

M A N I T O B A

THE PUBLIC UTILITIES BOARD ACT

THE MANITOBA PUBLIC INSURANCE ACT

**THE CROWN CORPORATIONS PUBLIC
REVIEW AND ACCOUNTABILITY ACT**

Order No. 69/10

July 5, 2010

**SCHEDULE "A" REVISED
SEPTEMBER 15, 2010**

Before: Graham Lane, CA, Chairman
 Eric Jorgensen, Member
 Leonard Evans, LL.D., Member

**PROCEDURAL ORDER – MANITOBA PUBLIC INSURANCE
CORPORATION: TIMETABLE FOR A PUBLIC HEARING (2011/12
RATES AND PREMIUMS FOR COMPULSORY DRIVER AND
VEHICLE INSURANCE) AND APPROVAL OF INTERVENERS**

SUMMARY

By this Order, the Public Utilities Board of Manitoba (Board) accepts interveners to the Board's public hearing of Manitoba Public Insurance Corporation's (MPI) application for approval of base rates and premiums for compulsory driver and vehicle insurance (the new rates are to take effect March 1, 2011). This Order also provides interveners with direction pertaining to the proceeding, and establishes a timetable for the hearing.

INTRODUCTION

The Board held a Pre-Hearing Conference (PHC) at its offices in Winnipeg on Friday, June 25, 2010, for the purposes of:

- (a) considering applications from prospective interveners and matters related thereto; and
- (b) establishing a timetable for the hearing. This Order arises from the PHC.

The following exhibits were entered into the record of the proceeding:

- 1. Notice of Public Hearing and PHC, dated June 14, 2010;
- 2. the Board's Rules of Practice and Procedure (Rules); and
- 3. the hearing timetable.

Parties seeking Intervener status were asked to:

- i. indicate their constituency and interests;
- ii. outline the areas of MPI's application that they intended to test;
- iii. provide reasons for requesting Intervener status;
- iv. specify plans to call evidence/witnesses; and
- v. indicate interest with respect to seeking an award of costs, and, if interest is expressed, provide a draft budget.

The Board advised prospective interveners that it intends to apply the criteria set out in the Board's Rules in decisions with respect to the awarding of costs, such decisions being at the sole discretion of the Board.

The following parties applied for Intervener status:

1. Consumers' Association of Canada (Manitoba) Inc./Manitoba Society of Seniors (CAC/MSOS), represented in person at the PHC by its counsel, Ms. Myfanwy Bowman;
2. Coalition of Manitoba Motorcycle Groups (CMMG), represented in person at the PHC by its counsel, Mr. Raymond Oakes;
3. Manitoba Bar Association (MBA) represented in person at the PHC by its counsel, Mr. Robert Dawson;
4. Manitoba Used Car Dealers Association (MUCDA), represented in person at the PHC by Mr. Nick Roberts;
5. Canadian Automobile Association Manitoba (CAA), represented in person at the PHC by Ms. Liz Peters; and
6. Manitoba Motor Dealers Association/Automotive Trade Association, represented in person at the PHC by Mr. Bill Arnold.

MPI was represented by Ms. Kathy Kalinowsky, Counsel, and Ottmar Kramer, Director of Finance and Corporate Controller.

APPLICATIONS FOR INTERVENER STATUS

1. CAC/MSOS

CAC/MSOS propose to test the application in order to consider whether the proposed rates are just and reasonable, consider whether the projections for revenues and expenses are reasonable and whether the projected expenses appear to be necessary and prudent, and, in particular to consider:

- I. Risk management, including the Rate Stabilization Reserve, and the proposed RSR rebate;
- II. Claims reserves, and the Corporation's forecasting of claims reserves;
- III. Reasonableness and prudence of costs incurred/efficiency, including appropriate metrics to use to demonstrate efficiency gains, overall indicators, facilities and service delivery

spending, claims cost control expenses, current and forecast staffing levels, information technology expenditures, the capital lease category and fees to service providers;

- IV. Capital and operating, maintenance and administration expenditures;
- V. Business Process Review, including ongoing and projected costs, original and current business case and time lines, PIPP, and BPR2A;
- VI. Cost and asset/liability allocation interaction with other parts of the Corporation;
- VII. Forecasting, including operations costs and revenues, investment income, projected volume and upgrade factors, projected claims incurred costs, claims incurred reported and the relation of forecasting to risk;
- VIII. Investment income, including the reliability of the Corporation's forecasts, management of the investment portfolio, the revised investment policy and the reclassification of certain fixed income assets;
- IX. PIPP benefits and expenditures, including claims control and service quality;
- X. Road safety and loss prevention;
- XI. IFRS;
- XII. DVL;
- XIII. Client service;
- XIV. DSR; and
- XV. Issues raised and recommendations made in previous proceedings, including the "family transfer" issue, the allocation of premium revenue between drivers and vehicles, and late payment fees.

