

M A N I T O B A

Order No. 98/09

THE PUBLIC UTILITIES BOARD ACT

THE MANITOBA PUBLIC INSURANCE ACT

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

June 15, 2009

BEFORE: Graham Lane, CA, Chairman
Leonard Evans, LL.D., Member

**MANITOBA PUBLIC INSURANCE: APPLICATION TO REVIEW AND VARY
CERTAIN DIRECTIVES CONTAINED WITHIN BOARD ORDER 89/09
REGARDING THE APPROVAL OF COMPULSORY
DRIVER INSURANCE PREMIUMS AND VEHICLE PREMIUM DISCOUNTS
UNDER THE PROPOSED DRIVER SAFETY RATING PROGRAM**

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1.0 EXECUTIVE SUMMARY

By this Order, the Public Utilities Board (Board), in response to an application (Application) by Manitoba Public Insurance Corporation (MPI or the Corporation) requesting that the Board review and vary certain directions in Board Order 89/09 (issued May 28, 2009), varies Board Order 89/09.

The Board directs:

- a) Paragraph 14.1 of Order 89/09 be removed;
- b) Paragraph 14.2 of Order 89/09 be removed;
- c) The Corporation prepare and file with the Board a study with respect to the “family transfer” issue (described herein and In Order 89/09), as part of the Corporation’s filing of the General Rate Application (GRA) for 2011/12;
- d) The drivers’ premium and vehicle discounts to be applied by the Corporation in the first year of the Driver Safety Rating program (DSR) are set out in the table attached hereto as Appendix “B”; and
- e) The Corporation research the issue of the division of premiums between drivers and vehicles, and report back to the Board with respect thereto at the time of the filing of the GRA for 2011/12.

The net financial effect of this Order is a decrease in the projected reduction in overall drivers’ and vehicle premiums, in the first year of DSR, to an estimated \$11 million, a decrease from both MPI’s initial DSR application, responded to in Order 89/09, and the expected net overall premium reduction established by Order 89/09.

The most significant change, from the perspective of driver/owners of this Order is that the withdrawal of Order 89/09's direction that while drivers with 15 years of neither an at-fault accident nor a traffic infraction will be assigned to DSR 15, in the first year of DSR, they will continue to receive a 25% reduction in their vehicle premium, not the 30% reduction previously directed. They will, however, enjoy a small reduction in their driver premiums as well as the benefit of some protection from the otherwise negative premium implications of an at-fault accident or traffic infraction in 2010/11.

In restricting the level of premium reduction related to the first year of DSR, the Board acts in an abundance of caution ahead of a comprehensive review of MPI's financial situation and prospects (particularly with respect to the Corporation's compulsory "Basic" program), with that review to take place at the upcoming GRA for 2010/11.

2.0 BACKGROUND

On May 28, 2009, the Board issued Order 89/09 with respect to a filing by the Corporation for approval of compulsory driver insurance premiums and vehicle premium discounts under the proposed DSR. On June 4, 2009, the Corporation filed an Application with the Board pursuant to subsection 44(3) of *The Public Utilities Board Act*, to review and vary certain directives contained in the Order.

Order 89/09 states, in part, as follows:

- 14.1 The driver and driver/owner combined license/vehicle insurance premium shall not be lower than it otherwise would be for each individual under the current system, unless a driver or driver/owner (at the time of transition) has 15 or more years of accident and infraction-free driving, in which case there should be an overriding adjustment or revised transition schedule for those drivers;

- 14.2 A range of vehicle premium discounts shall be provide to those in DSR level 10, whereby upon transition, those with 15 or more years of claims and infraction-free driving are to be provided an immediate 30% reduction in vehicle premium discounts, while those with less than 15 (but 10 or more) years of claims and infraction-free driving are to remain with a 25% vehicle premium discount;
- 14.3 The driver premium reductions, for those in DSR levels 8, 9 and 10, are to be denied at this time; at least one more year of no infractions and at-fault accidents will be required under the new system before these drivers gain discounts under DSR; and
- 14.4 Until such time as research is conducted into the "family transfer" issue, a driver with two or more vehicles that does not transfer one or more of those vehicles to someone within his/her household subsequent to an at-fault accident shall not lose the discount on the vehicle(s) that was (were) not involved in the at-fault accident, unless that driver has had one or more other at-fault accidents in the previous five years.

