

**Doug Houghton**

Box 1120  
Beausejour MB R0E 0C0  
(204)268-1027  
(204)268-5406 (cell)

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**Public Utilities Board of Manitoba**  
**400-330 portage Avenue**  
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## **MANITOBA PUBLIC INSURANCE 2020-21 GENERAL RATE APPLICATION**

### **INTRODUCTION**

Good afternoon Board members, MPI staff, MPI legal counsel, interveners and other presenters. Thank you for giving me this opportunity to speak to MPI's rate application. I'll try to keep my presentation brief. In order to avoid any possible contradiction with CMMG's solicitor, today I'm speaking on my own behalf and the views expressed are my own and not necessarily those of the CMMG or the MCC.

Today, I not only intend to briefly address MPI's rate increase, but express my concerns with recent interference by government into the public review process of PUB. I will also address current policies and methodologies that permit premium avoidance by high risk drivers, and suggest alternatives to current rate setting, so as to incorporate fairness in premium methodology and cost allocation.

### **MOTORCYCLING BACKGROUND**

For those of you who are new to these hearings, I'd like to tell you a little bit about myself. I've been involved with the Coalition of Manitoba Motorcycle Groups (CMMG) for over about 25 years. I'm currently a director and have previously served as president and vice president. I've also served as a director on the board of the Motorcyclists Confederation of Canada (MCC), a national motorcyclists' advocacy group, of which CMMG is a member.

I'm a retired municipal planner, and a single parent with 4 middle-aged children. I've been a motorcyclist most of my life. I'll be 73 years old in a few months and have been riding since the mid- 60s. Like many of my era, our first rides were in our teens on motorcycles borrowed from friends. Fifty years ago, in 1969, I bought my first motorcycle and started riding on a regular basis. Motorcycling is how I spend much of my spare time. My girlfriend and I usually ride between 15,000 to 30,000 kms. a year on vacations, on weekends with friends and with adult children. It's also how I often travel to visit my grandchildren. My oldest daughter also rides, but finds it difficult to insure on a full time basis, and still manage mortgage payments, child care and other household expenses.

## **CHANGING ATTITUDES TOWARDS MOTORCYCLES**

I'll start first with the positive. Attitudes towards motorcycles and motorcyclists have changed substantially. 20 years or so ago, CMMG members were unceremoniously asked to leave the MPI board room. Motorcyclists are now recognized as "vulnerable road users", and not "inherently dangerous". Although not always agreeing, CMMG now enjoys a more collaborative relationship with MPI and Manitoba Infrastructure staff. For the past decade CMMG has been invited into the board rooms of MPI and Manitoba Infrastructure and it participates on a number of MPI and Manitoba Infrastructure Committees.

Earlier this year MPI staff entered discussions with CMMG to get input on ways to investigate opportunities to reduce Basic motorcycle rates for motorcycles. This matter is still in discussion stages, but response has been positive.

In recent years CMMG has provided input into the new Vehicle Equipment, Safety and Inspection Regulation and just last month Manitoba Infrastructure has asked us to provide input into proposed amendments.

## **SAFETY INITIATIVES**

Much of CMMG's relationship with MPI involves safety. CMMG is a member of MPI's External Stakeholder Committee on Loss Prevention, participates on an interdepartmental Vulnerable Road Users committee and has provided input into MPI's wildlife strategy and the Province's Road Safety Plan. CMMG has also provided input into MPI's safety pamphlet and annual safety campaigns.

Safety initiatives not only reduce accident claims: they save lives and reduce injuries. As a CMMG member, I'd like to thank MPI for its support and participation in attending and providing some financial assistance for our annual Motorcycle Safety Awareness Rally and for attending our general meetings as guest speakers.

CMMG directors are of the opinion that driver and motorcycle training is the best safety initiative and that the graduated licencing program and corresponding mandatory motorcycle training course have been major contributing factors in reducing motorcycle accidents and resulting claims. Motorcyclists now know how to ride a motorcycle before entering public highways.

MPI has been a supporter of motorcycle training and followed CMMG's recommendation to encourage riders to take the longer \$430 Gearing Up Course by providing a \$200 rebate for its completion, making it less costly than the \$325 shorter basic course.

Many older, long term riders have not taken formal motorcycle classroom or skills training and there are many riders in their 60s, 70s and even 80s who still ride. I

know from personal experience that balance, perception and reaction time diminish with age. There's an Experienced Rider Course available at a cost of \$179, but I believe the added cost, in addition to insurance premiums, has resulted in minimal uptake. As well, long term riders don't believe they could benefit from training. I am of the opinion that a financial incentive, such as rate reduction over several years, would increase participation. To date MPI has not supported this initiative.

## **PREMIUM INCREASES**

I'll not spend a lot of time addressing this year's proposed premium increase for motorcycles, but leave most of that task to CMMG's solicitors. I was certainly surprised to learn of a last minute amendment to the rate application. This is apparently due to Basic Autopac Program investments reaching target three years ahead of schedule, which resulting in MPI removing the Capital Maintenance Provision (CMP) from the Approved Actuarial Practice (APP) rate.

At first I was pleased with the overall rate decrease of -0.6% and was expecting a reduction in motorcycle premiums. You can understand my shock and anger to learn that motorcycle premiums would increase from 3.9% to 5.1%. It's really difficult for me, and many of our members, to understand and accept how the same change that affects an overall rate decrease could cause an increase for motorcycles. Motorcyclists are now expected to endure an increase of 5.1% yet accident frequency has been declining. We're told that increases are due to increased PIPP costs and lower interest rates; however, I fail to grasp how these rates don't affect other classes as well. It certainly unfairly impacts motorcycles.

It's also difficult to understand why increases are even necessary as MPI recorded a profit of \$159.1 million last year, nearly 2 ½ times the previous year of 68 million, and as of Feb. 28, had retained earnings of \$511.8 million. It would appear prudent to either reduce 2020 premiums or offer a rebate to policy holders. Could it be that this profit, as well as retained earnings will be swallowed in part by last May's unprecedented Government regulation to increase MPI rate stabilization reserves (RSR) to \$350 million, almost double the current level. As well, I understand that there's been a government directive for MPI to continue its relationship with private insurance brokers and not move many its services on line at savings in the hundreds of millions, resulting in lower Autopac rates.

This brings me to the next issue. Since an increase in the RSR will have a direct impact on rates, it is my opinion that it should fall within PUB's mandate. It appears that the government is using these reserves to improve its overall financial position, but it fails to recognize that MPI surpluses are not tax revenue but policy holder money. As well, delaying or preventing online services will also affect rates and reduce services. As a Manitoban, I'm concerned with Government interference in the operation of MPI. The use of regulation or directive removes the rate making process from public scrutiny and input.

MPI has indicated that rates won't be affected as it will use profits from the sale of "extension" insurance. We must note that comprehensive insurance is not part of the Basic motorcycle insurance. Are motorcycle comprehensive premiums part of extension profits and if so, will it cause an increase in motorcycle comprehensive rates or a minimum, negate any reduction in such premiums?

## **ESCALATING PREMIUMS AND PIPP**

The reason for past escalating motorcycle premiums goes back to 1993 with the introduction of "no fault" insurance and corresponding Personal Injury Protection Plan (PIPP). Past PUB rulings for no "cross subsidization" between vehicle classifications, meant that premiums for each classification must reflect claims costs for that classification, regardless of fault. This resulted in many years of double digit, compounded increases. More recently, motorcyclists have enjoyed a few years of premium reductions and for the past few years modest increases similar to the automobile class. Not so this year!

Motorcyclists have also benefited from past improvements in rate setting methodology. I refer specifically to the implementation of "loss transfer" and the allocation of losses for PIPP and collision claims, as well as losses related to wildlife and "hit and run" collisions. Although a considerable improvement, I believe that the current methodology for allocating losses is still discriminatory and inequitable, particularly the effect of interest changes. The following paragraphs will highlight some of these inequalities.

