



The Public Utilities Board
400 – 330 Portage Avenue
Winnipeg, Manitoba, Canada R3C 0C4
T 204-945-2638 / 1-866-854-3698
F 204-945-2643
Email : publicutilities@gov.mb.ca
Website : www.pub.gov.mb.ca



Régie des services publics
330, avenue Portage, pièce 400
Winnipeg (Manitoba) Canada R3C 0C4
Tél. 204-945-2638 / 1-866-854-3698
Télé. 204-945-2643
Courriel : publicutilities@gov.mb.ca
Site Web: www.pub.gov.mb.ca

June 10, 2015

ATTENTION: Interveners of Past Record (2014/15 and 2015/16 General Rate Applications)

Re: Manitoba Public Insurance 2016/17 General Rate Application

Background

On January 30, 2015 Board counsel circulated a draft Timetable with respect to the Manitoba Public Insurance (MPI) 2016/17 General Rate Application (GRA). A copy of that draft timetable is attached.

The 2016/17 GRA of MPI is to be filed on Friday, June 12, 2015. Electronic copies are to be posted to the MPI website and MPI is to maintain and regularly update this website with a fully searchable version of the GRA.

Intervener Responsibilities

The Board requests that past Interveners immediately collaborate and review the GRA when filed, so as to determine which issues will be reviewed and tested by Interveners should they be granted status at the Pre-Hearing Conference. In addition to the issues contained in the GRA, Interveners are expected to identify in their written Intervener Application Forms which additional issues they intend to address. Interveners should be prepared to discuss these issues at the Pre-Hearing Conference. The Board, in its Procedural Order following the Pre-Hearing Conference, intends to identify any additional issues within the scope of the GRA.

Where more than one Intervener identifies the same issue to be addressed and tested in the GRA, the Board expects Interveners to work collaboratively, with one Intervener being identified as primarily responsible for that issue in terms of Information Requests, expert evidence, cross examination and closing submissions.

All Intervener Applications should therefore include the specific issues to be addressed by Interveners and their proposed budgets.

Application Overview Workshop - June 16, 2015

The Board is anticipating that an Application Overview Workshop will take place on June 16, 2015 at 1:00 p.m. The Board expects that past and prospective Interveners will attend, having familiarized themselves and their consultants with the content of the GRA materials.



The Application Overview Workshop will be used to identify which issues are acknowledged by the Parties to be within the scope of the GRA and, equally as important, identify which issues are acknowledged by the Parties to be out of scope for the GRA. Disagreements as to scope should be noted and explained in the Applications for Intervener Status that are to be filed with the Board and Manitoba Public Insurance by June 24, 2015, prior to the Pre-Hearing Conference. The Board intends to hear from the Parties at the Pre-Hearing Conference and decide which issues are in or out of the scope of the GRA in the Board's Procedural Order following the Pre-Hearing Conference.

Minimum Filing Requirements

The Board has prepared a list of Minimum Filing Requirements (MFRs) for MPI, a copy of which is attached. The MFRs identify information that should be included in MPI's GRA filing, with a corresponding benefit of reducing Information Requests of MPI.

Following the upcoming GRA, the Board is interested in each Intervener developing its own list of suggested MFRs, such that they can be considered, and where appropriate, included in MPI's next GRA. Parties' comments in respect of the MFR process are invited by the Board.

Pre-Hearing Conference - June 24, 2015 at 9:00 a.m.

The traditional purposes of the Pre-Hearing Conference (PHC) include identifying Interveners, seeking collaborative efforts by Interveners on common issues, finalizing a Timetable and scheduling an oral public hearing.

Prior to attending the PHC for this GRA, the Board expects (and will seek confirmation from Interveners) that they have reviewed prior PUB Orders for core issues identified by the PUB for this hearing, as well as met with other prospective Interveners prior to the PHC for the purpose of identifying core hearing issues; issues of common interest as well as issues on which there are divergent views; and preparing proposals to be advanced at the PHC for efficiently presenting evidence and cross examinations.

