

Order No. 6/20

**MANITOBA PUBLIC INSURANCE CORPORATION (MPI OR THE CORPORATION):
COMPULSORY 2020/2021 DRIVER AND VEHICLE INSURANCE PREMIUMS
AND OTHER MATTERS**

APPLICATION FOR REVIEW AND VARIANCE OF ORDER 176/19

January 21, 2020

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

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1. BACKGROUND

On December 3, 2019, the Public Utilities Board (Board) issued Order No. 176/19 with respect to the General Rate Application (GRA) of Manitoba Public Insurance (MPI or the Corporation) for rates and premiums for compulsory vehicle insurance and driver insurance premiums effective March 1, 2020.

In the Order, the Board ordered an overall 0.6% rate decrease in compulsory Motor Vehicle Premiums for the 2020/21 insurance year, effective March 1, 2020, for all major classes combined. The Board also issued a number of other directives, including directives related to certain aspects of MPI's Information Technology expenditures, and the Driver Safety Rating (DSR) system.

2. MPI POSITION

On December 31, 2019, MPI made a written application to the Board for the review and variance of certain directives in Order 176/19. The directives which are the subject of the application for review and variance are as follows:

13.7 With respect to the Driver Safety (DSR) system, the Corporation shall:

(a) File information in the 2021 GRA as to which rating model it intends to proceed with;

...

13.10 The Corporation shall meet with the Board Advisors on a date to be agreed, but no later than six (6) months prior to the filing of the 2021 GRA, wherein the Corporation will provide the Board with an update on the following Information Technology (IT) initiatives:

- (a) Project Nova, including an update on all aspects of the project including but not limited to resourcing, training, component progress, budget and prototypes;
- (b) IT staffing and consultant strategy and progress towards reduction;
- (c) IT Strategy;
- (d) Progress on IT Information Security, IT Risk Management Process, IT Technology Risk Management, and Enterprise Architecture;
- (e) Agile implementation, training, key performance indicators and overall progress within the Corporation, and discussion of an additional pilot project using Agile;
- (f) Physical Damage Re-Engineering;
- (g) High School Driver Education Redevelopment;
- (h) Credit Card Strategy and related PCI DSS;
- (i) BI³/Fineos; and
- (j) Finance Re-Engineering.

2.1. MPI Position on Directive 13.7(a)

MPI stated that Directive 13.7(a) presents a compliance challenge, because changes to the DSR involve some decisions and processes which are outside the control of MPI.

According to MPI, there is a public policy component to the DSR. In particular, the rating system is used as a deterrent for *Criminal Code* offences and *Highway Traffic Act* (HTA) infractions. Further, changes to the charge for a base driver's licence, or a change that has an effect on the revenue stream from the fees for the base driver's licence, might require approval from Treasury Board. Changes to the DSR might have an impact on one

or more of the *Automobile Insurance Plan Regulation, Driver Safety Rating System Regulation* under *The Manitoba Public Insurance Act*, and the *Charges for Licenses, Registrations, Permits and Other Services Regulation* under the HTA.

MPI stated that it must also coordinate the impact of DSR changes on its IT initiative, Project Nova, and the Driver and Vehicle Administration component, because changes to the DSR should be coordinated with the installation of new software.

MPI advised that it expects its Board of Directors to be in a position to decide on a direction for the DSR no earlier than mid-2020. Following that decision, the process for any regulatory amendments will take approximately 12 months.

MPI requested that the wording of Directive 13.7(a) be varied to read:

13.7 With respect to the Driver Safety (DSR) system, the Corporation shall:

(a) File information in the 2021 GRA as to the timeline and major milestones for determination of which rating model it intends to proceed with;

Lastly, in Order 176/19, the Board had directed MPI to file a pricing examination in the 2021 GRA for the Registered Owner and Primary Driver rating models for the DSR. While MPI did not apply to vary that directive, it did advise that it intends to review the merits of the Driver Premium rating model in addition to the Registered Owner and Primary Driver models. MPI also proposed that once determined, material changes to the DSR be brought to the Board as a dedicated rate design application separate from the GRA process.

2.2. MPI Position on Directive 13.10

MPI advised that there is a challenge with the timing requirement in Directive 13.10. The directive requires that a meeting take place between MPI and Board Advisors no later than six months prior to the filing of the 2021 GRA. As MPI typically files the GRA in mid-June, the meeting would need to take place by mid-January 2020. However, MPI advised that it intends to file the 2021 GRA in mid-May, which would have required the meeting to take place by mid-December 2019.