## **PIPP PREMIUMS ARE NOT APPLIED EQUITABLY**

I'm at a disadvantage of not having current data; however, contrary to what some may believe, motorcycles are not involved in a greater percentage of accidents than automobiles. In fact, past statistics have shown that there are a greater percentage of motorcyclists with full merits than automobile owners.

Motorcycles have been placed in a separate rating classification, not because motorcyclists have more accidents, but due to severity of their injuries, resulting in greater personal injury (PIPP) costs. According to data provided to CMMG in 2016 (I believe), PIPP losses as a percent of total losses for the previous 5 years for motorcycles is 83.47%%. By contrast, these losses ranged from 20.7% for passenger vehicles to 35.9% for commercial vehicles. These figures relate closely to the percentage of premiums allocated to PIPP losses for each class. On the surface, this seems fair, except that many do not pay PIPP.

Although PIPP coverage is paid by most vehicle owners, some vehicle classes do not pay and are still being subsidized by premiums paid by other major classes. Also not paying are persons with drivers licences, who do not own vehicles, but

who contribute to accident costs. As well, there are others who receive PIPP benefits who neither own a vehicle nor have a drivers licence.

It was either in 2011 or 2012 that MPI stats revealed that 12,954 vehicles, or 1.5% of registered vehicles, did not pay for PIPP coverage. This nearly equalled the 13,163 motorcycles which were subject to PIPP premiums at the time. There are now more than 17,000 motorcycles insured and it would be interesting to obtain current data to determine if the same relationship exists.

Classes not paying PIPP include inter-provincial trucks and exempt vehicles such as Government of Canada, and fire department vehicles. Although it's true that drivers of these vehicles may be eligible for Workman's Compensation if injured, it is usually the occupants and passengers of smaller vehicles who sustain injuries. If however, a large semi causes an accident, this vehicle would not be contributing to the PIPP costs of the other vehicle involved. In addition, off road vehicles, dirt bikes, snowmobiles and bicycles do not contribute to PIPP; however, if the riders are involved in a collision with an automobile in motion, they receive PIPP benefits, even if at fault. I believe the same applies to pedestrians.

### **One-Third of PIPP Claims from Non-Vehicle Owners**

Once again, I'm relying on outdated data for this part. Although absolute numbers have changed, I'm sure the proportions are still relevant. In 2011 there were 11,784 PIPP claims. One-third of these claims were from non-vehicle owners. Drivers without a registered vehicle accounted for 3,192 or 27% of these claims. Un-licensed, non-vehicle owners accounted for 693 claims or another 6% of total vehicle claims. Perhaps PUB can request MPI to update this data.

Since all Manitobans can receive PIPP benefits and since 1/3 of all PIPP claims are for non-contributors, why then should motorcyclists pay substantially more for this coverage when other vehicle owners, ATV owners, snowmobile owners and licensed non vehicle owners pay nothing?

### **NEW METHODOLOGY FOR ASSIGNING PIPP COSTS**

It's time to re-think the methodology and insert fairness for assigning PIPP costs to premiums. The following paragraphs describe a number of different ways.

**Flat Rate for PIPP** - The fairest way might be to establish a flat rate for PIPP premiums and spread them equally across all vehicle groups, with increases based on experience and driving record, not severity of injuries. Penalties should be attached to the drivers licence and not the vehicle.

A flat rate will not create undue hardships on other vehicle owners. Other insured vehicles outnumber motorcycles by a ratio of about 50:1. In simple terms, an

average \$5 premium increase for other vehicles might generate over 4 million dollars, with a resulting premium decrease of about \$230 for each motorcycle.

**Allocate a Greater Share of PIPP to Larger Vehicles** - Motorcyclists are vulnerable road users and more likely to sustain more serious bodily injuries in accidents, but are less likely to inflict serious injury on pedestrians, cyclists or the occupants of automobiles and trucks. Conversely, larger vehicles have the potential to inflict serious injury to pedestrians, riders and occupants of smaller vehicles, but I don't believe this is factored into the premium structure of those vehicles. Perhaps premium methodology should be revised so these vehicles bear a greater share of the PIPP costs.