Prior to the PHC, the Parties will have had an opportunity to meet at the Application Overview Workshop, through which process MPI is to develop a list of issues that are, by consensus, included in the GRA as well as a separate list of issues where there is disagreement as to whether or not such issues are within scope. MPI is to circulate the lists of issues to all Parties by June 19, 2015. Parties can speak to the disputed issues at the PHC and expect adjudication by the Board in its Procedural Order following the PHC.

Any Party proposing an alternative Timetable to the one proposed by MPI and attached hereto should provide copies to all Parties by June 22, 2015 prior to the PHC and address the matter at the PHC.

For purposes of planning the oral public hearing, all Parties at the PHC will be asked to estimate their hearing time required for direct evidence, cross examinations and closing submissions.

Information Request (IR) Format

In an effort to make all IRs electronically searchable and to provide rationale for the question (or the refusal to fully answer the question - as the case may be), the Board is interested in developing a standardized format for IRs. A working draft format is attached for your review and comments at the PHC.

Should a dispute arise in respect to answering an IR, the Board intends to adjudicate the dispute, based on the written information provided on the IR form as well as any Reply by the Intervener.

If MPI determines that it will not be fully answering an IR, it is to immediately provide its IR Response, including the rationale for the incomplete answer, to the Board and all Parties rather than waiting for the 'Due Date' on the Timetable. This will allow for an Intervener Reply and the Board to adjudicate the matter on a timely basis. Should this process be delayed, the hearing dates may also be delayed.

Other Matters

Should any Party have additional matters to be addressed at this time, please contact the Board. Thank you for your anticipated cooperation in implementing improvements in the regulatory process.

Yours truly,

“Original signed by”

Darren Christle

Secretary and Executive Director

Attachments:

1. Timetable
2. PUB Minimum Filing Requirements
3. Draft Information Request Format

cc. Kathy Kalinowsky, MPI
Candace Grammond, Board Counsel
Roger Cathcart, Board Advisor
Brian Pelly, Board Advisor

**MANITOBA PUBLIC INSURANCE
PROPOSED TIMETABLE
2016 RATE APPLICATION**

| | ITEM | 2015 DATES | Day of the Week | ELAPSED WORKING DAYS | Working Days |
|----|---|--------------------|-----------------|----------------------|--------------|
| 1 | Application filed and served | June 12, 2015 | Friday | 0 | |
| 2 | Notice of Public hearing to be published | June 20, 2015 | Saturday | 5 | 5 |
| 3 | Pre-hearing Conference | June 24, 2015 | Wednesday | 8 | 3 |
| | Interveners complete Registration | June 24, 2015 | Wednesday | | |
| | Settle Hearing Procedure and exchange of information timetable | June 24, 2015 | Wednesday | | |
| | Last day to file as an intervener | June 24, 2015 | Wednesday | | |
| 4 | Board to circulate list of Interveners, complete timetable to Interveners and applicant | July 03, 2015 | Friday | 14 | 14 |
| 5 | MPI to be in receipt of first round information requests | July 06, 2015 | Monday | 15 | 1 |
| 6 | MPI to provide response to first round information requests | July 31, 2015 | Friday | 34 | 19 |
| 7 | MPI to be in receipt of second round information requests | August 17, 2015 | Monday | 44 | 10 |
| 8 | MPI to publish reminder notice and any amendments to application | September 05, 2015 | Saturday | 57 | 13 |
| 9 | MPI to file responses to second round information requests | September 09, 2015 | Wednesday | 60 | 3 |
| | MPI to file and serve any further amendments to application, if required | September 09, 2015 | Wednesday | 60 | 0 |
| 10 | Interveners to file pre-filed testimony to all parties | September 16, 2015 | Wednesday | 65 | 5 |
| | Parties to file any motions | September 16, 2015 | Wednesday | 65 | 0 |
| 11 | Interveners to be in receipt of information requests from all parties | September 21, 2015 | Monday | 68 | 3 |
| 12 | Board to hear all motions | September 21, 2015 | Monday | 68 | 0 |
| 13 | Interveners to provide responses to all information requests | September 24, 2015 | Thursday | 71 | 3 |
| 14 | Board decision on motions, meeting among Counsel, if required | September 25, 2015 | Friday | 72 | 1 |
| 15 | MPI to file rebuttal evidence | September 28, 2015 | Monday | 73 | 1 |
| 16 | Hearing commences | October 05, 2015 | Monday | 78 | 5 |

PUB/MPI Minimum Filing Requirements ("MFRs") - 2016 GRA

These MFRs do not request information that MPI typically files as a matter of course in its GRA filings. These MFRs include each of the items referenced in SM.7 of the 2015 GRA, to build on what was started with that GRA.