The Project Nova leadership team expects that the MPI Board of Directors will be making its first decision on a series of three major project "gates" by mid-February 2020.

MPI also commented that the scope of the meeting is broader than a previous meeting on MPI's Legacy Modernization initiative (now Project Nova), which took place in April 2019. That meeting had been directed by the Board in Order 159/18, following the 2019 GRA. Directive 13.10 covers a broad range of initiatives. According to MPI, in order to keep the meeting manageable and effective, it needs to know the extent of the updates required for each of the initiatives set out in Directive 13.10. MPI proposed that Board staff and Advisors communicate or meet with it in January 2020, to clarify the depth and detail of the updates required for each initiative and thereafter determine mutual availability for a meeting in March 2020.

MPI requested that Directive 13.10 be varied to remove "but no later than six (6) months prior to the filing of the 2021 GRA" and that the Board adopt its request with respect to the timing of the meeting as well as the process for scoping the meeting.

2.3. Other Issues

In addition to the request for a review and variance of Directives 13.7(a) and 13.10, MPI provided commentary on Directives 13.15 to 13.18 on road safety. MPI did not apply to vary these directives, but rather, advised as to how certain factors might influence the results of those directives.

MPI also provided comments on its IT benchmarking. In Order 176/19 the Board expressed its expectation that MPI's new benchmarking service provider would carry forward any prior recommendations, and assess and provide a status report on the recommendations. As this was not a directive issued by the Board, MPI did not apply for a variance, but did advise that it does not expect the new service provider to comment on recommendations that are not its own. MPI will carry forward and provide status updates on prior recommendations.

2.4. Intervener Positions

The Board received written submissions from two interveners, the Consumers' Association of Canada (Manitoba) Inc. (CAC), and the Coalition of Manitoba Motorcycle Groups (CMMG), on January 6 and 7, 2020, respectively.

Neither CAC nor CMMG objected to the variances requested by MPI.

With respect to Directive 13.7(a), CAC recommended that it not be held in abeyance "at the sole discretion of MPI" given that concerns with the DSR system were identified in a prior GRA.

Neither CAC nor CMMG objected to MPI's proposal that material changes to the DSR be brought to the Board by way of separate rate design application. CAC also suggested, as an alternative, a technical conference in the spring of 2021 to review the proposed DSR changes.

CAC and CMMG also provided commentary on the road safety directives raised by MPI.

MPI filed a written reply to the interveners' submissions, on January 10, 2020. It clarified that it was not requesting that Directive 13.7(a) be held in abeyance at its sole discretion, and that it was prepared to advance a DSR proposal as soon as the effects on public policy, regulations and IT are addressed.

3. BOARD FINDINGS

Pursuant to the Board's Rules of Practice and Procedure, and in particular, Rules 36(1) and 40(2) thereof, the Board may on application or on its own initiative review, rescind, change, alter or vary any decision or Order it has made. The Board's jurisdiction in that regard flows from section 44(3) of *The Public Utilities Board Act* (the *Act*).

In accordance with Rule 36(4), upon receipt of an application for review and variance, the Board is to determine, with or without a hearing, in respect of an application for review, the preliminary question of whether the matter should be reviewed and whether there is reason to believe the order or decision should be rescinded, changed, altered or varied.

After determining the preliminary question under Rule 36(4), pursuant to Rule 36(5), the Board may:

- a) Dismiss the application for review if,
 - i. In the case where the applicant has alleged an error of law or jurisdiction or an error in fact, the Board is of the opinion that the applicant has not raised a substantial doubt as to the correctness of the Board's order or decision;
or
 - ii. In the case where the applicant has alleged new facts not available at the time of the Board's hearing that resulted in the order or decision sought to be reviewed or a change of circumstances, the Board is of the opinion that the applicant has not raised a reasonable possibility that the new facts of change in circumstances as the case may be, could lead the Board to materially vary or rescind the Board's order or decision; or
- b) Grant the application; or
- c) Order that a hearing or proceeding be held.

The Board has considered the information and positions advanced by MPI with respect to each of the Directives sought to be varied, in accordance with Rules 36 and 40(2), and has considered the comments filed by CAC and CMMG.

The Board has determined that a hearing is not required in order to issue a decision on MPI's application for a review and variance.

3.1. Directive 13.7(a)

MPI provided additional information to the Board regarding the processes and timing that will influence its progress towards a decision on a new DSR model. The Board has taken into account that a decision on the DSR model engages potential regulatory changes, may require Treasury Board approval, and requires coordination with MPI's IT changes.

The Board has also taken into account that MPI has not asked that Directive 13.7(a) be held in abeyance at its sole discretion. As has been the case in recent GRAs, the Board will continue to monitor MPI's progress towards implementation of driver premiums more statistically consistent with the average claims cost per driver and vehicle premium discounts fully supported by actuarial indications, and issue further directives as appropriate.

The Board is therefore satisfied that Directive 13.7(a) should be varied to read as follows:

13.7 With respect to the Driver Safety (DSR) system, the Corporation shall:

- (a) File information in the 2021 GRA as to the timeline and major milestones for the determination of which rating model it intends to proceed with;

The Board points out, however, that the need for progress towards a new DSR model was raised by it following the 2018 GRA. In Order 130/17, the Board stated that it expected in future applications MPI would use more robust analytical tools to provide a

more statistically-driven and performance-based evaluation systems to support driver premiums and vehicle premium discounts. The Board's directives on DSR in Order 130/17 were subject to an application for review and variance by MPI, which was granted by the Board, permitting MPI more time to analyze the issue. Taking this history into account, the Board expects that MPI will set its timeline and milestones in response to Directive 13.7(a) with a view to progressing on a new DSR model in a timely manner.

The Board finds that it is premature to direct the manner in which MPI should bring proposed changes to the DSR before it for approval. The Board will review and consider the evidence in the 2021 GRA, and issue any directives on procedure as appropriate at that time.

3.2. Directive 13.10

The Board has taken into account the new information provided by MPI, that it intends to file the 2021 GRA in mid-May 2020. Accordingly, the deadline for the meeting required by Directive 13.10 has already passed. The Board finds that it would be beneficial for the meeting to take place following the MPI Board of Directors' decisions on the first of the project "gates", which are expected to take place in February 2020.

The Board is therefore prepared to vary Directive 13.10 to require the meeting to take place on a date to be agreed, but no later than April 30, 2020.

The Board agrees with MPI's recommendation that it meet with Board staff and/or Advisors, in advance of the meeting required by Directive 13.10, to clarify the depth and detail required for each initiative. The Board expects that the parties will proceed to make arrangements to meet at a time satisfactory to them.

Lastly, the Board noted the comments from MPI on IT benchmarking and road safety, and looks forward to receipt of the evidence on those issues in the 2021 and 2022 GRAs respectively.

4. IT IS THEREFORE ORDERED THAT:

1. Directive 13.7(a) of Order 176/19 be varied to read as follows:

13.7 With respect to the Driver Safety (DSR) system, the Corporation shall:

- (a) File information in the 2021 GRA as to the timeline and major milestones for the determination of which rating model it intends to proceed with;

2. Directive 13.10 of Order 176/19 be varied to read as follows:

13.10 The Corporation shall meet with the Board Advisors on a date to be agreed, but no later April 30, 2020, wherein the Corporation will provide the Board with an update on the following Information Technology (IT) initiatives:

- (a) Project Nova, including an update on all aspects of the project including but not limited to resourcing, training, component progress, budget and prototypes;

- (b) IT staffing and consultant strategy and progress towards reduction;

- (c) IT Strategy;

- (d) Progress on IT Information Security, IT Risk Management Process, IT Technology Risk Management, and Enterprise Architecture;

- (e) Agile implementation, training, key performance indicators and overall progress within the Corporation, and discussion of an additional pilot project using Agile;

- (f) Physical Damage Re-Engineering;
- (g) High School Driver Education Redevelopment;
- (h) Credit Card Strategy and related PCI DSS;
- (i) BI³/Fineos; and
- (j) Finance Re-Engineering.

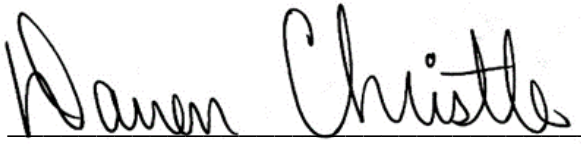
Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Irene A. Hamilton, Q."
Panel Chair

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

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Secretary