
Appendix 2:
Compliance with PUB Order 134/21, Directive 11.15

1. Introduction

1 In Order 134/21, the Public Utilities Board of Manitoba (PUB) ordered, among other
2 things, the following:

3 *11.15. In the 2023 GRA, the Corporation shall bring forward a DSR*
4 *transition plan to manage the required increase in the base rate and*
5 *year-to-year rate dislocation, while moving the DSR vehicle discounts*
6 *and driver premiums to actuarial targets in a timely manner. The*
7 *transition plan shall include:*

8 a. *The methodology for moving rates from current to target and*
9 *whether this approach should be purely actuarial (e.g. equal steps to*
10 *move between current and target rates by DSR level) or include*
11 *other policy considerations (e.g. change DSR discounts more/less*
12 *depending on the size of the overall rate indication applied for each*
13 *year);*

14 b. *Whether capping rules should be applied to limit rate increases*
15 *caused by DSR changes in a given year (e.g. a 5% cap on single*
16 *year movements from DSR);*

17 c. *Whether DSR vehicle discounts and driver premiums should be*
18 *rounded to amounts that can be effectively communicated (e.g. if*
19 *the indicated discount is 21.2% is this amount rounded down to*
20 *21% or up to 22%); and*

21 d. *How to recognize that indicated DSR vehicle discounts will always be*
22 *changing, specifically for (i) the new DSR levels +16 and (ii)*
23 *potential changes in driver behavior as a result of more accurate*
24 *pricing.*

1 Manitoba Public Insurance (MPI) provides the following response to Order 134/21,
2 Directive 11.15:

3 MPI is presently embarking upon the creation of a modernized and more actuarially
4 sound pricing framework utilizing “Generalized Linear Modeling” (GLM), an actuarial
5 pricing technique that is globally accepted and commonly used by insurers.

6 MPI expects significant changes to its calculation methodology and, consequently, to
7 rates (especially on aspects such as DSR discount levels). Given that the change could
8 alter, perhaps substantially, current DSR discount rates, MPI requires an appropriate
9 plan to transition any DSR changes following the results (at least preliminary) of the
10 new pricing framework. Once developed, MPI expects to implement its transition plan
11 over multiple years, noting that premature execution could result in undue rate
12 disruption and instability.

13 MPI therefore requests that the PUB defer its order for presentation of a DSR
14 transition plan pending completion of the GLM pricing framework.