

# MPI says it needs hike to prevent rate shock

By Bruce Owen

**A** BAD winter is only part of the reason why Manitoba Public Insurance wants a rate increase worth more than \$27 million to its operations.

In documents filed at the Public Utilities Board in advance of today's hearing, the monopoly Crown auto insurer says it needs one per cent of its requested overall 3.4 per cent increase to build up its piggy bank to prevent drivers from rate shock in future years. MPI calls it the rate stabilization reserve, and the corporation's president and CEO Dan Guimond said in pre-filed testimony that the reserve is forecast to drop to about \$62 million by February, the lowest it's been in more than a decade. MPI says the minimum amount could be \$194 million.

"I am deeply concerned by this decrease in the RSR — the corporation

and our ratepayers now face significant risk for rate volatility," Guimond said in the MPI application for the rate increase.

"It is essential that the RSR be rebuilt to a level that will protect basic ratepayers from the havoc that uncontrollable events, such as bad winters, multiple hail-damage events and volatile interest rates," Guimond said.

MPI has said the main reason for the rate request was the high number of fender benders last winter due to poor driving conditions and the higher cost of fixing damaged newer vehicles. Claims costs jumped 13.5 per cent from the year before due to winter crashes.

However, in the documents submitted to the PUB, the province's independent rate regulator, MPI said it's been experiencing losses in its basic Autopac for more than two years and is now facing a shortfall in premium revenue estimated at about \$16 million.

MPI's rate application hearing at the

PUB is scheduled to run until Nov. 14. The PUB generally releases its decision before Christmas.

Guimond said the cumulative impact of PUB decisions in the past two years is a reduction of MPI's premium revenue of about \$18 million.

Guimond also said MPI had toyed with asking the PUB for a higher rate hike so two per cent of the overall rate increase could go into rebuilding the reserve, but thought better of a 4.4 per cent rate request as that would be too steep an increase for vehicle owners.

He also said MPI is controlling its operating costs despite the higher number of claims in the past year. Efforts taken by the corporation have saved about \$60 million. These include an indefinite hiring freeze and a restriction on out-of-province travel and conference participation.

He said the request is the second time in 10 years that MPI has asked ratepayers to pay more in premiums.



Dan Guimond: 'deeply concerned'

If accepted by the PUB, a 2.4 per cent rate hike would see about half of Manitobans who own a car, pickup truck or SUV — but not a motorcycle — pay up to \$20 more on their premiums. It would be effective March 1.

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## Why does MPI need a rate increase?

One reason is the higher cost of fixing newer, more fuel-efficient vehicles damaged in crashes, winter or summer.

## Example?

MPI says the new Ford F-150, which will be an aluminum-based vehicle, will need a new type of autobody repair. The current autobody repair labour rate in Winnipeg is \$68.89 per hour, but the rate for aluminum repairs is more than double that at about \$150 per hour due to the complexity, training and specialized equipment needed.