

Order No. 146/20

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

SUMMARY ORDER RE: RATES FOR 2021/2022 INSURANCE YEAR

December 16, 2020

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

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1.0 BACKGROUND

On June 17, 2020, the Corporation filed with the Board the 2021 General Rate Application (GRA or Application) seeking approval of premiums for universal compulsory automobile insurance (Basic), commencing April 1, 2021 and ending March 31, 2022.

The Application as filed sought a rate decrease of -10.5% on a provisional basis, to be updated following the conclusion of MPI's second quarter at August 31, 2020. MPI filed its update with the Board on October 9, 2020, in which the provisional rate request was updated to a final rate request of -8.8%, comprised of:

- a 3.0% decrease resulting from changes to the *Automobile Insurance Coverage Regulation*, M.R. 290/88R;
- a 0.8% decrease in the break-even cost of Basic vehicle premiums; and
- a 5.0% capital release, in accordance with the Capital Management Plan approved by the Board in Order 176/19.

After the filing of the Application, and following the Pre-Hearing conference, by Order 88/20 dated July 6, 2020 the Board approved the Issues List on a final basis, and granted intervenor status to the following parties:

- Consumers' Association of Canada (Manitoba) Inc. (CAC);
- Coalition of Manitoba Motorcycle Groups (CMMG); and
- Duffy's Taxi Ltd. and Unicity Taxi Ltd. (Taxi Coalition).

Ten days of public hearings took place, during which the Board heard evidence from witnesses appearing on behalf of MPI and the Taxi Coalition. The Board also received submissions from presenters, both by teleconference and in writing. The public hearings began on October 19, 2020, and concluded on November 5, 2020.

Following the conclusion of the public hearings, on November 27, 2020, MPI filed 2021 Special Rebate Application II (SRA II), seeking Board approval for a rebate in the approximate amount of \$69 million to ratepayers, to be delivered by December 23, 2020 or as soon thereafter as reasonably practicable. This coincided with MPI providing the Board with a copy of the recently ratified agreement between MPI and Insurance Brokers Association of Manitoba setting out commission rates payable by MPI to brokers for a five-year period beginning April 1, 2021 and ending March 31, 2026 (IBAM agreement).

On November 30, 2020, the Board wrote to MPI that given the SRA II and the IBAM agreement, the Board was concerned that its decisions in respect of the GRA might be based on outdated evidence. The Board required that MPI file sworn information showing the impact, if any, of the changes to broker commissions and the SRA II (if granted), on the rate request in the GRA. As a result, any Order for the GRA would be held in abeyance until such time as the information is received. Upon receipt, the Board would determine if any further steps or processes are required.

On December 2, 2020, MPI advised the Board in reply that the rebate requested in SRA II would not affect the rate indication for the GRA, nor would the IBAM agreement materially affect the GRA forecast. The Board invited CAC, CMMG and the Taxi Coalition to provide written comments in reply. CAC advised that it was in agreement with MPI that the changes to broker commissions were unlikely to materially affect submissions or deliberations. Neither CMMG nor the Taxi Coalition took any position in that regard.

2.0 BOARD FINDINGS

The Timetable approved by the Board in Order 88/20 anticipated that the Board would issue its Order by December 14, 2020. Due to the intervening events in late November (and in particular the SRA II, which required an expedited process and decision), the Board hereby provides this Order on the approved rates only for the 2021/2022 insurance year. The Board will issue a supplemental Order with reasons in due course, which will also address all issues and directives in the GRA.

The Board has taken into account MPI's letter of December 2, 2020 and the Intervener replies, and finds that no further evidence or proceedings are required in order for it to decide all issues in the GRA.

The Board has also considered all of the evidence filed and submissions made in the GRA and finds that it is just and reasonable to approve the overall -8.8% rate decrease requested by the Corporation.

With respect to the Passenger Vehicle For Hire (VFH) Major Class, the Board finds that a rate increase of 20% is just and reasonable at this time, taking into account the overall rate increase cap of plus or minus 20% established in Board Order 148/04. In addition, there shall be successive 20% rate increases in the next two General Rate Applications (GRAs), subject to the Board's ability to vary such increases based upon the experience filed within those GRAs and as the Passenger VFH rates approach actuarially indicated break-even rates. The evidence in the GRA established that there is significant cross-subsidization in the Passenger VFH Major Class and there is patent unfairness to the Taxi VFH classification, which must be remedied.

3.0 IT IS THEREFORE ORDERED THAT:

1. There shall be an overall -8.8% rate decrease in compulsory vehicle insurance premiums for the 2021/22 insurance year, effective April 1, 2021, for all major classes combined, which rate decrease BE AND IS HEREBY APPROVED. This rate decrease is as derived in accordance with Accepted Actuarial Practice in Canada, based on a Naïve interest rate forecast taking into account interest rates as at August 31, 2020.
2. There shall be a rate increase of 20% from current rates for the Passenger Vehicle For Hire (VFH) category, with appropriate off-balance applied to the remainder of the Private Passenger Major Class, which rate increase BE AND IS HEREBY APPROVED.
3. There shall be consecutive rate increases of 20% for the Passenger VFH Major Class in the 2022/2023 and 2023/2024 General Rate Applications (GRAs), subject to the Board's ability to vary such increases based upon the experience filed within those GRAs and as the Passenger VFH rates approach actuarially indicated break-even rates.
4. The use of separate loss development factors for Serious and Non-Serious Losses shall be removed from the calculation of the Motorcycle Major Class rate indications for the 2021/22 insurance year.
5. The Corporation's request that there be no changes to miscellaneous permits and certificates, the Driver Safety Rating system, vehicle premium discounts, service and transaction fees, or fleet rebates and surcharges BE AND IS HEREBY APPROVED.
6. The Corporation shall file for approval by the Board, within five (5) business days from the date of this Order or such other time as may be agreed to by the Corporation and the Board, a table of indicated rate changes and approved rate changes (i.e., after capping and rebalancing) by Major Class (and overall) reflecting the overall approved -8.8% rate decrease.

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. 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 146/20
issued by the Public Utilities Board



Secretary