

Attachment A

CAC Manitoba Application to Intervene: MPI 2024/25 General Rate Application

1) Overview

The 2024/25 Manitoba Public Insurance (MPI) General Rate Application (GRA) process will be an essential exercise in accountability for a corporation recovering from leadership upheaval and recent failures to effectively control costs. With MPI now under heightened scrutiny, the 2024 GRA is an important opportunity for both the MPI and its Regulator to ensure a prompt return to the standards required for Basic insurance rates to be just and reasonable and in the public interest.

The Manitoba Branch of the Consumers' Association of Canada (CAC Manitoba) is deeply invested in the effective regulation of MPI for the benefit of Manitoba consumers. CAC Manitoba applies to intervene in the 2024/25 MPI GRA to represent the interests of the Private Passenger Vehicle customer class in this process and ensure that consumers' voices are heard. CAC Manitoba views its primary role as Intervener to be that of assisting the Public Utilities Board (PUB) in setting just and reasonable rates and looks forward to making valuable contributions to the GRA process.

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 customer class. The specific issues that CAC Manitoba intends to canvass in this proceeding include:

- The proposed rate indication, including the accuracy of MPI's claims and expense forecasts and the reliability of the underlying methodologies, and whether the rates proposed by MPI are just and reasonable;
- MPI's proposed new Capital Management Plan, including whether consumers' interests are appropriately balanced against the corporation's financial health in the requirements governing corporation's capital adequacy and the issuance of capital rebates;
- Project Nova, including its projected scope, costs and benefits, the merits of the corporation's plan for implementation, as well as the prudence of the project's management and MPI's related relationships with third-party consultants;

- The prudence of investment portfolio management including the implementation of the recent Asset Liability Management (ALM) study and risk assessment;
- The corporation’s projected operating expenses including budgeted FTEs and corporate budgeting processes; and
- The proposed amendments to and future plans for improving the Driver Safety Rating (DSR) system to correct the actuarial soundness of DSR discounts and surcharges.

Additional issues that CAC Manitoba intends to examine include ratemaking, actuarial assumptions, alternative rate indications, benchmarking, investment performance and forecasts, the vehicles for hire framework, changes to the fleet program, and ongoing developments in MPI’s enterprise risk management.

CAC Manitoba remains in close contact with the representatives of other prospective interveners including the Coalition of Manitoba Motorcycle Groups (CMMG) and the Taxi Coalition. CAC Manitoba intends to continue to work cooperatively with the Board, MPI and all Intervenors to maximize hearing effectiveness and efficiency.

CAC Manitoba also wishes to provide the PUB notice that its intervention will be supported by a Public Utility Working Group. This group, previously referred to as the CAC Manitoba Advisory Panel, has provided valuable input to CAC Manitoba in support of its intervention in both the 2023/24 MPI GRA and the recent 2023/24 & 2024/25 Manitoba Hydro GRA. The exact nature of the Public Utility Working Group’s participation is still being determined. The Group may participate on a “watching brief” alongside CAC Manitoba’s intervention, or, CAC Manitoba may request that the Group be recognized as a joint participant in its intervention.

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 a summary of its proposed legal advisors and consulting experts and how CAC Manitoba will meet the criteria for an award of costs.

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 corporations 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, through a growing network of informed experts and professionals, 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, interviews, and contacts with its network of community groups and organizations working with underrepresented consumers.

There is no written resolution of the Board of Directors of CAC Manitoba supporting the intervention in this proceeding. However, the decision to participate was made by consensus among members of the Board of Directors, which then applied to the Public Interest Law Centre for representation in this process. Following approval of CAC Manitoba's application by Legal Aid

Manitoba, the Board of Directors instructed legal counsel to proceed with this application and participation to in the proceeding in a manner consistent with the organization's 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.

The positions to be taken by CAC Manitoba in this proceeding will be determined by its Board of Directors relying on its understanding of the needs and interests of Manitoba consumers as informed by the sources described above.