Where older historical information is not directly comparable to more recent historical information due to changes in corporate organizational structure, accounting changes or other reasons, the information should still be provided but be annotated with any required explanations.

Where a specific information request from a previous GRA is identified, the information should be filed in the same format as it was in that information request.

All of the information filed pursuant to these MFRs should be contained within a distinct section of the GRA, and an index provided.

| Reference | Topic | Information Request | Rationale |
|--------------------------|------------------------------|---|---|
| <i>General</i> | | | |
| SM.7 | Value Proposition | Please advise of any enhanced value or benefits flowing to Manitobans from MPI (this information can be contained with the Costs Containment section of the GRA). | To assess the value received by Manitobans in exchange for payment of rates, and in particular any requested rate increase. |
| SM.7 | Cross Canada Rate Comparison | To the extent that the Corporation asserts that Manitoba has among the lowest vehicle and/or motorcycle rates in Canada, please provide a schedule reflecting the maximum, 75 th percentile, median, 25 th percentile and minimum rates underlying each representative rate cited in each jurisdiction relied upon. | To provide context for the Corporation's assertion regarding its rates compared with other jurisdictions. |
| 2015 GRA PUB/MPI 1-4 | Pro-Formas | Please provide all Pro-Forma statements separating the vehicle premiums from any RSR Rebuilding Fees, and separating out amounts relating to any premium deficiency reserves. | To clearly document the financial impact of RSR Rebuilding Fees and changes in rate level adequacy. |
| <i>Net Income</i> | | | |
| 2015 GRA PUB/MPI 1-1 | Quarterly Reports | Please file the Corporation's quarterly reports as available. | To assess the financial strength of MPI for rate setting purposes. |

| Reference | Topic | Information Request | Rationale |
|----------------------------------|--|--|--|
| SM.7 2014 GRA PUB/MPI 1-6 | Financial Overview | Please file updated financial forecast comparisons for the most recently completed fiscal year and the current fiscal year with what was forecast at the last GRA, including detailed explanations of variances. | To assess budgeted v. actual financial information and updated budgets. |
| | Pro-Formas | Please provide a complete set of restated Pro-Forma statements reflecting each of the following: a) As proposed but excluding any proposed rate level change; b) As proposed but excluding any proposed RSR Rebuilding Fee; c) As proposed but excluding both any proposed rate level change and any proposed RSR Rebuilding Fee. | To clearly document the separate financial impact of the proposed rate level change and the proposed RSR Rebuilding Fee. |
| | Service Fees & Other Revenue | Please provide support for any proposed changes or for proposing no change. | To provide context for any decision to change or any decision to preserve the status quo. |
| Investments | | | |
| SM.7 2014 GRA PUB/MPI 1-17 | Investment Management | Please provide a description of all aspects of the investment functions of MPI's portfolio, including the decision process to invest, divest and monitor operating results, including the respective roles of MPI and the Minister of Finance. | To gain an understanding of the decision-making process and to assess MPI's investment income. |
| SM.7 2014 GRA PUB/MPI 1-19 | Equity Holdings & Impaired Investments | Please provide a schedule of the Corporation's equity investment holdings and impaired investments, both written off and currently held and including original book value, revised book value and current book value. | To understand the performance of MPI's investment portfolio and to assess MPI's investment income. |
| SM.7 2014 GRA PUB/MPI 1-23 | Investment Income Allocation | Please update the table of investment income allocation weightings. | To understand the basis of allocation of MPI investment income between Basic and other lines. |
| SM.7 2014 GRA PUB/MPI 1-24 | Actual v. Benchmark Returns | Please provide a comparison by asset class of actual returns with the annual expected return benchmarks set out in the Investment Policy Statement for the last five years. | To assess the Corporation's investment returns against its benchmarks. |