3.0 THE APPLICATION

In particular, the Corporation requested the following in its Application:

1. Remove paragraph 14.1;
2. Acknowledge that paragraph 14.2 is subject to The Government of Manitoba amending Regulation 13/2009 and that the Corporation will undertake to request such amendment; and
3. Defer paragraph 14.4 for implementation at a later date and order that the Corporation undertake a study on this issue to be filed at the 2011 GRA for 2011/2012 rates.

In addition to the information in the Application, the Corporation has filed with the Board the following:

1. Affidavit of Marilyn McLaren, sworn June 9, 2009; and
2. Answers to the requests for further information posed by the Consumers' Association of Canada (Manitoba) Inc./Manitoba Society of Seniors (CAC/MSOS).

The Corporation stated in its Application that there are business and technical considerations which the Board should take into account in determining the Application. In particular, the Corporation advised that the next release for its computer system software pursuant to the Business Process Review, BPR 2A, is scheduled for January 2010, and represents a critical milestone. In particular, BPR 2A was reported to incorporate the following:

- One piece driver's license;
- Enhanced driver's license;

- Streamlined Renewal Process;
- Driver Safety Rating;
- Rates approved by the Board; and
- The on-going roll-out of a new agreement between the Corporation and the Insurance Brokers' Association of Manitoba.

To meet the release of BPR 2A, the Corporation advises that it has established a critical path, such that certain inter-related milestones must take place in a certain sequence at a particular point in time to meet the Corporation's schedule, cost and resource constraints. For DSR, MPI advised that this includes:

- Rating engine (placement) testing - June to September, 2009;
- Forms coding - June to August, 2009;
- Forms testing - August to December, 2009;
- Training material development - June to August, 2009;
- Broker training - September to October, 2009; and
- Rating engine testing (all) - October to December, 2009.

The Corporation states that if the foregoing timelines are met, it will be possible to meet the timelines associated with the other functionalities planned for the BPR 2A release.

Related thereto, the Corporation indicated that, for it to comply with paragraph 14.1 of Order 89/09, it would no longer be able to meet the critical path milestones it has established for BPR 2A, and its form and communication strategy for DSR would no longer be viable.

In particular, the Corporation states that the following would have to occur for it to be able to comply with paragraph 14.1 of Order 89/09:

- the Corporation would prepare a Cabinet Submission specifying the necessary changes to the Regulation, and seek the Government's agreement to those changes;
- if Government's agreement was forthcoming, the Regulation would have to be prepared, translated and submitted for approval by Cabinet;
- once the Regulation was finalized, the Corporation would be in a position to begin to establish policies and procedures, business requirements and computer system modifications;
- included in the required modifications would be a major overhaul of the communications approach prepared to date, including the reworking of renewal forms; and
- the Corporation would then proceed with a system testing phase, and ensure that broker and staff training manuals were developed, and individuals trained.

The Corporation states that it is not possible to accomplish the foregoing steps by March 1, 2010 (the scheduled date for the implementation of DSR) and that certain of the directions set out in Order 89/09 could not be implemented by that date.

The Corporation states that it can accommodate paragraph 14.2 of the Order, as long as the Government is willing to amend the Regulation, and that it can also accommodate paragraph 14.3 of the Order.

With respect to paragraph 14.4 of Order 89/09, the Corporation states that the design change contemplated is substantial and cannot be accommodated within the existing DSR schedule. The Corporation suggests that it work cooperatively with the Board and undertake a significant review of the family transfer issue identified by the Board, towards responding to the Board's concerns as part of the GRA for 2011/12.