CAC/MSOS indicated that it intended to appear throughout the hearing, participate in the testing of evidence, and present final argument. CAC/MSOS also advised that it had yet to determine if it would call a witness, though it would engage expert consultation for preparation of interrogatories and for the cross-examination phase.

CAC/MSOS advised that it will seek a cost award, and provided a preliminary intervention budget in the range of \$88,400.00 to \$95,240.00.

2. MBA

MBA indicated an intention to test the evidence, participate throughout the hearing, and make final submissions and argument. MBA indicated that its areas of interest are:

- (a) PIPP Infrastructure Initiative;
- (b) Whether MPI provides to victims of personal injury (arising out of the operation of motor vehicles) the benefits to which they are entitled;
- (c) Promotion of the role of the Board as an effective regulator of the MPI, especially relating to the provision of information needed by the Board to discharge its statutory oversight role and support of the Board's role by MPI;
- (d) Follow-up on ancillary issues relating to the MBA's previous interventions; and
- (e) Such additional topics that may arise during the course of the rate application (that are relevant to the interests advanced by the MBA and not already canvassed in full by other interveners).

MBA advised that it intended to collaborate and co-operate fully with CAC/MSOS, with a view to minimizing duplication and regulatory costs. MBA indicated an intention to seek a cost award, and provided an intervention budget of \$26,369.70.

3. CMMG

CMMG reported that its focus would be:

- (a) testing the forecasts, methodology and rates as applied for by MPI; and
- (b) testing the programs and policies of MPI.

CMMG indicated its intention to call as a witness, that to be a representative of the actuarial firm Dion Durell, who would deal with the issue of allocation of loss costs, and, in particular with single vehicle accidents and wildlife claims.

CMMG advised of an intention to seek an award of costs, and submitted a provisional representation budget of \$20,160.00 together with a budget of \$10,000.00 - 15,000.00 (to be increased to cover expenses) with respect to its expert witness.

4. MUCDA

MUCDA advised that it will focus on rates pertaining to dealer plates. MUCDA neither intends to present a witness nor seek a cost award.

5. CAA

CAA reported its intention to maintain a watching brief throughout the hearing, and advised that it would not apply for a cost award.

6. MMDA/ATA

MMDA/ATA indicated that its interest in the GRA proceeding stems from the reliance of its members on revenue earned from the processing of MPI claims, comprising over 90% of members' revenue, and its members' need that MPI labour rates, paid to its members, be fair and equitable.

MMDA/ATA advised that MPI's "ability to pay" is at the root of its members' rates for service (charged to its customers) which are, at present, under negotiation, assisted by a 2010 "Health of the Industry" study that has been undertaken by the industry and MPI. MMDA/ATA will not apply for a cost award.

MPI POSITION

MPI accepted the granting of Intervener status to all intervener applicants except MMDA/ATA, while reserving the right to comment on cost award submissions by interveners intending to seek cost awards, following receipt of final estimates.

With respect to the intervention by CAC/MSOS, MPI noted a reference to DVL and asked that the Board specifically exclude such a line of questioning from any intervention order granted. In response, CAC/MSOS stated that it is interested in exploring the impact of DVL on Basic.

With respect to the MMDA/ATA, MPI submitted that the intervention should be denied on the basis that it would be inappropriate for the MMDA/ATA, as a service provider partner of MPI, to use the rate making process for its financial benefit. MPI also submitted that interveners are generally individuals or groups with a sufficient interest, expertise or view that the Board believes would

benefit the process, although MPI acknowledges that the discretion to grant or deny intervener status rests with the Board.

MPI reminded the Board of a decision made by the Board in respect of an intervention request in a Manitoba Hydro rate proceeding, wherein the Board denied intervener status to a New York Consultant.