| Reference | Topic | Information Request | Rationale |
|--|-----------------------------|--|---|
| Basic Expenses | | | |
| SM.7 2014 GRA PUB/MPI 1-52 | Benchmarking | Please file a complete trend analysis for Basic & the Corporation as a whole for the last five historical years through the outlook period, including all expenditures save for immobilizer and Business Process Review expenditures. Please provide two columns including the compound annual growth rate for the last five historical years and for the test years, utilizing the last historical year as the base year. | To test and assess the reasonableness of Basic Expenses for rate setting purposes. |
| SM.7 2014 GRA PUB/MPI 1-55 Schedules 1, 2 and Attachment | Benchmarking | Please provide a trend analysis since the inception of PIPP through the outlook period, including growth in Claims Expenses, Operating Expenses, Claims Expenses per Claim and Operating Expenses per Policy relative to CPI. | To assess the growth of claims and operating expenses relative to inflation. |
| 2015 GRA PUB/MPI 1-65(a) | Benchmarking | Please provide an update of the performance indicators for the last five fiscal years through the outlook period. | To assess changes in trends related to performance indicators and efficiency of operations for rate setting purposes. |
| SM.7 2014 GRA PUB/MPI 1-53 | Cost Allocation Methodology | Please advise of any changes in allocators, groupings of accounting units or purification adjustments used within MPI's Cost Allocation Methodology. | To understand any changes in the allocation of costs among the Corporation's lines of business. |
| Claims Costs | | | |
| SM.7 2014 GRA PUB/MPI 1-45 | Claims Incurred | Please provide a breakdown of the number of individual claims and their severity by Major Class over dollar thresholds of \$100,000, \$250,000, \$500,000, \$1,000,000 and \$2,000,000 for each of the last ten years | To understand the distribution of claims costs by severity. |
| SM.7 2014 GRA PUB/MPI 1-46 | PIPP Costs | Please provide a breakdown of PIPP costs by component coverage since the inception of PIPP, in both dollars and percentages. | To understand the distribution and change patterns of PIPP costs by component. |
| SM.7 2014 GRA PUB/MPI 1-47 | PIPP Claims | Please provide a table of frequencies and severities by type of claim, since the inception of PIPP through to the forecast for the current fiscal year. | To understand the nature of PIPP claims incurred. |

| Reference | Topic | Information Request | Rationale |
|---|----------------------------|--|---|
| SM.7 2014 GRA PUB/MPI 1-36 | Claims Forecasting | Please file a table for the last ten years showing original projected, revised forecast, and final actual frequencies/ severities/ claims incurred, broken down by coverage and for all coverages combined. | To provide context for discussion of claims forecasting accuracy and any evidence of systemic bias in such forecasts. |
| <i>Operating & Administrative Expenses</i> | | | |
| 2015 GRA PUB/MPI 1-59(b) | Operating Expenses | Please include the detail of the MPI operating expenses by category for the last five fiscal years through the outlook period, showing compound annual growth rates for the historical period and for the outlook period. | To test and assess the reasonableness of Operating Expenses for rate setting purposes. |
| 2015 GRA PUB/MPI 1-59(c) PUB/MPI 1-59(f) | Operating Expenses | Please provide schedule(s) by expense category for the last ten fiscal years through the outlook period for Basic total operations, and Basic normal operations, showing compound annual growth rates for the historical period and for the outlook period. | To assess the historical trend and the reasonableness of Operating Expenses for rate setting purposes. |
| 2015 GRA PUB/MPI 1-59(h) Attachment B | Operating Expenses | Please provide a summary of Basic expenses by category for the last two fiscal years and through the outlook period, broken down between Claims Expenses, Operating Expenses, Road Safety Expenses, Regulatory Appeal Expenses and in total, and shown separately for Normal Operations, Improvement Initiatives and in total. | To review the trends and changes in Operating Expense categories to identify changes in cost allocation to Basic. |
| SM.7 2014 GRA PUB/MPI 1-76 | Expense Details | Please provide a detailed breakdown by cost category of actual Basic Claims, Operating and Road Safety expenses for the last ten fiscal years. | To review the trends and changes in cost categories. |
| SM.7 2014 GRA PUB/MPI 1-58 | Capital Expenditures | Please provide a comparison between actual capital expenditures in the last fiscal year and that forecast at the last GRA and explain all material differences, including a breakdown of deferred development costs by project. | To assess budgeted v. actual financial information and updated budgets. |
| SM.7 2014 GRA PUB/MPI 1-79 | Deferred Development Costs | Please provide a continuity schedule of deferred development costs and amortization costs by project for the last ten fiscal years through the outlook period. | To assess the impact of deferred development costs and amortization costs for rate setting. |