**Transfer PIPP Premiums to Driver's Licence** - It is the driver who causes accidents and not the vehicle. Since nearly 1/3 of PIPP claims are from drivers who do not own a vehicle, it would be a much more equitable system if PIPP premiums were transferred, all or in part, to the drivers licence, rather than placed solely on the vehicle. At present, there is a small insurance portion associated with the drivers licence; however this driver premium is not proportioned among the various coverages. Apparently these premiums are used as a direct offset to the costs of Basic insurance for Highway Traffic Act vehicles, so it is not known if any of it is assigned to offset PIPP costs.

It might also be a fairer system if both PIPP and Liability premiums were attached to the drivers licence and that collision and comprehensive were applicable only to the vehicle. In other words, separate the "tin from the skin".

## **PREMIUM AVOIDANCE AND FAIRNESS IN PREMIUMS**

**Transfer Penalties to Driver's licence** - When someone avoids paying premium penalties on their vehicle, good drivers bear the costs. The current Driver Safety Rating (DSR) is a good system, but can be manipulated. Added costs for an increase in demerits is now applied both to the drivers licence and to all vehicles owned by the driver; however, those who don't own vehicles, but drive a vehicle owned by another family member or employer, only pay on the drivers licence. As such, this system encourages "high risk drivers" to transfer ownership to other family members so as not to pay higher vehicle premiums and therefore, not contribute fairly into the public insurance system.

I'm sure if MPI examines its data, it will discover that vehicle ownership increases with the increase in merits and lower premiums and conversely, as drivers go down the DSR scale, with increased demerits and potentially higher premiums, the level of vehicle ownership decreases. There's a need to change the methodology for assigning penalties so that bad drivers pay their fair share.

There are many motorcycles insured and owned by persons not having a motorcycle licence. Obviously these motorcycles are being driven by someone else, perhaps with not so enviable a driving record. Perhaps there should be a surcharge on these premiums or have premiums assessed at the 0 merit level.

**Multi-vehicle Discounts for Motorcycles** - Like most motorcyclists, I suffer from MPI "double" and "triple dipping". I also own other vehicles and pay PIPP on all, but only drive one at a time. It is my understanding that the premiums for each classification of vehicles is based on the risks and accident history of that vehicle classification independent of other classifications. Unlike other insurers, MPI provides no discount for a 2nd vehicle, the assumption being that both could be driven at the same time, with risk of accident. It is my observation that in most cases when the motorcycle is being ridden, the other vehicle remains unused, thereby reducing its risk. More likely however, when the other vehicle is driven, the motorcycle remains parked. Motorcyclists as a rule, do not share their ride.

According to the table attached to the 2015 GRA [CMMG(MPI) 1-18], the per unit claims cost for passenger vehicles owned by non motorcycle owners is 68% higher than for those passenger vehicles where the registered owner also has a registered motorcycle. (\$397 vs. \$236) It would appear that when a motorcycle is also registered, the risk goes down on the owner's passenger vehicle. I'm confident that if a more detailed actuarial investigation is undertaken, new statistics will support a multi-vehicle discount where one of the vehicles is a motorcycle.

All the above scenarios, or combinations thereof, require proper actuarial analysis. Premiums would have to include other factors such driving record, and the proportion of PIPP and penalty costs assigned to drivers' licence premiums.

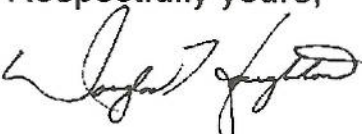
## **PUBLIC POLICY**

I can certainly appreciate that some of my suggestions may not fall within the board's mandate and that it may be a matter of public policy, to be implemented by government through legislative change. I will, however, request that this board recommend that MPI, research these issues and determine, how premiums would be affected for all classes of vehicles.

## **SUMMARY**

That concludes my presentation. Thank you for giving me this opportunity to speak and for your attention to this matter.

Respectfully yours,



Douglas Houghton