With respect to the financial impact of Order 89/09, in terms of premium revenue, the Corporation states that:

- a) there are 213,000 drivers affected by paragraph 14.1 of the Order, and its implementation would be expected to increase premium revenue by \$8.7 million;
- b) there are 168,000 drivers affected by paragraph 14.2 of the Order, representing a projected premium revenue reduction of \$9.2 million; and
- c) there are 447,000 drivers affected by paragraph 14.3 of the Order, representing a projected additional premium revenue of \$9.4 million.

Overall, and as such, MPI forecast that the net effect upon premium revenue of Order 89/09, as compared to the Corporation's DSR application, excluding the revenue impact of paragraph 14.4, was projected additional premium revenue of \$8.9 million (\$8.7 million, less \$9.2 million, plus \$9.4 million).

With respect to administrative costs, the Corporation states the costs associated with implementing paragraphs 14.2 and 14.3 of the Order are approximately \$500,000.00. And, with respect to paragraph 14.1 of the Order, the Corporation maintains that if BPR 2A needs to be postponed for the reasons reflected above, the following delays would follow:

- the Service Centre milestone in July 2009 would be missed;
- the new bodily injury system, expected for Spring, 2010. would be delayed;
- the Service Centre milestone in Spring 2010 would be missed;
- both the BPR (Business Process Review) and PIPP (Personal Injury Protection Plan) infrastructure business cases would not be accomplished as planned;
- the computer mainframe decommissioning project would be delayed; and

- the planned closing of certain facilities, planned to take place in July, 2009 and Spring 2010, would be delayed.

The Corporation states that a six-month delay in the overall BPR project implementation schedule would cost the Corporation \$18 million, approximately half of which would be allocated to the Basic Insurance Division (Basic). As such the Corporation states, revenues that would be ostensibly saved by the implementation of Order 89/09 would be exceeded by the administrative costs associated with the implementation.

With respect to the overall effect arising out of the first year implementation of DSR, the Corporation has stated that it will not request an overall rate change for the 2010/11 insurance year, and that it anticipates net Basic income of \$11 million in 2009/10, \$4 million in 2010/11 and \$9.6 million in 2011/12.

Accordingly, the Corporation proposes, pursuant to its Application, that:

- DSR merit level 15 be created, and drivers with 15 consecutive years of at-fault claim and conviction free driving be transitioned to that DSR level;
- a 30% vehicle premium discount be introduced to drivers at DSR level 15 (as directed in Order 89/09);
- drivers' premiums at DSR levels 8, 9, 10 and 15 be set at \$20; and
- there be no other changes to the initial DSR placement rules as proposed by MPI in its DSR application.

In summary, the Corporation proposes, therefore, that the Board set vehicle premium discounts and driver's premiums as set out in the attached table (Appendix "A"), and asks that the Board does so by June 12, 2009.

4.0 INTERVENERS' POSITIONS

The Board caused the Application to be shared with the Interveners that participated in the DSR hearing, namely CAC/MSOS, the Coalition of Manitoba Motorcycle Groups (CMMG) and the Canadian Automobile Association - Manitoba Division (CAA), and requested intervener comments be filed with the Board, and shared with MPI by the close of business Tuesday, June 9, 2009.

CAC/MSOS requested an extension for its response to the morning of Wednesday, June 10, 2009, which extension the Board granted. CAC/MSOS also served upon the Corporation a series of written questions with respect to the Application, which the Corporation answered.

No comments in response to the Corporation's Application were received from either CMMG or CAA, nor were any other extensions requested. The positions of the interveners set out in the DSR proceeding are provided in summary form in Board Order 89/09.

In its written response to the Corporation's Application, CAC/MSOS agrees that the DSR program is conceptually superior to the current Bonus/Malus program, and that the best drivers should be provided with better rewards under DSR.

CAC/MSOS states that for the limited purpose of its response to MPI's Application, it is prepared to accept that:

- implementing the changes required by paragraphs 14.1 and 14.4 of the Order may materially increase the risk that the timelines for a series of the Corporation's initiatives may be impaired;

- a potential consequence of implementing paragraphs 14.1 and 14.4 of the Order is an increased risk that the roll-out of the computer software update known as BPR 2A will be unsuccessful; and
- either or both of these outcomes may have cost implications for the Basic program, and/or for the Corporation as a whole.

Pursuant to the Board's Rules of Practice and Procedure, and in particular Rule 36(5)(a)(ii), the Board may dismiss an application for review and vary where the applicant has a) alleged new facts not available at the time of the Board's hearing, or b) there is a change of circumstances.

If the Board is of the opinion that the applicant, in this case MPI has not raised a reasonable possibility that the new facts or the change in circumstances could lead the Board to materially vary or rescind the Board's order or decision, the Board may deny the application.

CAC/MSOS states that it is not completely satisfied that the new facts alleged by the Corporation were not available at the DSR hearing, but accepts that an arguable case may be advanced that it is not appropriate to simply dismiss the Application.

CAC/MSOS expresses the following concerns with respect to the Application:

- in seeking approval for rates that will lead to a revenue reduction of \$18 million, the Corporation has not satisfactorily addressed the Board's fiscal prudence concerns;
- the Corporation is asking the Board to make multi-million dollar decisions in haste, based upon untested and new information related to administrative costs and complexity;

- the Corporation built into its DSR design insufficient flexibility and robustness to allow for the possibility that the DSR application would be varied in the significant way ordered by the Board; and
- taking into account unresolved conceptual issues, the haste in which the Application is being considered by the Board and the Corporation's administrative limitations, the order to arise out of the Application may well be less than optimal, may itself require revision, and engender unnecessary consumer uncertainty.

CAC/MSOS believes that there may be substantial merit in deferring the implementation of DSR until a more careful consideration of the issues may take place, and as such asks that the Application not be granted.

Rather, CAC/MSOS suggests that the Board convene either a dispute resolution proceeding or a public hearing process to resolve the Corporation's Application.

5.0 THE ORDER

As reflected in Order 89/09, the Board favours DSR over the existing system.

The Board anticipates that, over time, DSR can evolve into a system that has higher predictive value and be more reflective of drivers' experience, such that there can be developed a wider differentiation between the premiums of "good" and "bad" drivers.

In addition, it is the Board's view, consistently held, that the main priority of DSR should be motivating good driving behaviour such as to bring about reduced accidents, as the current number and toll of accidents remains far too high. A secondary yet important consideration is that DSR should preserve and eventually improve the overall financial position of the Corporation, so as to either allow for further benefit improvements or reduced premiums.

However, the Board has concerns with respect to the following aspects of the DSR system, the DSR application process and the Board's understanding of the Corporation's overall financial position:

DSR System

- (a) Pursuant to the DSR system, it remains open to individuals to transfer vehicle ownership within their family unit (residing at the same address) after experiencing an at-fault claim, whereas individuals who do not reside with a prospective transferee have no opportunity to do so. This remains a significant issue that must be addressed and corrected by the Corporation;
- (b) There has not yet been any research by the Corporation into the predictive value of photo radar and red light camera infractions, despite the Corporation's acceptance of the premise that such infractions are as serious as those cited by

a police officer and the fact that the numbers of officer-issued tickets have declined by over 50%, much of that decline since the use of the cameras commenced in 2003.

In addition, the Corporation has been aware of the Board's concern with respect to this issue since at least 2004, at which time the Board stated in its Order 148/04, on page 87, that:

"Recent events with respect to influencing driving behaviour have included the introduction of red light cameras in Winnipeg. Violations do not result in demerits and surcharges on the license, but fines are imposed upon vehicle owners under the Highway Traffic Act. There has been some evidence that the number of police-issued violations have been falling, while the number of accidents and injuries in Manitoba are high compared to the other provinces."

Thereafter, the Board recommended in its Order 150/05 (page 47) that the Corporation:

"take into account red light camera infractions in its reforms to the Bonus/Malus system", and again noted, on page 37 of that order, that red light camera violations "...do not result in demerits and surcharges on the owner's license."

In its Order 156/06, the Board found, at page 40, that:

"a review of the experience with...red light cameras is required",

and reiterated, at page 69, its comments in Order 148/04, as referenced above.

The Board further stated that it looked forward to the DSR hearing, then slotted for spring, 2007.

In its Order 150/07, the Board again made reference to red light cameras, and stated at page 38 that:

"Red light cameras cannot replace direct traffic law enforcement and the allocation of responsibility for inappropriate driving conduct through the assessment of demerits and surcharges."

The Board again found, at page 40 of Order 150/07, that an analysis of *"...the implications and effect of red light camera(s) on overall driver behaviour in an environment of reduced direct traffic enforcement by police (was) required."*

The Board also and again recommended, at page 38 of that Order, that the Corporation further its discussions with police and strive to bring about increased traffic law enforcement for the purpose of reducing accidents, fatalities and injuries.

The Board then also referred back to Order 148/04, and re-iterated its interest in the new DSR program, then slotted for a public hearing in 2008.

In the most recent general rate order issued by the Board, Order 157/08, the Board again raised this issue and stated that it *"...looks forward to the planned spring 2009 hearing on the DSR, and anticipates that the relationship between red light camera infractions and questionable driving behaviour will be considered."*

Lastly, at the DSR hearing that resulted in Order 89/09, the Corporation gave evidence (transcript, pages 893-894) that it has made no effort to obtain data on red light camera and photo radar experience, such evidence being required so as to understand trends, etc. The Corporation also stated that such an effort did not

seem to be an effective use of its resources given that it is a "*very volatile political issue*".

However, the Corporation stated at the recent public proceeding that it *may* look at this issue in the future, and in its current Application, has reiterated its intention.

With respect, in the interest of pursuing safety and the reduction of the continuing terrible toll of accidents, injuries and deaths resulting from poor driving behaviour, it is imperative that research be undertaken by the Corporation, and options developed to be reviewed in a future GRA proceeding. Without restricting the research initiative to be undertaken by the Corporation, the Board suggests that photo radar and red light camera infractions need not necessarily be "treated" exactly the same for DSR purposes as officer-issued tickets, and that some degree of latitude may be suggested for those receiving only one or two of such infractions.

Both red light camera/photo radar infractions and the concurrent reduction in Highway Traffic Act convictions are relevant to the DSR system, and should also be considered in determining drivers' premiums and vehicle premium discounts to be assigned to motorists.

- (c) It remains open to individuals to "buy back" claims from the Corporation, thereby redacting from that individual's record, not only for DSR purposes but also for the issuance of driver transcripts for other jurisdictions, any reference to that claim, which in the Board's view is in contradiction to the underlying principles of DSR.
- (d) The division of premium revenue requirements between drivers and vehicles is questionable, and there has not yet been any research by the Corporation into alternative approaches, including the proposal advanced by CMMG at the DSR

hearing. CMMG advanced an alternative to DSR, whereby penalties and surcharges for high-risk driving would be applied to the driver premium, not to the vehicle discount. The Board confirms that the Corporation is to research this issue and report back to the Board with respect thereto, at the time of the filing of the General Rate Application for 2011/12. CMMG's proposal may be surveyed through a review of Board Order 89/09, wherein it is mentioned.

DSR Application Process

- a) Regulation 13/2009 (the Regulation), as proposed by MPI and reflecting the structure of DSR, was enacted by government prior to the commencement of the DSR hearing before the Board. In the Board's view, this was both unnecessary and restrictive. The Board is unaware of any reason why MPI sought for the Regulation to be enacted prior to the DSR application hearing, and as such, would have preferred an approach whereby all three involved parties, namely the Board (with the participation of Interveners), the Corporation and the Government collaborated with a view to establishing the framework for the DSR system.

The Board's jurisdiction is Basic rates for service, and it is only after the Board's rate decisions arising out of the annual GRA proceedings that a rate regulation is enacted. However, since the DSR Regulation was drafted and passed prior to the DSR hearing, the Corporation, through its DSR application, sought to have the Board fit its analysis, consideration and findings relative to DSR within the predetermined framework, which the Board has had difficulty doing in all of the circumstances, for all of the reasons reflected in Order 89/09. The Board would best have been consulted prior to the Regulation being passed, so that the difficulties expressed by the Corporation with respect to the nexus of the Regulation and Order 89/09 could have been avoided.

Indeed in its submission to the Board with respect to this issue, CAC/MSOS stated, at page 11 of its submission, that:

"In the short term, the apparent inflexibility raises the question of whether Manitoba consumers will get the regulatory decision with regard to DSR that they deserve. In the long term, the regulatory process itself may be impaired by allowing the (technological) tail to wag the (regulatory) dog instead of vice versa."

The Board shares CAC/MSOS' view.

- b) Similarly, the Corporation did not adequately consult with the Board or the interveners prior to filing the DSR application. Full consultation could have highlighted the problems within the DSR system ahead of the Regulation and the hearing, and enabled all parties to have input early on.

The Board stated in Order 150/05, on page 37, that *"The Board supports MPI in its plan to review and amend the Bonus/Malus system and, once again, encourages it to seek the suggestions and comments of the Interveners prior to doing so."*

Again, the Board believes that discussion between the interested parties prior to the DSR filing would have better served the Corporation and the DSR hearing process.

Corporation's Overall Financial Position

- a) The Corporation did not inform the Board at the DSR hearing of the pending enhancements to coverage pursuant to the Basis Personal Injury Protection Plan for those individuals who have suffered catastrophic injuries. Nor, did the

Corporation provide the Board with an estimate of the financial implications of the planned enhancements.

Rather, at the DSR hearing, the Corporation gave the following evidence, which may be found at page 904 of the hearing transcript:

7 **THE CHAIRPERSON:** *Well, we'll turn to*
8 *that in the GRA. Have there been any subsequent events*
9 *following the February year end which are expected to*
10 *affect future net income levels sufficiently to affect*
11 *the DSR Application in itself?*
12 *I'll give you an example. In the media it*
13 *was reported that the government had indicated an*
14 *intention to bring forward a bill that would improve the*
15 *situation for victims of accidents that suffered*
16 *catastrophic injuries.*
17 *To our knowledge, we're not aware of any*
18 *details of that but you're not aware of any subsequent*
19 *event that would affect the DSR by altering the forecast*
20 *materially?*
21 **MS. MARILYN MCLAREN:** *Agreed, we are not*
22 *aware of any.*

It is difficult to reconcile the response to the direct question with the now known facts. Clearly, a \$90 million enhancement represents a material issue when what is before the Board is a proposal to reduce premiums, at a time when investment markets are in flux and new International Financial Reporting Standards (IFRS) accounting standards present further uncertainties.

While the Board supports the enhancement to Basic benefits, and has, in fact, suggested a review of Basic benefits on several occasions in the past, it now understands that the cost of the benefit change to Basic has been estimated to be \$90 million, on a one-time basis, together with an additional \$7 million in each following year. As per the evidence reflected above, the Corporation did not

provide those figures at the DSR hearing, and as such the Board issued Order 89/09 unaware of the facts.

- (b) The Rate Stabilization Reserve ("RSR") range issue has not been resolved in that the Corporation has yet to file a new Dynamic Capital Adequacy Test, a Basic Operational and Investment Risk Analysis and an updated Value-at-Risk report. As well, the Corporation has yet to suggest a way that the gap between the Board's and the Corporation's views of a proper RSR range can be closed – these are matters that will be thoroughly tested at the upcoming GRA proceeding.
- (c) There was evidence presented at the DSR hearing that there had been a serious decline in both the Corporation's investment portfolio and its forecast investment income due to the precipitous decline in equity values and interest rates following the apprehension of a credit and banking crisis, and the future forecasts with respect to investment income and security values is uncertain.
- (d) The Corporation has, subsequent to the DSR proceeding and the issuance of Order 89/09, advised the Board that its provision for unpaid PIPP claims will be reduced to reflect past excess provisioning sufficient to fully offset the "cost" of the recently announced new benefit enhancements, which has yet to be tested in a public hearing and was not, as previously indicated, disclosed to the Board at the DSR hearing. It is the case, the Board notes, that the Corporation's forecasts of incurred claims have exceeded its actual experience in several successive prior years, with many of those variances being of such magnitude as to bring about large premium rebates.
- (e) The Corporation has continued to suffer annual DVL operation net losses, reducing the Corporation's overall financial position.

- (f) There are potential negative implications for the Corporation's financial position related to the IFRS, in respect of pension liabilities, deferred charges, etc.

- (g) The Board has yet to receive from the Corporation a completed cost allocation study, providing support for the ongoing division of revenues and costs between Basic and the Corporation's other operations.

For all of the foregoing reasons, it is clear that the Board must exercise caution and prudence in determining the Application, as CAC/MSOS advised during the DSR proceeding and again in its response to MPI's recent Application seeking a variance of Order 89/09.

Further, the Board strongly encourages a relationship of transparency, openness and trust between it and the Corporation, so as to best serve the public interest, and hopes that the difficulties encountered with DSR and Order 89/09 will not be repeated.

6.0 BOARD FINDINGS

The Board thanks the Corporation and CAC/MSOS for their submissions, which the Board has carefully considered despite the short time-frame suggested for the consideration by the Corporation, whose concerns are its shortening timelines for implementing DSR, other related system changes, and preparing the 2010/11 GRA filing.

The following conclusions by the Board are based upon all of the reasons reflected under the headings "*DSR System*", "*DSR Application Process*" and "*Corporation's Overall Financial Position*" set out above. In summary, the specifics of the future financial position of the Corporation is very much unknown and untested, with a number of matters requiring resolve. Accordingly, it is imperative that fiscal prudence be a primary factor behind the establishment of the premiums in the first year of DSR.

The Board considered alternative DSR rate schedules to that of Order 89/09 and that brought forward by MPI, in its determination of the Application. In evaluating each alternative, the Board considered both the implications for ratepayers and the Corporation, though it had to undertake these considerations in the absence of commentary by the Corporation, as alternative DSR rate schedules were not placed before the Board at the DSR hearing.

As such, the Board's analysis has been directional, with the primary objective being to allow for the implementation of DSR and for that implementation not to needlessly further risk the financial position of the Corporation ahead of a full review of the Corporation's forecasts, actions and plans at the upcoming public proceeding, the 2010/11 GRA.

Accordingly, and in response to the Corporation's Application, the Board will vary Order 89/09. The DSR rate schedule that is to be applied by the Corporation in the first year

of DSR, for drivers' premiums and vehicle premium discounts, is set out in the table attached hereto as Appendix "B". The Board particularly notes that the approximately 168,000 drivers with fifteen years of at-fault and infraction free driving are to be "slotted in" to DSR merit level 15 and afforded a reduction in their drivers' premiums in the first year of DSR implementation.

As it is open to the Board pursuant to the Board's Rules of Practice and Procedure, and in particular Rule 36(1), to change, alter or vary any decision or order that it has made on its own initiative, the Board has determined that paragraph 14.2 of the Order should be rescinded.

In addition, and in the absence of any evidence to the contrary, the Board, though disappointed, will accept that the Corporation cannot, for system reasons, yet address the issue involving discrimination on the basis of family status. The Board will direct that the Corporation prepare and file a study as to how the system can be made fairer with regard to this matter, with implications and a target implementation date to be a part of the filing of the GRA for 2011/12.

The Board notes that although it made findings with respect to the division of premium revenue requirements between drivers and vehicles in Order 89/09 (on page 65 thereof), it did not include within the operative sections of the Order a specific direction on this issue.

This was an oversight that the Board will correct in this order. The Board will direct that the Corporation research alternative approaches with respect to this issue and report back to the Board at the time of the filing of the GRA for 2011/12.

7.0 IT IS THEREFORE ORDERED THAT

Paragraph 14.1

1. Paragraph 14.1 of the Order be and hereby is removed from the Order.

Paragraph 14.2

2. Paragraph 14.2 of the Order be and hereby is removed from the Order.

Paragraph 14.4

3. The Corporation prepare and file a study with respect to the "family transfer" issue as described above as part of the filing of the General Rate Application for 2011/12.

DSR Rates

4. The drivers' premiums and vehicle premium discounts in the first year of DSR to be applied by the Corporation as set out in the table attached hereto as Appendix "B" (and drivers with 15 years of at-fault accident and infraction free driving be slotted into DSR merit level 15).

Division of Premium Revenue

5. The Corporation research the issue of the division of premiums between drivers and vehicles and report back to the Board with respect thereto at the time of the filing of the General Rate Application for 2011/12.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, C.A."
Chairman

"GERRY GAUDREAU, C.M.A."
Secretary

Certified a true copy of Order No. 98/09
issued by The Public Utilities Board

Secretary

APPENDIX "A"

Driver Safety Rating Vehicle Discounts and Driver Premiums Effective March 1, 2010		
Merits	Vehicle Discount	Driver Premium
15	30%	\$20
14	n/a	n/a
13	n/a	n/a
12	n/a	n/a
11	n/a	n/a
10	25%	\$20
9	25%	\$20
8	25%	\$20
7	25%	\$20
6	20%	\$25
5	15%	\$30
4	15%	\$30
3	10%	\$35
2	10%	\$35
1	5%	\$40
0	0%	\$45
-1	0%	\$45
-2	0%	\$45
-3	0%	\$45
-4	0%	\$45
-5	0%	\$45
-6	0%	\$245
-7	0%	\$270
-8	0%	\$295
-9	0%	\$320
-10	0%	\$345
-11	0%	\$395
-12	0%	\$445
-13	0%	\$495
-14	0%	\$545
-15	0%	\$595
-16	0%	\$670
-17	0%	\$745
-18	0%	\$820
-19	0%	\$895
-20	0%	\$1,044

Appendix "B"

Driver Safety Rating Vehicle Premium Discounts and Driver Premiums Effective March 1, 2010		
DSR level	Vehicle Premium Discount	Driver' Premium
15	25%	\$15
10	25%	\$20
9	25%	\$25
8	25%	\$30
7	25%	\$30
6	20%	\$30
5	15%	\$30
4	15%	\$30
3	10%	\$35
2	10%	\$35
1	5%	\$40
0	0%	\$45
-1	0%	\$45
-2	0%	\$45
-3	0%	\$45
-4	0%	\$45
-5	0%	\$45
-6	0%	\$245
-7	0%	\$270
-8	0%	\$295
-9	0%	\$320
-10	0%	\$345
-11	0%	\$395
-12	0%	\$445
-13	0%	\$495
-14	0%	\$545
-15	0%	\$595
-16	0%	\$670
-17	0%	\$745
-18	0%	\$820
-19	0%	\$895
-20	0%	\$1,044