BOARD COMMENTS

The Board's Chairman delineated several matters of interest which the Board intends to address through this proceeding, these being:

1. Information regarding the International Financial Reporting Standards (or "IFRS"), including:
 - (a) the details of all accounting options, recommendations and comments received from MPI's external consultant, Deloitte, and any preliminary or final conclusions or comments from its external auditor, KPMG, relating to the Corporation's overall and Basic's operating results and financial position;
 - (b) the analysis and rationale for each IFRS-related recommendation and all options considered, and an indication of the chosen, likely to be chosen and rejected or likely to be rejected recommended options;
 - (c) a full listing of any elections that have been made or proposed to be made by MPI, even on a preliminary basis, the rationale and the pros and cons for each selection; and
 - (d) the financial, accounting and rate implications of each taken or potential accounting change, with respect to both transitional elections and accounting policies.
2. Full details of both the revenue and cost and asset and liability allocation methodologies, as utilized and or under consideration by the Corporation, and details of the approaches taken for the basic financial statements for the year ended and as at the end of the last fiscal year;

3. Actuarial or other non-recurring adjustments to Unpaid Claims, prior and previous year-end and related entries, rationale, trend, projections/implications for future applications;
4. PIPP Benchmarking, including information with respect to corporate efficiency, and detailed interpretive discussions on bench marking results and/or indications.
5. Continuing Business Process Review projects, including the Personal Injury Protection Plan Infrastructure Project, with a full accounting of costs incurred and projected to be incurred on behalf of, attributable to, and/or to be recovered from the Province of Manitoba;
6. Any potential benefit changes, either already or to be implemented, or under consideration;
7. The Corporation's further review of its proposed customer-based late fee approach, that review to be assessed from a variety of perspectives, with the Corporation's analysis, including the pros and cons of all options;
8. Benchmarks for measuring Driver Safety Rating or "DSR" success, projections, options, and implications for various transitional approaches to implementation of DSR, not just for the immediate, but also for the mid and long-term time periods;
9. The treatment of new vehicle registrants and drivers to Manitoba under DSR;
10. The status of the Corporation's Investments, particularly with respect to actual and planned asset mix, with the rationale for the current asset mix, as well as current and projected investment returns;
11. A review of the balancing of basic revenue requirement, between Drivers' license and vehicle premiums;
12. The Corporation's current and planned approach with respect to the buy-back of claims;

13. The fairness of the ability to transfer vehicles within households to avoid premium payments, and the implications, rate and otherwise, related to any proposed or possible changes to the current approach;
14. Funding to fully meet PIPP inter-provincial trucking costs, from SRE or other non-Basic premium payers, and commentary on whether the current arrangement which subsidizes the trucking industry represents an onerous contract, either pursuant to IFRS or in principle;
15. Comparative inter-jurisdictional comparisons as to accident frequency and type;
16. Red light cameras and photo radar vis a vis DSR, and the status and/or plans for progress with respect to increased traffic enforcement by police;
17. The current status of MPI's contractual arrangement with the Province with respect to healthcare costs related to motor vehicle accidents, and an indication of any under discussion, possible or underway changes to that arrangement, with the implications of any change for costs and rates;
18. MPI's review of Canadian and North American "best practices" related to the integration of public information and enforcement in the areas of occupant restraint, unsafe speed and impaired driving, compared to MPI's own practices;
19. Sustainable development initiatives, including any further consideration of Pay As You Drive, or "PAYD", the promotion of efficient vehicle use, and progress on discussions with the Sustainable Transportation Institute or any other body associated with environmental-driven change;
20. Any change in MPI's perspective with respect to RSR, DCAT, MCT and/or RA/VAR matters; and
21. Any other matters arising from previous directives or recommendations of this Board.

The Board will grant intervener status to all applying parties.

With respect to the MMDA/ATA, the Board notes that it is an important service provider to MPI, and, as such, does have a direct interest in MPI's business, as distinct from the New York Consultant in the Manitoba Hydro motion, as referred to by MPI, which neither had no ongoing business relationship with Manitoba Hydro or was resident in Manitoba. The Board notes further that in the past, service providers to MPI have been granted intervener status in GRA proceedings, most recently the Manitoba Chiropractors' Association in the 2007 GRA proceeding. The Board values the potential contribution of MMDA/ATA, and notes that it is not seeking a cost award.

Regulatory efficiency is a continuing objective for the Board, and all reasonable efforts should be made by all parties to the proceeding to restrain costs (in the interest of motorists; cost awards form a component of rates).

As in the past, the Board will expect a high degree of co-operation amongst interveners and with Board Counsel, again to avoid duplication and restrain regulatory costs.

TIMETABLE

After some discussion at the PHC, and in subsequent discussions, consensus was reached on an altered timetable to accommodate all parties.

The revised version of the timetable is attached hereto as Schedule "A". Also attached hereto, as Schedule "B", are the procedures to be followed.

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.

IT IS THEREFORE ORDERED THAT:

1. Schedule A, as attached, shall be the timetable for the orderly exchange of information by the participating parties.
2. Schedule B, as attached, shall apply with respect to the hearing of the MPI Application.
3. Interveners to the hearing, subject to the filing of updated budgets, shall be:
 - (a) Canadian Automobile Association;
 - (b) Coalition of Manitoba Motorcycles Groups Inc.;
 - (c) Consumers' Association of Canada (Manitoba) Inc./Manitoba Society of Seniors;
 - (d) Manitoba Bar Association;
 - (e) Manitoba Used Car Dealers Association; and
 - (f) Manitoba Motor Dealers Association/Automotive Trade Association.

THE PUBLIC UTILITIES BOARD

"GRAHAME LANE, C.A."

Chairman

"G. GAUDREAU, C.M.A."

Secretary

Certified a true copy of Order No. 69/10 issued by
The Public Utilities Board

Secretary

SCHEDULE "A"
MANITOBA PUBLIC INSURANCE
TIMETABLE – 2011/12 RATES

	Item	Proposed 2011 GRA		
		2010 Dates	Day of Week	Elapsed Working Days
1.	Application filed and served	June 11	Friday	0
2.	Notice of Public hearing to be published	June 19	Saturday	5
3.	a) Pre-Hearing Conference	June 25	Friday	10
	b) Interveners complete Registration	June 25	Friday	
	c) Settle Hearing Procedure and exchange of information timetable	June 25	Friday	
	d) Discuss possibility of joint intervention	June 25	Friday	
4.	a) Last day to file as an Intervener	July 5	Monday	15
	b) Board to circulate list of Interveners, complete timetable to Interveners and Applicant	July 5	Monday	
5.	MPI to be in receipt of first round information requests	July 6	Tuesday	16
6.	MPI to provide response to first round information requests	August 4	Wednesday	36
7.	MPI to be in receipt of second round information requests	August 16	Monday	44
8.	MPI to publish reminder notice and any amendments to application	August 28	Saturday	53
9.	a) MPI to file responses to second round information requests	Sept 7	Tuesday	59
	b) MPI to file and serve any further amendments to application, if required	Sept 7	Tuesday	
10.	a) Parties to file any motions	Sept 10	Friday	62
	b) Interveners to file pre-filed testimony to all parties	Sept 13 Sept 17	Monday Friday	63 67
11.	Interveners to be in receipt of information requests from all parties	Sept 16 Sept 24	Wednesday Friday	65 72
12.	Board to hear all motions	Sept 17	Friday	67
13.	Interveners to provide responses to all information requests	Sept 23 Sept 28	Wednesday Tuesday	70 74
14.	Board decision on motions, meeting among Counsel, if required	Sept 24	Friday	72
15.	MPI to file rebuttal evidence	Sept 29 Oct 4	Tuesday Monday	74 78
16.	Hearing	Oct 5 to 26		79

Tentative dates* **October 5 to 7** **Tuesday – Thursday**
 October 12 to 14 **Tuesday – Thursday**
 October 18 to 20 **Monday – Wednesday**
 October 25 to 26 **Monday – Tuesday**
 October 29 **Friday**

*These dates are subject to change as determined during the course of the hearing.

SCHEDULE "B"

PROCEDURES TO BE FOLLOWED AT THE MANITOBA PUBLIC INSURANCE CORPORATION 2011/12 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 5, 2010 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., Tuesday, October 5, 2010 and at 7:00 p.m. that day if necessary.
4. Opening Statements by Board Counsel, by Counsel for MPI and other Counsel or representatives of registered interveners.
5.
 - (a) MPI to file their 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 interrogatories are to be filed 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. Parties to make arrangements with the Reporter. Transcripts can be found at www.pub.gov.mb.ca at no charge.
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: Candace Everard, Pitblado, 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.