| Reference | Topic | Information Request | Rationale |
|--|---------------------------------|---|---|
| SM.7 2014 GRA PUB/MPI 1-80 2015 GRA Volume 2, Expenses, Appendix 9 | IT Expenses | Please provide a schedule detailing IT costs by major capital project for the last ten fiscal years through the outlook period, and identify internal v. external costs for the historical period and for the outlook period. | To assess the amount spent on information technology and the reasonableness of costs forecast for rate setting. |
| 2015 GRA PUB/MPI 1-62(a) | IT Expenses | Please provide Information Technology Costs broken down between Normal Operations, Initiative Implementation and Initiative Ongoing expenses, for the last five fiscal years and through the outlook period. | To assess the amount spent on information technology and the reasonableness of costs forecast for rate setting. |
| 2015 GRA PUB/MPI 1-74(c) | IT Expenses | Please provide IT expenses for the last ten fiscal years and through the outlook period, and include two columns providing the compound annual growth rate for the historical period and for the outlook period. | To assess the amount spent on information technology and the reasonableness of costs forecast for rate setting. |
| | | | |
| 2015 GRA PUB/MPI 1-74(a) | Project Costs | Please provide a budget comparison of BTO/BPR projects by major component this year with the budget provided last year. | To provide context for amounts spent on IT projects and the relationship to revenue requirement. |
| 2015 GRA PUB/MPI 1-79 | Gartner Group Recommendations | Please provide an update detailing the status of all recommendations made by the Gartner Group, including any new recommendations. ¹ | To assess whether IT spending is just and reasonable. |
| SM.7 2014 GRA PUB/MPI 1-74 | Compensation | Please file an updated schedule of Basic compensation increases by category for the last five fiscal years through the outlook period . | To assess whether any increases in compensation costs are just and reasonable. |
| SM.7 2014 GRA PUB/MPI 1-78 | Compensation | Please file an updated schedule of average salary levels by classification for the last ten fiscal years through the outlook period, showing compound annual growth rates for the historical period and the outlook period. | To assess whether any increases in salary levels are just and reasonable. |
| Road Safety & Loss Prevention | | | |
| SM.7 2014 GRA PUB/MPI 1-94 | Actual v. Budgeted Expenditures | Please provide a five year comparative history of actual v. budgeted expenditures by Road Safety and Loss Prevention program category. | To assess budgeted v. actual financial information. |

¹ It is acknowledged that the CIO Scorecard will not be filed with the 2016 GRA. The Scorecard will be provided in subsequent years. Please provide an explanation within the 2016 GRA regarding the change in timing relative to provision of the Scorecard.

