

Order No. 1/21

**MANITOBA PUBLIC INSURANCE (MPI OR THE CORPORATION):
COMPULSORY 2021/2022 DRIVER AND VEHICLE INSURANCE PREMIUMS
AND OTHER MATTERS**

January 5, 2021

BEFORE: Irene A. Hamilton, Q.C., Panel Chair
Robert Gabor, Q.C., Chair
Carol Hainsworth, Member

Capital available	370.7	461.4	478.8	470.8	464.2	463.9
Minimum Capital Required (100% MCT)	356.1	400.1	431.8	446.8	461.7	477.6
MCT Ratio %	104.1%	115.3%	110.9%	105.4%	100.5%	97.1%

MPI did not transfer any funds from Extension to Basic in 2019/20. Instead, it rebated \$52 million from Extension directly to Basic ratepayers, along with the rebate of \$58 million from Basic approved by the Board on May 1, 2020, in Order 67/20 following Special Rebate Application I (SRA I).

MPI is now forecasting transfers of \$63.2 million in 2020/21 and \$32.7 million in 2021/22. MPI cited uncertainty around COVID-19 in the decision not to transfer Extension excess retained earnings to Basic in 2019/20. The annual transfers are now forecast to be lower in the forecast period due to expected reduced profitability of Extension after the changes in Basic coverage.

MPI advised that it has no plans to do anything with the Extension excess capital other than transferring it to Basic. MPI considers Extension to be a competitive line of business that is designed to earn profits and expressed the view that it would be reasonable and in the spirit of the CMP to make use of some monies for Extension purposes if the need arose. The Corporation's position was that it has discretion to use profits for other purposes than a transfer to Basic prior to the end of a fiscal year, and that Basic should be self-sustaining but should benefit from excess capital transfers from Extension to the extent possible.

The forecast of Extension Total Equity and the transfers of excess retained earnings to Basic to maintain a 200% MCT for Extension consistent with the CMP are as follows:

Extension Statement of Changes in Equity

EXTENSION (\$ Millions)	2020A	2021F	2022F	2023F	2024F	2025F
		B				
Retained Earnings						
Beginning Balance	105.0	142.9	84.4	95.9	99.0	100.7
Net Income	37.9	56.7	44.3	39.3	41.5	45.8
Premium Rebate	-	(52.0)	-	-	-	-
Transfer to Basic Retained Earnings	-	(63.2)	(32.7)	(36.2)	(39.8)	(42.2)
Total Retained Earnings	142.9	84.4	95.9	99.0	100.7	104.3
Accumulated Other Comprehensive Income	(2.4)	5.3	7.4	9.0	10.5	11.7
Total Equity Balance	140.5	89.7	103.3	108.0	111.2	116.0
Minimum Capital Test						
Extension Total Equity	140.5	89.7	103.3	108.0	111.2	116.0

Less: Assets Requiring 100% Capital	(3.0)	(3.4)	(5.4)	(6.1)	(6.0)	(5.2)
Capital available	137.5	86.3	97.9	101.9	105.2	110.8
Minimum Capital Required (100% MCT)	43.3	43.1	48.9	50.9	52.6	55.4
MCT Ratio %	317.6%	200.2%	200.2%	200.2%	200.0%	200.0%

MPI's position in the Application was that it considers additional rebates to not be desirable. At the time of the hearing, it cautioned the Board to avoid the temptation of seeing a rebate as the best possible solution to deal with this period of uncertainty. MPI expressed that the cost of issuing rebates (of over \$900,000 in postage and printing costs) is another reason that rebates are not preferable.

Notwithstanding this position, following the conclusion of the public hearings, MPI filed SRA II in which it sought Board approval to provide a rebate in the approximate amount of \$69 million from Basic to ratepayers.

4.1 *Intervenors' Positions*

CAC

CAC characterized the following as the philosophical underpinnings of the CMP:

- Recognition that Basic and Extension are intertwined not only in the eyes of the Manitoba public, and not only in the eyes of the business where they enjoy a statutory monopoly on one side and a market dominance on the other, but also in the eyes of MPI and for the purposes of the regulatory process. There is an implicit recognition that Extension's dominance would not exist without Basic.
- Recognition by MPI that excess capital, whether in Extension or Basic, should