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 customers 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 changes to rates and premium discounts are just and reasonable in light of the financial circumstances of MPI and detailed assessment of its current and future risks. 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

¹ An independent office of Legal Aid Manitoba.

of ratepayers; and

- 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 will be directly affected by the Board's decision in this matter, both as a result of the overall rates proposed for 2024/25 as well as other issues which will have long-term impacts on automobile insurance rates in Manitoba, including MPI's Capital Management Plan, the management of its investment portfolio, the implementation of Project Nova, and the evolution of the Driver Safety Rating system.

CAC Manitoba understands the interests of MPI's customers generally and of the private passenger vehicle customer class in particular to be aligned with those of Manitoba consumers more broadly. Advocating for these interests is central to CAC Manitoba's mandate.

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 vehicle customer 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 same group of MPI's customers. 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 draw on its extensive network of stakeholder organizations, academics and consumer advocates through meetings and consultations to inform its submissions and positions. In order to enhance community capacity and its own knowledge.

As noted above, CAC Manitoba also intends to rely on the support of a "Public Utility Working Group", consisting of stakeholder organizations and engaged community members with relevant expertise. This group, previously referred to as the CAC Manitoba Advisory Panel, has provided valuable input to CAC Manitoba in support of its intervention in both the 2023/24 MPI GRA and the

recent 2023/24 & 2024/25 Manitoba Hydro GRA. The exact nature of the Public Utility Working Group's participation is still being determined. The Group may participate on a "watching brief" alongside CAC Manitoba's intervention, or, CAC Manitoba may request that the Group be recognized as a joint participant in its intervention.

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:

For more than 30 years, CAC Manitoba has been active in PUB 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 before 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.

CAC Manitoba is particularly engaged in regulatory matters relating to Manitoba Public Insurance including by intervening in every General Rate Application and Special Rebate application, and by attending each technical conference held by the PUB.

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*, the appropriateness of the Capital Management Plan and deviations from the Plan during the Covid-19 pandemic;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

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; *Public Utilities Board Order 134/21*, p. 42-45; *Order 4/23*, p 53-55.

³ *162-16* p. 7, 59, 61 – 63; *130-17*, p 75-77, 79; *159/18*, p 31-33; *4/23*, p 66.

⁴ *Public Utilities Board Order 176/19*, p. 36-41, 57-61; *134/21*, p. 66-67.

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.

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 and achievement of a fair and effective Driver Rating System.¹¹

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;

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; 4/23, p 111.

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; 134/21, p. 112-113.

¹¹ 162-16, p. 14; 130-17, p 33; *Public Utilities Board Order 1/21*, p. 65-66; 134/21, p. 89; 4/23, p 81-82.

- 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 introduced in the overview to this document, currently, CAC Manitoba intends to focus on the following key issues:

- The proposed rate indication, including the accuracy of MPI's claims and expense forecasts and the reliability of the underlying methodologies, and whether the rates proposed by MPI are just and reasonable;
- MPI's proposed new Capital Management Plan, including whether consumers' interests are appropriately balanced against the corporation's financial health in the requirements governing corporation's capital adequacy and the issuance of capital rebates;
- Project Nova, including its projected scope, costs and benefits, the merits of the corporation's plan for implementation, as well as the prudence of the project's management and MPI's related relationships with third-party consultants;
- The prudence of investment portfolio management including the implementation of the recent Asset Liability Management (ALM) study and risk assessment;
- The corporation's projected operating expenses including budgeted FTEs and corporate budgeting processes; and
- The proposed amendments to and future plans for improving the Driver Safety Rating (DSR) system to correct the actuarial soundness of DSR discounts and surcharges.

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.

Additional issues that CAC Manitoba intends to examine include ratemaking, actuarial assumptions, alternative rate indications, benchmarking, investment performance and forecasts, the vehicles for hire framework, changes to the fleet program, and ongoing developments in MPI's enterprise risk management.

Given the present preliminary stage of the GRA process, this overview of issues is necessarily preliminary.

At the current time, CAC Manitoba does not anticipate calling witnesses or filing independent expert evidence. It reserves the right to seek permission to provide expert evidence after its review of responses to information requests, particularly with regard to the key issues outline above.

CAC Manitoba's team of expert analysts currently includes:

- Mr. Peter Dyck, former MPI controller and regulatory accountant;
- Mr. Valter Viola, investment consultant and Managing Director and Principal at Cortex Consulting;
- Mr. Scott Greenlay, an experienced IT project management consultant whose experience includes eight years as MNP LLP's National Director of Technology Consulting; and
- Ms. Paula Elliot, Mr. Rajesh Sahasrabuddhe, and Mr. Chris Schneider, actuarial consultants with the firm Oliver Wyman Ltd.

The expert team supporting CAC Manitoba is engaged in active discussions on how to efficiently coordinate their respective roles while minimizing costs and duplication. This will partly be achieved through an arrangement with CMMG by which the services of Mr. Viola will be shared, significantly reducing duplication in the time two consultants would otherwise be familiarizing themselves with the same issue.

By assembling an interdisciplinary team and assigning its members distinct responsibilities, CAC Manitoba can efficiently prepare more meaningful contributions to this proceeding than would be possible with fewer consultants providing more general expertise. By assigning each team member a narrow scope of focus that draws on their specific areas of expertise, CAC Manitoba ensures that its participation benefits from in-depth, evidence-based analysis while maintaining efficiency.

The *curricula vitae* of Mr. Dyck, Ms. Elliot, Mr. Sahasrabuddhe, Mr. Schneider, Mr. Viola, and Mr. Greenlay 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 2024/25 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, its opening and closing submissions, and if necessary, evidence and expert testimony. Its intervention will be guided by the PUB's criteria for the consideration of just and reasonable rates, by the interests of Manitoba consumers, and by the PUB's Intervener Costs Policy.

Responsible Participation and Collaboration with Other Interveners

CAC Manitoba will participate in this hearing in a responsible manner and will collaborate with other interveners where possible. On a preliminary basis, 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.

CAC Manitoba is engaged in discussions with other prospective interveners about areas of focus and opportunities for collaboration. Of note is that preliminary plans are in place to share the services of one expert consultant with CMMG as described, which will significantly reduce the time to be spent reviewing MPI's application on behalf of multiple Interveners.

CAC Manitoba also commits on an ongoing basis to ensuring its Information Requests and cross examinations focus specifically on its own priority issues and to not duplicate the inquiries of other parties. Counsel will be meeting regularly

with other Interveners to reduce duplication and align efforts relating to Information Requests and cross-examination.

Notes on CAC Manitoba's Forthcoming Budget Estimate

CAC Manitoba is in the process of developing a detailed budget estimate for its intervention which will be filed with the Board as soon as possible and well in advance of the deadline for detailed costs estimates to be set in the forthcoming procedural order.

The costs estimate will be consistent with past budgets for CAC Manitoba interventions and will reflect efforts to ensure efficiency and minimize duplication, including by assigning each member of its consultant team distinct areas of responsibility for different aspects of the application as discussed above.

Regarding the Oliver Wyman team, Ms. Elliot and Mr. Sahasrabuddhe are senior consultants whose work will be supported by Mr. Schneider, a junior consultant with a lower hourly rate. Where possible to minimize costs, the Oliver Wyman actuaries will also be supported by actuarial analysts with lower hourly rates.

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 intend 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 this time, CAC Manitoba does not anticipate calling witnesses or filing evidence but reserves the right to seek permission to do so after its review of responses to first round information requests. Though not limited to these subjects, should CAC Manitoba identify a need to file expert evidence following first round information requests, it is likely to be in relation to one or more of the following issues:

- ratemaking in accordance with accepted actuarial practice;
- MPI's proposed Capital Management Plan and the associated determinations of capital adequacy using the Minimum Capital test;

- The management of MPI's investment portfolio management, including its Asset Liability Management (ALM) Strategy as informed by the new ALM study, and including the presence and mitigation of inflation risk; and
- Risks and opportunities for Manitoba ratepayers with regard to Project NOVA.

Given the present preliminary stage of this process, this overview of issues is necessarily preliminary.

As in past MPI GRAs, CAC Manitoba also intends to include in its cost estimate a modest budget for consumer engagement in the form of surveys and/or focus groups. Results from consumer engagement has consistently informed CAC Manitoba's participation in regulatory processes and has previously been filed with the PUB as evidence of public perspective on issues before it.