| Reference | Topic | Information Request | Rationale |
|--|---|---|---|
| 2015 GRA PUB/MPI 1-90(a) | Expense Forecast | Please provide a detailed forecast of Road Safety and Loss Prevention expenses by program through the outlook period. | To assess the amount spent on Road Safety. |
| 2015 GRA PUB/MPI 1-90(c) | Loss Prevention | Please provide a detailed Road Safety and Loss Prevention budget for the current year by specific program and compare that to actual spending for the last fiscal year. | To assess the amount spent and previously forecast to be spent on Road Safety. |
| SM.7 2015 GRA SM.3 Attachment F | Hot Maps | Please file updated Accident Maps. | To assess the Road Safety budget and expenditures in the context of collision frequency at specific locations. |
| <i>Ratemaking</i> | | | |
| SM.7 2014 GRA PUB/MPI 1-39 | Indicated and Proposed Rate Level Changes | Please provide a table reflecting the indicated rate change by Major Class together with the applied for rate changes. Please prepare an exhibit, with accompanying explanatory narrative, illustrating the transition from Financial Forecast experience rate requirement indicators to requested revenue adjustments by Major Class. | To provide context for any differences between indicated and proposed rate level changes by Major Class. |
| | Regressions | For all selected regressions included in the ratemaking analysis, please provide a graphical representation, including display of actual data and fitted and selected trend lines, accompanied by the customary regression diagnostics. | To provide context for visually and statistically assessing the strength of the selected regressions. |
| | Significant Changes to Methodology or Basis of Selection of Assumptions | Relative to the prior GRA, please provide a summary, with supporting rationale, for any significant changes to methodology or significant changes to the basis of selection of assumptions used in the derivation of the indicated changes in rate level, both overall and at the classification level. | To clearly document any sources of change in the derivation of rate indications. |
| 2015 GRA PUB/MPI 1-33 | Major Class Drift | Please provide supporting analysis for the Major Class Drift assumptions, including commentary on any significant shifts from the corresponding assumptions used in the prior GRA. | To provide context for assessing vehicle drift assumptions as a source of instability in rate indications between GRAs. |

| Reference | Topic | Information Request | Rationale |
|--|----------------------------------|--|---|
| Driver Safety Rating | | | |
| SM.7 2014 GRA PUB/MPI 1-85 | Prospective Modeling Assumptions | Please provide documentation of the DSR prospective modeling assumptions for each of the forecast years. Please display the forecasted number of Earned Drivers by DSR level for each of the forecast years. | To provide context for assessing the revenue sensitivity of any changes to the DSR schedule. |
| Valuation of Policy Liabilities | | | |
| SM.7 2014 GRA PUB/MPI 1-38 | Runoff | In a single table, please provide the breakdown by insurance year and valuation line of business of the latest complete fiscal year Basic – Total (Net) – PIPP (undiscounted) runoff. | To document the financial impact of prior year claims activity on current fiscal year incurred claims. |
| SM.7 2014 GRA PUB/MPI 1-38 | Sources of Runoff | With respect to the latest complete fiscal year Basic – Total (Net) – PIPP (discounted) runoff, please provide a separation of the total amount of runoff into the portion attributable to changes in experience vs. the portion attributable to changes in valuation methodology vs. the portion attributable to changes in valuation assumptions, including commentary on the basis for this separation and the nature of and rationale for the changes. | To provide context for discussion of changes in valuation methodology or basis of selection of assumptions. |
| | Regressions | For all selected regressions included in the valuation, please provide a graphical representation, including display of actual data and fitted and selected trend lines, accompanied by the customary regression diagnostics. | To provide context for visually and statistically assessing the strength of the selected regressions. |
| 2015 GRA PUB/MPI 1-37 | Actuarial Specialist Report | Please provide a copy of the actuarial specialist report on the Basic actuarial valuation prepared as audit evidence in support of the audit opinion provided by PricewaterhouseCoopers LLP for the latest audited financial statements. | To get the benefit of the review undertaken by the PwC actuarial specialist in support of the audit. |

| Reference | Topic | Information Request | Rationale |
|---|---|---|---|
| <i>DCAT</i> | | | |
| 2015 GRA PUB/MPI 1-107 | GRA Forecast vs. DCAT Base Scenario | Please identify and justify all significant differences in modeling assumptions between the GRA Basic forecast and the DCAT Base Scenario, and indicate which forecast represents the Corporation's best estimate projection of Basic operations. | To augment the GRA Basic forecast with any significant improvements to that forecast arising from the DCAT process. |
| Basic RSR/ Capital Target Setting Undertaking Request | MCT Ratio | For all modeled scenarios (base or adverse), please include in the summary of scenario results the modeled MCT ratio based on OSFI's current MCT Guideline. | To provide context for consideration of the MCT ratio as a basis for assessing changes in MPI Basic's financial strength. |
| <i>DCAT</i> | | | |
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| Subtopic: | | | |
| Issue: | | | |

PREAMBLE TO IR (IF ANY):

QUESTION:

RATIONALE FOR QUESTION:

RESPONSE:

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION: