

Order No. 92/19

**MANITOBA PUBLIC INSURANCE CORPORATION (MPI OR THE CORPORATION):
PROCEDURAL ORDER FOR THE 2020/21 GENERAL RATE APPLICATION**

July 5, 2019

**BEFORE: Irene A. Hamilton, Q.C., Panel Chair
Robert Gabor, Q.C., Chair
Robert Vandewater, Member**

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IT IS THEREFORE ORDERED THAT: 23

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Summary

By this Order, the Public Utilities Board of Manitoba (Board) accepts Interveners to the Board's public hearing of the General Rate Application (GRA) of Manitoba Public Insurance Corporation (MPI or Corporation), for the review and approval of base rates and premiums for universal compulsory driver and vehicle insurance to take effect March 1, 2020. The Board also provides Interveners with direction, establishes the Final Issues List, approves the pre-qualification of certain expert witnesses, and establishes a timetable pertaining to the proceeding.

1.0 Introduction

The Board held a Pre-Hearing Conference (PHC) at its offices in Winnipeg on Wednesday, June 27, 2019, for the purposes of:

- Considering applications from prospective interveners ("Interveners") and matters related thereto;
- Considering procedural matters and the issues to be decided by the Board in the GRA, and more particularly, any variations to the Preliminary Issues List approved in Board Order 66/19;
- Hearing requests from prospective Interveners for pre-qualification of expert witnesses; and
- Establishing a timetable for the hearing.

This Order arises from the PHC.

At the PHC, the following exhibits were entered into the record of this proceeding by Board counsel:

1. Notice of Public Hearing and PHC, dated June 22, 2019;
2. The Board's Rules of Practice and Procedure;
3. Proposed hearing timetable;
4. Letter issued by the Board Secretary to MPI and prospective Interveners dated June 20, 2019, with attachments;
5. Letter issued by the Board Secretary to MPI and prospective Interveners dated June 20, 2019, in respect of the process for pre-qualification of expert witnesses; and
6. Letter issued by the Board Secretary to MPI and prospective Interveners dated June 25, 2019, approving the process for the treatment of commercially sensitive information in the 2020 GRA.

At the PHC, the following exhibits were entered into the record of this proceeding by MPI:

1. General Rate Application; and
2. Clean and blacklined versions of the Pro-Formas filed in the GRA, correcting an error in the filing.

The parties seeking Intervener status were asked to:

1. Indicate their constituency and interests;
2. Outline the areas of the GRA that they intend to test;
3. Provide their reasons for requesting Intervener status;

4. Specify their plans to call evidence/witnesses; and
5. Indicate their interest with respect to seeking an award of costs, and, if interest were expressed, to provide a draft budget.

The following parties applied for Intervener status within the GRA proceeding:

- (a) Consumers' Association of Canada (Manitoba) Inc. (CAC), represented in person at the PHC by counsel, Mr. Byron Williams and Ms. Katrine Dilay;
- (b) Coalition of Manitoba Motorcycle Groups Inc. (CMMG), represented in person at the PHC by counsel, Mr. Raymond Oakes, and Ms. Charlotte Meek; and
- (c) Bike Winnipeg (BW), represented in person at the PHC by counsel, Mr. Christian Monnin.

At the PHC, MPI was represented by Mr. Michael Triggs, General Counsel and Corporate Secretary, Mr. Steve Scarfone, MPI Legal Counsel, Mr. Anthony Lafontaine Guerra, MPI Legal Counsel, and Mr. Jeff Crozier, Director of Regulatory Affairs.

In addition to MPI and prospective interveners, the PHC was attended by Mr. Alan Ladyka, Counsel for the Attorney General of Manitoba. Mr. Ladyka appeared to speak to one issue that arose out of Order 66/19, which is a potential challenge to the validity of the Reserves Regulation (Man. Reg. 76/2019). This issue is discussed in further detail later in this Order.

Prior to the filing of the GRA, on May 21, 2019, the Board issued Interim Procedural Order 66/19. The purpose of Order 66/19 was to establish a Preliminary Issues List for the GRA. By letter to MPI dated April 1, 2019, copied to interested parties and prospective interveners, the Board invited MPI and the interested parties and prospective interveners to provide their comments on the scope of the issues, following which Order 66/19 issued. In addition, the Minimum Filing Requirements (MFRs) for the 2020 GRA were provided

to MPI following the issuance of Order 66/19. Of those invited to comment on the scope of the issues, the Board heard from MPI and CAC. The Board held in Order 66/19 that a Final Issues List would be approved by the Board in this Procedural Order.

The Preliminary Issues List approved by the Board in Order 66/19 was as follows:

The following issues will be considered within the scope of the 2020 GRA in the normal course:

- 1. Requested vehicle rate and any changes to other fees and discounts;*
- 2. Rate indication based on accepted actuarial practice in Canada;*
- 3. Compliance with Board Orders 130/17 (Directive 11.23), Order 11/18 (Directive 6.13) and Order 159/18;*
- 4. Financial forecast:*
 - a. financial forecast accuracy (2018/19 forecast versus actual results);*
 - b. changes in projected financial results;*
 - c. update of the interest rate forecast; and*
 - d. support for the use of the interest rate forecast proposed;*
- 5. Corporate Strategic Plan and Annual Business Plan;*
- 6. Changes, if any, to integrated cost allocation methodology;*
- 7. Capital management plan and update of Dynamic Capital Adequacy Testing;*

- a. *Capital rate request based on Man. Reg. 76/2019, the Reserves Regulation;*
 - b. *Should the Reserves Regulation not be lawfully enacted pursuant to The Manitoba Public Insurance Corporation Act, C.C.S.M. c. P215 (MPI Act), target capital analysis and the target Basic total equity threshold levels;*
8. *Performance of the investment portfolio and the composition of i) the portfolio, ii) benchmark portfolio(s) on a market value basis (e.g. asset mix);*
 9. *Cost of operations and cost containment measures;*
 10. *Claims forecasting (including PIPP);*
 11. *Operational benchmarking;*
 12. *Run-off of prior year claims during 2018/19;*
 13. *Risk Assessment and Risk Management; and*
 14. *Other issues that may arise (depending upon the nature and scope of the issue) based on a review of the application.*

The following issues will require more detailed consideration at the 2020 GRA:

15. *Driver Safety Rating (“DSR”), in particular, the progress of MPI's public consultation efforts, its preliminary research on the no or low cost options for rating models, and data collection for the higher cost options;*

16. *Claims experience to date for the Vehicles for Hire (VFH) class;*
17. *Current IT Strategic Plan and IT Expenses and Projects, including the Physical Damage Re-Engineering Project, Legacy Modernization, and other initiatives planned for or ongoing in the rating years;*
18. *Proposed Capital Management Plan, the proposed Basic capital build or release provisions, and the proposed mechanisms for capital transfers from other lines of business, including but not limited to the results of the Capital Management Plan Technical Conference directed in Order 159/18;*
 - a. *Whether the Reserves Regulation is lawfully enacted pursuant to the MPI Act;*
 - b. *Should the Reserves Regulation be determined to be lawfully enacted and relevant for the independent rate-setting process, how MPI's proposed Capital Management Plan can be reconciled with the language of the Reserves Regulation;*
19. *Asset Liability Management Study, including the implementation thereof, comparison to the shadow portfolios directed by the Board in Order 159/18, the disposition of the existing portfolio to fund new investment classes, interest rate risk exposure changes, investment income reporting changes including the allocation methodology for balance sheet, investment income and Investment Policy Statement changes; and*

20. Road Safety, including but not limited to the results of the Road Safety Technical Conference directed by the Board in Order 130/17.

The following issues will be deferred from the 2020 GRA to future applications, or will be the subject of a technical conference or another process:

21. Interest Rate Forecasting (other than update referred to in items 4c and 4d above);

22. Long tail experience from other jurisdictions, in particular, Québec and Saskatchewan; and

23. Integrated Cost Allocation Methodology (other than changes referred to in item 6 above).

Prior to the PHC, on June 20, 2019, the Board issued a letter with respect to both the GRA and processes implemented by the Board, including Minimum Filing Requirements to be followed by MPI, and the scheduling of an Application Overview Workshop. At the Workshop, any variations from the Preliminary Issues List to the Final Issues List proposed by the parties were to be discussed and identified.

By letter dated June 25, 2019, the Board approved and outlined the process for the treatment of commercially sensitive information in this GRA. The process is being followed in this GRA in order to increase the efficiency of the hearings. In summary, MPI will not be required to bring a separate motion under Rule 13 of the Board's Rules of Practice and Procedure for confidential status every time that it files material claimed as such with the Board. Instead, MPI will be required to file a single motion with the Board seeking an order for confidentiality once it has filed all of the material for the 2020 GRA that it claims as confidential. The Board expects this motion will be filed following the filing

of the second round of Information Request Responses. Prior to then, when MPI files material claimed as confidential with the Board, it will also provide copies of that material to Interveners and Board Advisors who have executed undertakings of confidentiality and confidentiality agreements, in forms previously approved by the Board. Publically-available information will be redacted by MPI to prevent the release of confidential information.

2.0 Applications for Intervener Status

2.1 CAC

CAC is a volunteer, non-profit independent organization, which represents the interests of consumers in Manitoba and aims to protect and reconcile the interests of all MPI consumers, with a particular emphasis on the private passenger class. CAC intends to present an evidence-based intervention guided by a principled consideration of the consumer interest.

The areas in which CAC advised it intends to test the evidence of MPI include, among others:

- The appropriateness of the 0.1% requested overall rate increase;
- Ratemaking in accordance with Accepted Actuarial Practice;
- The methodology and appropriateness of the proposed Capital Management Plan;
- The various operating, capital, revenue, claims and investment income forecasts;

- The reasonableness and justifications for MPI's operating, maintenance and administration costs, including operating and claims expenses, staffing, and cost containment;
- Road safety and loss prevention, including follow-up on issues discussed at the Road Safety Technical Conference in April 2019;
- MPI's Information Technology projects, including the Legacy Systems Modernization, and the impact of current IT projects on MPI's relationship with insurance brokers as well as the impact of any future changes to agreements with brokers, and commissions paid to brokers;
- Issues related to MPI's investment portfolio;
- The Rate Stabilization Reserve (RSR) and the Reserves Regulation, including whether the Reserves Regulation is lawfully enacted, and the appropriate capital structure and regulatory principles with respect to the purpose of reserves for Crown corporations;
- Claims experience to date for Vehicles for Hire; and
- Issues related to the Driver Safety Rating.

CAC advised that it intends to appear throughout the hearing, to participate in the production of evidence, to participate in the testing of evidence, and to present final argument. CAC advised that it intends to call John Todd, in collaboration with Dr. Wayne Simpson or Ms. Andrea Sherry, to give evidence on the issue of the appropriate capital structure and regulatory principles regarding the purpose of reserves, as well as the relationship between regulated and non-regulated lines of business and the appropriate level for the RSR.

CAC advised that it will seek a costs award for its participation in the GRA as well as in the Road Safety Technical Conference and Capital Management Plan Technical Conference, both held in April 2019.

2.2 CMMG

CMMG appeared at the PHC and requested an opportunity to provide its submissions in writing to the Board following the PHC, which the Board permitted. CMMG provided its written submissions to the Board on June 28, 2019. MPI provided written submissions to the Board in reply on July 2, 2019.

CMMG is a volunteer, non-profit organization, which has appeared before the Board since 1992. CMMG has approximately 200 formal members but also enjoys wide support amongst social media followers and others in the community.

CMMG stated that it intends to critically examine and test MPI policies, actuarial standards and methodologies, and suggest improvements in insurance products and road safety programs and expenditures. CMMG indicated that it intends to examine the following issues:

- Capital Management Plan;
- Setting and calculation of reserves;
- Investment income;
- Rate-setting methodology;
- Actual v. forecast loss experience; and
- Road safety investment and projects.

CMMG advised that it intends to appear throughout the hearing, to participate in the testing of evidence and cross-examination, but will not be calling any witnesses. CMMG indicated that it intends to seek a costs award.

2.3 BW

BW is a not-for-profit organization which seeks to intervene in the GRA to build upon its contribution to the GRAs in previous years. BW advised it also intends to build upon its recent participation in the Road Safety Technical Conference in April 2019.

BW indicated that it wishes to assist the Board in critically evaluating the Loss Prevention and Road Safety sections of the GRA, by testing the evidence and raising issues of concern and interest to vulnerable road users, which include, but are not limited to cyclists (and to Manitobans generally). BW seeks approval to intervene on the following issues:

- The optimum size of MPI's road safety and/or loss prevention budget and whether it is sufficient to enable a significant reduction in the costs to MPI of injuries to vulnerable road users in the short term and long term. This includes, but is not limited to, ensuring that MPI's road safety and/or loss prevention budget is sufficient to meet MPI's mandate to ensure an adequate standard of driver knowledge;
- The adequacy of MPI's road safety program with respect to the fatal and severe injury of vulnerable road users;
- The quality and clarity of MPI's data collection, analysis and accessibility, regarding collisions involving vulnerable road users generally, and particularly in comparison to transportation safety programs from other local, national and international entities and jurisdictions; and

- To assist the Board in understanding and considering the issues and matters flowing from and addressed within the Technical Conference Summary Report contained in the GRA.

BW advised that it intends to appear throughout the hearing, to test the evidence and make submissions, and intends to seek an award of costs.

2.4 MPI

MPI did not take issue with the applications for intervention of CAC, CMMG, or BW.

MPI did, however, comment that the issue of road safety need not be reviewed in detail in the public hearings in this GRA, which would have the effect of limiting BW's participation in the GRA.

3.0 Preliminary Issues List and Procedural Matters

MPI and the prospective Interveners provided comments on the Preliminary Issues List.

The main focus of the comments on the Preliminary Issues List was on Issues 7 and 18, which address the Reserves Regulation (Man. Reg. 76/2019). As noted by the Board in Order 66/19, the Reserves Regulation was registered on April 12, 2019. Sections 1 and 2 of the Reserves Regulation provide as follows:

Purpose

1 This regulation sets out the manner of determining the amount to be maintained by the corporation in its reserves for the purposes of the Act and restricts the use of any surplus reserve funds.

Amount to be held in reserves

2 For the purpose of section 18 of the Act, the minimum amount the corporation must maintain

- (a) in its rate stabilization reserve is the amount determined using a MCT ratio of 100%;
- (b) in its extension reserve is the amount determined using a MCT ratio of 200%; and
- (c) in its special risk extension reserve is the amount determined using a MCT ratio of 300%.

At the PHC, the Board was advised that MPI and CAC had come to an agreement that Issues 7 and 18 should be changed, by Issue 7.b. being removed from the list, and its content being subsumed in a revised Issue 18. The revised wording proposed by MPI and CAC for Issue 18 was as follows:

18. Proposed Capital Management Plan, the proposed Basic capital build or release provisions, and the proposed mechanisms for capital transfers from other lines of business, including but not limited to the results of the Capital Management Plan Technical Conference directed in Order 159/18;

In the event that notice is provided to the Attorneys General of Manitoba and Canada pursuant to *The Constitutional Questions Act*.

- a. Is the Reserves Regulation invalid;

If the Reserves Regulation is not determined to be invalid:

- b. Must the Board ensure that approved rates for service comply with it;

If compliance is not required:

- c. does it remain a relevant factor to be considered when setting rates for service;

If compliance is required:

d. does the Proposed Capital Management Plan comply with the Reserves Regulation;

If the Reserves Regulation is determined to be invalid:

e. target capital analysis and the target Basic total equity threshold levels.

Notwithstanding its agreement on this wording, MPI took the position that some elements of Issue 18 (with the exception of those related to the Capital Management Plan) be struck as premature because CAC had not yet provided the Attorneys General of Manitoba and Canada with notice of the issues related to the validity of the Reserves Regulation, as required under *The Constitutional Questions Act*, C.C.S.M. c. C180. Subsection 7(3) of that Act states that where the validity of a regulation is challenged other than on a question of constitutional validity or applicability, the regulation shall not be held to be invalid until the Attorneys General of Manitoba and Canada have been served with notice of the challenge and have been heard, if they desire to be heard. Notice is to be given no later than 30 days before the date fixed for the hearing of argument.

MPI also took the position that two other issues should not be the subject of examination in this GRA:

- MPI argued that *viva voce* evidence would not be required on Issue 20, Road Safety, given that this issue was fully canvassed at a Technical Conference which took place in April of 2019, as required by the Board in Order 130/17. MPI took the position that the issue could be fully examined through the first and second rounds of Information Requests; and

- Issue 19, which refers to MPI's Asset Liability Management Study, contains a reference to shadow portfolios which the Board directed MPI to undertake in Board Order 159/18. MPI took the position that the reference to shadow portfolios should be removed, as the shadow portfolios should only be considered in terms of whether MPI complied with Order 159/18.

CAC did not propose any variations from the Preliminary Issues List other than those related to Issues 7 and 18. CAC advised that it intends to comply with the notice requirements of *The Constitutional Questions Act* for those aspects of Issue 18 that relate to the validity of the Reserves Regulation, which would be Issues 18.a. and 18.e.

CAC took the position that Issue 20, Road Safety, ought to remain as part of the Final Issues List, as there were issues reviewed and recommendations made by CAC in the Technical Conference, which require follow up. The issues to be reviewed in the context of Issue 20 have been streamlined as a result of the Technical Conference, but they remain relevant for the GRA. With respect to Issue 19, CAC advised that it intends to examine the appropriateness of the methodology used in the shadow portfolios, which CAC understood were directed by the Board in order to provide a benchmark against which MPI's investment portfolio could be assessed. Accordingly, CAC opposed the change to Issue 19 proposed by MPI.

CMMG did not propose any variations from the Preliminary Issues List to the Final Issues List, although the focus of its intervention would not cover all of the issues. CMMG took the position that Issue 20, Road Safety, remains an important area of inquiry in this GRA.

BW opposed limiting Issue 20 to Information Requests only, taking the position that it would be procedurally unfair to prevent the issue from being examined in the public hearings. Further, the Technical Conference was not intended to be the only forum in which road safety would be examined; rather, it was to be a supplement to the GRA.

4.0 Pre-Qualification of Expert Witnesses

At the PHC, the Board employed its process for the pre-qualification of expert witnesses. The process was as follows:

1. The party intending to call an expert witness in the GRA hearings provided notice to the Board of the intention to have the witness qualified, and provided the *curriculum vitae* of the witness to the Board, along with the proposed area(s) of qualification.
2. At the PHC, the party seeking pre-qualification made submissions to the Board as to the qualifications of the witness and made the request for pre-qualification. The witness was not called to be examined on his or her qualifications.
3. The other parties were canvassed as to their positions on the request for pre-qualification.

4.1 MPI

MPI did not request pre-qualification of any expert witnesses.

4.2 CAC

CAC requested pre-qualification of three expert witnesses:

- Dr. Wayne Simpson: Dr. Simpson is a Professor of Economics at the University of Manitoba. CAC requested that he be pre-qualified as an expert in applied econometrics, applied microeconomics, and quantitative methods. Dr. Simpson has been qualified as an expert witness in previous hearings before the Board.

- Andrea Sherry: Ms. Sherry is Vice-President, Insurance Solutions with The Wawanesa Mutual Insurance Company. CAC requested that she be pre-qualified as an expert in actuarial analysis with a particular focus on pricing, rate-making, and risk related to automobile insurers generally, including Crown-owned automobile insurers. Ms. Sherry has been qualified as an expert witness in previous GRA hearings.
- John Todd: Mr. Todd is the founder of Elenchus Research Associates Inc., and holds a Masters in Business Administration in Economics and Management Science from the University of Toronto. CAC requested that he be qualified as an expert in regulatory principles and regulatory methodology, generally, as well as regulatory principles and regulatory methodology as they relate to Crown corporations and their ratepayers, specifically, including issues related to risk, capitalization, reserves and the relationships between regulated and un-regulated lines of business. Mr. Todd has appeared as an expert witness in hearings before the Board, including previous GRAs, as well as before the Ontario Energy Board.

MPI did not raise any objections to the pre-qualification of Dr. Wayne Simpson or Andrea Sherry. MPI did indicate that it was not prepared to agree to the qualifications of John Todd and wished to take the opportunity to cross-examine him on his qualifications in the public hearings.

5.0 Board Comments and Decisions

After considering all of the submissions with respect to Intervener applications, the Board grants Intervener status to each of CAC, CMMG and BW.

The scope of the intervention granted to BW is to assist the Board in critically evaluating and understanding:

- The optimum size of MPI's road safety and/or loss prevention budget and whether it is sufficient to enable a significant reduction in the costs to MPI of injuries to vulnerable road users in the short term and long term. This includes, but is not limited to, ensuring that MPI's road safety and/or loss prevention budget is sufficient to meet MPI's mandate to ensure an adequate standard of driver knowledge;
- The adequacy of MPI's road safety program with respect to the fatal and severe injury of vulnerable road users;
- The quality and clarity of MPI's data collection, analysis and accessibility, regarding collisions involving vulnerable road users generally, and particularly in comparison to transportation safety programs from other local, national and international entities and jurisdictions; and
- The issues and matters flowing from and addressed within the Road Safety Technical Conference Summary Report contained in the GRA.

As always, the Board expects a high degree of co-operation among all Interveners and with Board counsel to avoid duplication and restrain regulatory costs.

Attached to this Order as **Schedule "A"** is the rate sheet by which Board counsel and counsel for the Interveners shall have their rates set, according to years of seniority at the Bar.

With respect to applications for costs by approved Interveners, the Board issued a new Intervener Cost Policy effective September 28, 2018. In accordance with the procedures in the Policy at Section 9.0, approved interveners must file detailed cost estimates, which follow the requirements of the Policy, with the Board no later than July 19, 2019. Board

staff may provide comments on cost estimates but these are not binding and Board approval will only be granted when it determines the cost awards applications after the hearing.

Intervenors should review the Policy and Part IV - Awarding Costs of the Board under the Board's Rules of Practice and Procedures that can be found on the Board web site.

With respect to the Final Issues List, the Board has taken into consideration the submissions made by MPI and the Intervenors. The Board accepts the change to the wording of Issues 7 and 18 as agreed by MPI and CAC. The Board does not accept MPI's request that those aspects of Issue 18 that relate to the validity of the Reserves Regulation not be included in the Final Issues List, as it is premature to do so. First, the wording of Issue 18 makes clear that 18.a. and 18.e. are predicated on the requisite notice being provided to the Attorneys General of Manitoba and Canada. The Board is aware of the notice requirements in *The Constitutional Questions Act* and will only proceed to decide these issues if notice is given and the Attorneys General have been heard, should they wish to be. Further, at the PHC, CAC indicated its intention to give notice within the time required by the legislation. Mr. Ladyka, appearing for the Attorney General of Manitoba, commented that it would benefit all parties if as much notice as possible is given, although the requirements of the legislation are that notice be given at least 30 days before the date fixed for hearing of arguments. Issues 18.a. and 18.e. should be included on the Final Issues List in anticipation of such notice being given, in order that the record is fully developed by the time the Board hears argument on these issues.

Aside from the change to the wording of Issues 7 and 18, no further changes shall be made to the Final Issues List. The issue of road safety was deferred from the 2019 GRA given the anticipated Technical Conference, which took place on April 4-5, 2019. The Board intended the Conference would serve to provide a common baseline of knowledge among the Intervenors as to MPI's road safety efforts since the 2017 GRA, as well as

streamline the areas of focus in this GRA. It was not the Board's intention that the Technical Conference, which is a non-binding process, would replace an examination of the issue of road safety in this GRA. The Board intends to fully review and consider road safety in this GRA, including any recommendations arising out of the Technical Conference.

With respect to the inclusion of the shadow portfolios in Issue 19, the Board notes that in Order 159/18 it commented that MPI may have foregone an opportunity to hedge against long-term risks by rejecting Real Return Bonds and reducing real assets in its new portfolio. The shadow portfolios were to be run, and then evaluated against the portfolios selected by the Corporation. Therefore, a review of the shadow portfolios should not be limited only to whether MPI complied with Order 159/18 in running them, as MPI proposed.

The Board has reviewed and considered the qualifications of the proposed expert witnesses put forward by CAC. The Board accepts that Dr. Wayne Simpson and Ms. Andrea Sherry are qualified as experts on the terms as proposed by CAC respectively. Therefore, the Board will not require that they be examined on their expertise should they be called to testify in the public hearings.

With respect to the request by CAC for pre-qualification of Mr. John Todd, the Board acknowledges MPI's objection to pre-qualification. In accordance with the Board's process, Mr. Todd will not be qualified at this time and the issue is deferred to the public hearings, where Mr. Todd will be subject to cross-examination on his qualifications.

5.1 Timetable

The timetable approved by the Board is attached hereto as **Schedule "B"**.

The Board has set as hearing dates with respect to the GRA the following: October 7 - 8 and 10 - 11, 2019, October 15 - 18, 2019, and October 21 - 25, 2019 (a total of 13 hearing

days). It is the Board's expectation that some of these hearing dates may not be utilized, but all days are reserved to permit flexibility in scheduling.

Attached hereto as **Schedule "C"** are the procedures to be followed over the course of the GRA process, and attached hereto as **Schedule "D"** is the Information Request template to be utilized by all parties to the GRA. As provided for within the template, the party submitting an Information Request must reflect the rationale for the question. Similarly, and as also provided for within the template, should a full or partial answer be refused, the party refusing to answer or fully answer the question must reflect the rationale for the refusal.

IT IS THEREFORE ORDERED THAT:

1. Interveners to the hearing shall be:
 - (a) Consumers' Association of Canada (Manitoba) Inc. (CAC);
 - (b) Coalition of Manitoba Motorcycles Groups Inc. (CMMG); and
 - (c) Bike Winnipeg (BW).
2. The Final Issues List for the GRA shall be as follows:

The following issues will be considered within the scope of the 2020 GRA in the normal course:

1. Requested vehicle rate and any changes to other fees and discounts;
2. Rate indication based on accepted actuarial practice in Canada;

3. Compliance with Board Orders 130/17 (Directive 11.23), Order 11/18 (Directive 6.13) and Order 159/18;
4. Financial forecast:
 - a. financial forecast accuracy (2018/19 forecast versus actual results);
 - b. changes in projected financial results;
 - c. update of the interest rate forecast; and
 - d. support for the use of the interest rate forecast proposed;
5. Corporate Strategic Plan and Annual Business Plan;
6. Changes, if any, to integrated cost allocation methodology;
7. Capital management plan and update of Dynamic Capital Adequacy Testing;
 - a. Capital rate request based on Man. Reg. 76/2019, the Reserves Regulation;
8. Performance of the investment portfolio and the composition of i) the portfolio, ii) benchmark portfolio(s) on a market value basis (e.g. asset mix);
9. Cost of operations and cost containment measures;
10. Claims forecasting (including PIPP);
11. Operational benchmarking;
12. Run-off of prior year claims during 2018/19;

13. Risk Assessment and Risk Management; and
14. Other issues that may arise (depending upon the nature and scope of the issue) based on a review of the application.

The following issues will require more detailed consideration at the 2020 GRA:

15. Driver Safety Rating (“DSR”), in particular, the progress of MPI's public consultation efforts, its preliminary research on the no or low cost options for rating models, and data collection for the higher cost options;
16. Claims experience to date for the Vehicles for Hire (VFH) class;
17. Current IT Strategic Plan and IT Expenses and Projects, including the Physical Damage Re-Engineering Project, Legacy Modernization, and other initiatives planned for or ongoing in the rating years;
18. Proposed Capital Management Plan, the proposed Basic capital build or release provisions, and the proposed mechanisms for capital transfers from other lines of business, including but not limited to the results of the Capital Management Plan Technical Conference directed in Order 159/18;

In the event that notice is provided to the Attorneys General of Manitoba and Canada pursuant to *The Constitutional Questions Act*:

- a. Is the Reserves Regulation invalid;

If the Reserves Regulation is not determined to be invalid:

- b. Must the Board ensure that approved rates for service comply with it;

If compliance is not required:

c. does it remain a relevant factor to be considered when setting rates for service;

If compliance is required:

d. does the Proposed Capital Management Plan comply with the Reserves Regulation;

If the Reserves Regulation is determined to be invalid:

e. target capital analysis and the target Basic total equity threshold levels.

19. Asset Liability Management Study, including the implementation thereof, comparison to the shadow portfolios directed by the Board in Order 159/18, the disposition of the existing portfolio to fund new investment classes, interest rate risk exposure changes, investment income reporting changes including the allocation methodology for balance sheet, investment income and Investment Policy Statement changes; and
20. Road Safety, including but not limited to the results of the Road Safety Technical Conference directed by the Board in Order 130/17.

The following issues will be deferred from the 2020 GRA to future applications, or will be the subject of a technical conference or another process:

21. Interest Rate Forecasting (other than update referred to in items 4c and 4d above);

22. Long tail experience from other jurisdictions, in particular, Québec and Saskatchewan; and
23. Integrated Cost Allocation Methodology (other than changes referred to in item 6 above).
24. **Schedule "B"**, as attached, shall be the timetable for the orderly exchange of information by the participating parties.
25. **Schedule "C"**, as attached, shall apply with respect to the hearing of the GRA.

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure (Rules). The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Irene A. Hamilton, Q.C."
Panel Chair

"Darren Christle, PhD, CCLP, P.Log., MCIT"
Secretary

Certified a true copy of Order 92/19
issued by the Public Utilities Board


Secretary

SCHEDULE "A"**PUBLIC UTILITIES BOARD OF MANITOBA****RATE STRUCTURE****(Effective as of May 14, 2019)****LEGAL COUNSEL:**

20 or more years of relevant experience	Up to \$300/hr
15-19 years	Up to \$255/hr
10-14 years	Up to \$200/hr
5-9 years	Up to \$150/hr
Base rate (new lawyer)	Up to \$105/hr

ACCOUNTANTS:

20 or more years of relevant experience	Up to \$255/hr
15-19 years	Up to \$215/hr

10-14 years	Up to \$180/hr
5-9 years	Up to \$145/hr
Base rate (new accountant)	Up to \$105/hr

ENGINEERING SERVICES:

20 or more years of relevant experience	Up to \$210/hr
15-19 years	Up to \$185/hr
10-14 years	Up to \$160/hr
5-9 years	Up to \$135/hr
Base rate (new engineer)	Up to \$105/hr

SCHEDULE "B"

ITEM	2019 DATES	Day of the Week	2019 Elapsed Working Days
1. Application filed and served	June 20, 2019	Thursday	0
2. Notice of Public hearing to be published	June 22, 2019	Saturday	1
3. PUB Issues Workshop	June 24, 2019	Monday	3
4. Interveners complete Registration	June 25, 2019	Tuesday	4
5. Pre-hearing Conference	June 27, 2019	Thursday	6
6. Procedural Order Issued	July 05, 2018	Friday	10
7. Round One Information Requests Filed	July 15, 2019	Monday	15
8. Round One Information Responses Filed	August 12, 2019	Monday	34
9. Parties to file motions on Round One IRs	August 15, 2019	Thursday	37
10. Board to hear motions	August 20, 2019	Tuesday	40
11. Round Two Information Requests Filed	August 26, 2019	Monday	44
12. Reminder Notice of Public Hearing Published	September 07, 2019	Saturday	53

13. Round Two Information Responses	September 13, 2019	Friday	57
14. Parties to File any Motions	September 17, 2019	Tuesday	59
15. Meeting of Legal Counsel	September 17, 2019	Tuesday	59
16. Board to Hear any Motions	September 20, 2019	Friday	62
17. Interveners to file pre-filed testimony to all parties	September 20, 2019	Friday	62
18. Information Requests on Intervener Evidence	September 26, 2019	Thursday	66
19. Interveners Information Responses	October 1, 2019	Tuesday	69
20. MPI Rebuttal Evidence	October 4, 2019	Friday	73
21. Hearing commences	October 7 to 10 to 11	Monday to Tuesday, Thursday to Friday	4 days
	October 15 to 18	Tuesday to Friday	4 days
	October 21 to 25	Monday to Friday	5 days
Board Issues Order	December 2, 2019		

SCHEDULE "C"

PROCEDURES TO BE FOLLOWED AT THE MANITOBA PUBLIC INSURANCE CORPORATION

2020 RATE APPLICATION

1. Hearing and Rural Meetings:
 - (a) Winnipeg hearing will be held at the Board's office, 4th Floor, 330 Portage Avenue, Winnipeg, commencing on October 7, 2019 at 9:00 a.m. and continuing thereafter as necessary.
 - (b) Rural Meetings (if necessary) – time, location and place to be identified.

2. Hearing Times Each Day:

9:00 a.m. to 12:00 Noon

1:15 p.m. to 4:00 p.m.

(amendments may be made by the Board at the hearing)

3. Assigned Sittings:

Presenters will be heard commencing at 1:15 p.m. on Monday, October 7, 2019 and continuing that day as necessary.

4. Opening Statements by Board Counsel, Counsel for MPI and Counsel or representatives of registered Interveners.

5. (a) MPI to file its application and supporting evidence.
(b) MPI to introduce witnesses. Board counsel and Interveners to cross-examine the Corporation's witnesses (order to be determined).
6. (a) Leading of testimony by witnesses for Interveners, if any, will be in alphabetical order by name of Interveners and updated as necessary.
(b) Witnesses to be available for cross-examination by all parties following each presentation.
7. All information requests are to be filed in the prescribed form (attached hereto as **Schedule "D"**) and responded to using the prefixes as assigned by the Board when Interveners are registered (set out in the body of the Order). The party requesting information is to use firstly their prefix followed by the prefix of the party being asked e.g. PUB/MPI, etc. Interrogatories are to be numbered sequentially through 1st and 2nd rounds, e.g. PUB/MPI 1-3, PUB/MPI 2-7.
8. All pre-filed evidentiary material to be filed at the commencement of the hearing by Board Counsel using assigned prefixes.
9. All witnesses to highlight their evidence.
10. All witnesses to be sworn or affirmed.
11. Daily transcripts will be available at no charge on the PUB web site (www.pub.gov.mb.ca).
12. It is the Board's request that all motions be dealt with pursuant to the Board's Timetable.

13. The Board's Rules of Practice and Procedure (available on the Board's website) dealing with the awarding of costs will apply to all matters before the Board.
14. The Board indicates its willingness to be available for any problems that may arise during the exchange of information at any time, such time to be arranged through Board Counsel.
15. Seven (7) paper copies of material are to be submitted to the Board's offices and three (3) copies are to be submitted to Board Counsel at the following address:

Attention:

Kathleen McCandless and Robert Watchman, Pitblado LLP, 2500 – 360 Main Street, Winnipeg, MB R3C 4H6.
16. Electronic copies of all material including the evidence of parties, are required to be submitted to the Board's e-mail address: publicutilities@gov.mb.ca. Where schedules or other attachments accompany an electronic file, that filing must be discrete and include only the item and schedules to which each refers. The electronic files shall be named in accordance with their parties prefix as per #7. All electronic filings shall be in Adobe Acrobat format, with protection securities allowing printing, content copying, content copying for accessibility and page extraction.

SCHEDULE "D"

INFORMATION REQUEST TEMPLATE

Manitoba Public Insurance 2020/21 General Rate Application

Optional Applicant Logo

XXX/XXX X-X

Part and Chapter:		Page No.:	
PUB Approved Issue No.:			
Topic:			
Subtopic:			

PREAMBLE TO IR (IF ANY):

QUESTION:

RATIONALE FOR QUESTION:

RESPONSE:

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION: