG)**
 - ▶ No objection to request for Intervener status
 - **Taxi Coalition (TC)**
 - ▶ No position to request for Intervener status



- **Costs – Appropriateness of Discussion at this Stage**
 - TC cost estimate raised at 2021 GRA Pre-Hearing Conference (PHC)
 - ▶ June 30, 2020 PHC Transcript (Pgs. 80-86)
 - ▶ Issue raised by MPI:
 - *“With respect to the Taxi Coalition, as mentioned MPI does not object to its request for Intervener status. But there are some issues with respect to the costs – costs requests or estimated...*

...and certainly being...an Intervener or successfully applying for Intervener status does not guarantee a party to recovery of their costs...

...MPI would submit in this case that the Taxi Coalition application doesn't satisfy that mark. And that's because what we see from the Taxi Coalition is advocating something that is not beyond their own personal or sole business interest.”



- **Costs – Appropriateness of Discussion at this Stage**

- PUB response:

“THE BOARD CHAIRPERSON: -- sorry to interrupt. Under the policy, we don't approve budgets. We approve a cost award application after the hearing. Budgets are reviewed under the policy by staff, who has discussion with Interveners as to issues of scope and reasonableness of the budget...”

- Though the PUB correctly identified that it does not approve budgets at the PHC, MPI then clarified the importance of addressing issue early:

“...we see this as the opportune time to have a discussion about what the intervention will look like. And Interveners who are applying for Intervener status ought to know that it is not necessarily guaranteed that they will be able to recover their costs...”

...And MPI would suggest, like the Taxi Coalition, that IBAM is a party that represents a sole business interest, and therefore, should not be entitled to that funding.”



Intervenor Applications (4/6) MPI Exhibit #5

- MPI ultimately opposed the TC Application for costs:

- ▶ **Order 18/21** (Pg. 5)

“MPI also argued that TC’s intervention mainly advanced its own business interests, in that TC advocated for better financial incentives for Taxicab VFH operators and higher rates for Passenger VFH operators, and that neither of these objectives extend beyond the goals of increasing profitability for the Taxicab VFH class and increasing the expenses of its competitors.”

- Despite also raising these arguments against the TC at the PHC, in allowing its Application, the PUB stated **Order 18/21** (Pg. 9):

“The Board also notes that MPI did not oppose TC’s application for intervention, which included a statement that it intended to seek an order for costs. MPI did, however, oppose the intervention of the Insurance Brokers Association of Manitoba (IBAM) in the 2021 GRA on the basis that IBAM’s focus was primarily on its own commissions and fees. TC indicated in its application for intervention that it intended to examine, among other things, the reasonableness of ratemaking approaches for Accessible VFH and Limousine VFH uses, and All Purpose Private Passenger VFH classes, in comparison to the Taxi VFH class.”



Intervenor Applications (5/6) MPI Exhibit #5

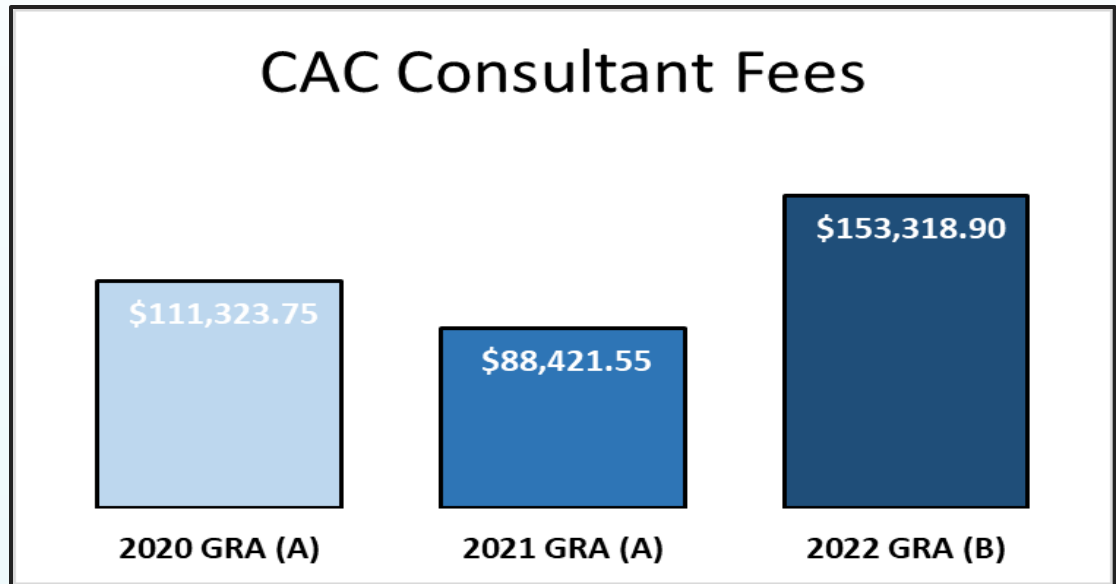
- Therefore, a discussion regarding costs is clearly appropriate at the PHC
- That MPI does not oppose an Intervener Application must not be taken to mean that it agrees that the Intervener is entitled to their costs or with their budget
- In the case of the TC, MPI takes no position to its Intervener Application, but does not necessarily agree that it should be entitled to costs, *especially* if its intervention does not extend beyond advancing its own business interests
- Notwithstanding any position taken on the application of a prospective Intervener, MPI wishes to reserve the right to challenge the entitlement of any Intervener to costs
- Interveners should not expect that they will be entitled to any costs simply by virtue of their intervention



Intervenor Applications (6/6)

- MPI preliminary observations on anticipated Intervener costs:
 - Detailed cost estimate not yet received from TC or CMMG – cannot comment
 - Expectation that Interveners will use professional services in a cost effective manner make efforts to avoid duplication of services
 - 4 Actuarial Consultants proposed between 3 prospective Interveners

- CAC Consultant fees are increasing significantly compared to prior years
 - ↑138% vs. 2020 GRA Actual
 - ↑173% vs. 2021 GRA Actual



9. EXPERT WITNESS PRE-QUALIFICATION



Expert Witness Pre-Qualification

- **MPI**
 - ▶ Currently does not anticipate calling expert witnesses
- **Prospective Interveners**
 - CAC/CMMG
 - ▶ Currently do not anticipate calling expert witnesses
 - TC
 - ▶ **Jeff Crozier:** qualified last year as expert in regulated auto insurance generally
 - ▶ **Patrick Bowman:** qualified last year as expert in application of regulatory principles and concepts appropriate for regulated Crown utilities, including financial forecasts, revenue requirements, cost allocation principles, rate design
 - ▶ **Sylvain Dion:** no objection if sought to be pre-qualified in appropriate area
 - ▶ **Jason Wong:** no objection if sought to be pre-qualified in appropriate area



10. PROPOSED TIMETABLE



Proposed Timetable

- **Information Requests**

- **Round 1** – July 22 (24 days after GRA filing), August 17 Responses
- **Round 2** – August 30 (12 days after R1 filing), September 15 Responses
- **Intervenor Evidence** – September 28 (4 days after filing), October 4 Responses

- **Additional Evidence**

- **Intervenor** – September 24
- **Rebuttal (MPI)** – October 7

- **Motions**

- **Round 1 Information Requests** – August 19 (filing), August 23 (hearing)
- **Round 2 Information Requests** – September 17 (filing), September 22 (hearing)
- **Omnibus (CSI) Motion** – September 17 (filing), September 22 (hearing)

- **Oral Hearing**

- October 12 to October 29 (14 days total)



Respectfully submitted,
subject to questions from the panel.



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