

**Possible Reasons Why Steps Had Not Been Taken Earlier at MPI /
Evidence From Prior GRAs:**

Online Services	Commissions
Predecessors did not consider?	Predecessors did not consider?
Predecessors were incompetent?	Predecessors were incompetent?
Although the online insurance world is growing in Canada, and although MPI could probably handle most business directly, they made a decision not to and made a commitment not to go direct-to-consumer. ¹	Brokers agreed to a significant reduction in their commission in exchange for MPI's commitment to work with them over the long-term. ²
MPI wants Manitobans to truly have professional insurance advice. ³	MPI wants a strong broker channel in Manitoba for the purposes of providing direct access to a licensed professional and does not want to do anything that may jeopardize that strong network of licensed professionals. ⁴

¹ October 12, 2010: MS. MARILYN MCLAREN: TAB A: *"You know, the online insurance world is ... growing somewhat in popularity in this country. ... You know, quite frankly, on a simple mathematics basis we could probably handle most of the business directly in this... province with our own service centres. We have absolutely no intention of doing that. We have a commitment not to do that."*

² October 12, 2010: MS. MARILYN MCLAREN: TAB A: *"the key reason really that brokers were very willing to work with us and ... agree to such a significant reduction in their commission is that they know that we have a commitment to work with them over the long-term."*

³ October 5, 2011: MS. MARILYN MCLAREN: TAB B: *"But the reality is [MPI] has always worked with brokers because we want people to really truly have professional insurance advice."*

⁴ October 11, 2011: MARILYN MCLAREN: TAB C: *"actually what we've seen in the last little while, the -- the accord with the brokers was developed. We did work with [IBAM]. The government embedded the new regulation -- the new compensation into regulation. What we've seen over the last little while is their commission has grown a little more slowly. But we certainly don't believe viability is at issue. You know, we want to make sure that there -- just like we want to make sure that there's a strong, competent body shop industry in Manitoba, we have the same view of brokers. We know Manitobans largely choose brokers to -- to do this business. We don't want to do anything that acts -- that jeopardizes that access for Manitobans.... So we've really moved away from that and really focussed more on appointing agents who qualify as independent insurance brokers, able to offer more than one (1) line of insurance and to really behave as professional insurance advisors to people."*

<p>Autopac agents, independent insurance brokers are required to offer more lines of business than just MPI. MPI insists that the customer has the right to select coverages provided by other markets.⁵</p>	<p>The Basic Commission paid by MPI to brokers is very, very low.⁶</p>
<p>MPI has a website that permits certain transactions: those transactions that can safely be transacted via the internet have already been completed. However, two (2) areas have not been included on the website:</p> <ul style="list-style-type: none"> a) Physical inventory (for example, license plates, registration cards, etc.); and b) For consumer protection, those areas involving personal information, they want 	<p>It was already lowered from 5% to 3%.⁸</p>

⁵ October 5, 2011: TAB B: MS. MARILYN MCLAREN: *"Autopac agents, independent insurance brokers are required to offer more lines of business than just ours. Way back in the day, you know, there was the occasional Autopac agent and hardware store, Autopac agent and lumberyard. Those no longer exist. They are all independent agents. So if ... your broker chose, and believed it was in your best interests, they wouldn't say, Go down the street, they'd say, I can sell you 'X' or 'Y', or I can keep you with MPI. They are the ones that provide those options...So brokers are the places where people buy from others. It -- it's not anywhere else other than the brokers who are primarily selling ours, but they do have other markets. We insist that they have other markets. We don't want them just to be Autopac agents in hardware stores anymore."*

⁶ October 10, 2017: TAB D: MR. LUKE JOHNSTON: *"The Basic commission being less than 3 percent is very, very low, so the extension coverage is much higher."*

⁸ October 22, 2014: TAB E: MPI PANEL – *"And if you want to think about how we work, we're a corporation that really lives its values. And when you think about what we did to put the \$60 million to the bottom line for Manitobans, if you look at what we were able to do with the brokers, from 5 to 3 percent on the commission, that's what I'm talking about, about getting the buy-in from people...We're working with the repair industry. We've -- we're -- we're very fortunate, like, with the -- with the brokers. What we did in -- in the last decade with the brokers, the repair industry is working with us, and there's no way that we would be able to achieve -- like we -- like we set out that \$60 million dollars. We wouldn't have made it without the collaboration of the brokers..." MR. DAN GUIMOND: Yeah, and.. MPI has to share its ability to create value with how we work with our stakeholders, because if it wasn't for the -- our -- our stakeholders like the brokers or the repair industry and so on, we wouldn't have been able to accomplish the things we did. It's really -- we're a community-based organization. We live our -- our values. And at the end of the day, Manitobans would have to pay \$60 million more a year if we hadn't done the things that we were doing...."*

you to go to a broker to prevent identity theft. ⁷	
MPI made the decision to imbed its technology with their business partners, such as brokers. This allows MPI to work with them to have the lowest prices in Canada. ⁹	

⁷ October 23, 2014: TAB F: *"MR. REGIS GOSSELIN: ...and I guess one of the things I'm wondering about is whether or not I'd be able to interact to a greater extent with MPI via the web as opposed to having to go to the local broker shop? ... MR. DAN GUIMOND: I think like dealing on the web with us, you'll see a huge change in the next five (5) years on the claims side, and also on -- on products that are -- that are not tied to the distribution side of it. What we did from -- from a -- hardwired into our service delivery model is that when you look at the broker transactions, like when you have to interact with the brokers, you'll notice that all the transactions that can be automated have been automated. And the rest that are left are tied to two (2) things. One (1), transactions that are tied to -- to physical inventory. For example, you buy a new car... plates... sticker. ... So from a -- from a virtual perspective, or Internet perspective, everything's been automated except for transactions that are tied to -- to physical inventory. The second thing we did is for consumer protection is your identity. We -- we like the idea that you go through the broker for your driver licence and your -- and anything that has to do with personal information about you. Why? Because it offers consumers protection against identity theft. The biggest identity theft, based on the -- on the stuff that I've read and -- and some of the things we've been looking at, is that somebody who looks like you can go to a broker -- you know, if -- if we didn't do what we had done, can go to a broker, get an address change, get your driver licence with their picture on your driver licence, you don't know about it, and then you end up with three (3) or four (4) warrants for your arrest in North America. And it's going to cost you a fortune to get your record back. What we do for identity, anything that has to do with your personal information we want you to go to a broker. We're going to take a picture of you. We're going to run you through facial recognition, and we're going to make sure that it's you that's there. And then we'll allow the card to be printed and sent to the new address, if it's an address change, or if it's a name change, or whatever. But there'll be consumer -- that's the consumer protection aspect of -- of how our model works..."*

⁹ October 23, 2014: TAB F (page 292-294): *"MR. REGIS GOSSELIN: But are you doing anything differently at MPI with IT than, say, an SGI or an ICBC, ... in terms of your relationship with the ... dealer shops or your relationship with the broker, are you doing something at an IT level that's different than ... a comparable operation? MR. DAN GUIMOND: ...the biggest difference that we do, if -- if you look at us in terms of our -... business model and in terms of ... our pattern, so to speak, in terms of trying to be the lowest price across Canada and be able to beat inflation, is that we have what we call 'the distributed enterprise model'. And what we mean by that is we embed ourselves from a technology perspective with our business partners. So we've embedded technology into the broker side.... from a comparative advantage perspective in the marketplace, what we're doing is we're embedding ourselves into our business partners to be able to work with them to achieve magic numbers to be able to have the lowest -- to be able to beat inflation, to be able to have the lowest price across Canada without having to change the -- the coverage we have in -- in our policy. Like -- like, think about SGI right now. I mean, they -- they have a seven hundred*

If MPI was to go direct-to-consumer, the impact on customer service would be horrible. ¹⁰	
From a consumer protection and customer service perspective, you can't beat what the brokers are doing for what MPI is paying. ¹¹	From a consumer protection and customer service perspective, you can't beat what the brokers are doing for what MPI is paying. ¹²

dollar (\$700) deductible. I mean, we -- we got a five hundred dollar (\$500) deductible. That's huge for consumers. I mean, to be able to do that, if it wasn't for our -- our business partners and how we work with them, there's no way we could do what we're doing right now, from coverage perspective and pricing perspective. So if there's a fundamental difference, it's how in Manitoba, for whatever reason, we've been able to work with the brokers, with the repair industry, with the -- the medical community and be able to embed the technology, be able to have collaboration innovation to be able to beat the -- the inflation and be able to have the lowest price without having to change the coverage."

¹⁰ October 23, 2014 GRA: TAB F: "MR. DAN GUIMOND: In terms of the -- them buying themselves each out, or whatever, there's about three hundred and five (305) locations right now throughout the province. I mean, for what we pay brokers and what they do for us, it would -- you know, like, it's -- it's really -- let's say we -- we were to go direct and just deal through our service centres, for example. I mean, the -- the impact on customer service would be horrible. I mean, these guys are open -- the brokers are open seven (7) days a week. Their hours of operation in the malls and so on are from 9:00 in -- you know, 8:30 in the morning to 9:30 at night. People are used to buying a car and just having their plates right away and be able to -- to drive with -- with their car with -- with proper insurance and proper registration. So the benefit we get with the brokers, from a -- from a consumer protection perspective and servicing the public, I mean, you can't beat what they're doing right now for -- for what we're paying. Now -- now, there's three hundred and five (305) locations throughout the province, and it's about a hundred and fifty-nine (159) owners. You know, if -- if the bank would -- you know, let's say you -- you go from three hundred fifty -- three hundred and five (305) locations over time and you're down to -- to, you know, fifty (50) locations owned by banks, I mean, maybe that's something we could talk about. But right now, it's pretty hard to beat what they provide. "

¹¹ October 23, 2014 GRA: TAB F: 'MR. DAN GUIMOND: So the benefit we get with the brokers, from a -- from a consumer protection perspective and servicing the public, I mean, you can't beat what they're doing right now for -- for what we're paying. Now -- now, there's three hundred and five (305) locations throughout the province, and it's about a hundred and fifty-nine (159) owners. You know, if -- if the bank would -- you know, let's say you -- you go from three hundred fifty -- three hundred and five (305) locations over time and you're down to -- to, you know, fifty (50) locations owned by banks, I mean, maybe that's something we could talk about. But right now, it's pretty hard to beat what they provide."

¹² See Footnote 11: October 23, 2014 GRA: TAB F: MR. DAN GUIMOND.

<p>In terms of customer service and identity protection, it's not worth changing. MPI could not provide this type of service on its own.¹³</p>	<p>Trailing Commissions: Since moving to five (5) year renewal period, most people still show up at the broker every year to make that payment.¹⁴</p>
<p>A Driver's License is a primary form of identification. "Change of Address" online allows for identity theft.¹⁵</p>	<p>MPI worked with the brokers to find mutually acceptable commission levels on everything, including trailing commissions. A joint</p>

¹³ October 23, 2014 GRA: TAB F: *"MR. DAN GUIMOND: Yeah. And, I mean, they -- it's -- it's also -- like, the customer service aspect, from a customer service perspective, I mean, it's -- it's not worth changing that; it's really not. I think it's really to the advantage of -- of customers, both in terms of customer service and identity protection, because once you're in the community, people know each other, people know something's going on. And it's -- it's a way to -- to really service the customer and offer protection that we could never do on our own."*

¹⁴ September 26, 2013: TAB G: *"MPI Panel: I don't know that Manitobans have that expectation of MPI, but I do believe that, you know, and brokers tell us as well, now that we've moved to the five (5) year renewal period, most people still show up at the broker every year to make that payment." I think people would appreciate an online opportunity to pay by credit card in the year that they don't need a photo. We go out of our way to minimize the requirement for people to go to brokers if they don't need a new photo, or a plate, or a sticker, or something like that. So that's -- that's something that we would look to do."*

¹⁵ October 25, 2011: TAB H: *"MS. MARILYN MCLAREN: ... they were very involved and understood exactly what was happening with streamlined renewals, that's why the commission schedule changed. And -- so we absolutely involve them and -- and have as many in-depth conversations with them as we would expect to have with the body shop if we change how they do their work, absolutely. We -- corporately we have a -- a real commitment to independent brokers as the key distributor of our products. And we would not expect, without a significant policy change at the highest level, we would not expect to -- to change that and all -- and allow Manitobans to do things online that up until now have been required to be done at a broker. So we're -- we're careful about how we do things like that. And I'll -- I can talk to you a little bit about the streamlined renewal. Because the renewal itself, now which only happens once every five (5) years, requires a photo to be taken. We will -- in -- in my view from a policy perspective, we will never allow people to file an address change online like you can with many, many organizations. But we understand that the Manitoba driver licence or the Manitoba identity card is a key identification document for Manitobans... And we also know that -- that -- I can't say for sure this has happened in Manitoba, but there have been cases of attempted identity theft, fraud, by, you know, people looking fairly similar to someone else would change their address and send all that person's documents somewhere else. So address changes have to be done in person. We take a new photo everytime somebody reports a move, and we compare that photo to the photo we have on file through our software that does that. So, it's really one (1) of the mechanisms to reduce opportunities for identity theft. And brokers also have to issue registration documents, they have to issue plates and stickers and things like that we call stock, right. So we really want people to keep using brokers primarily for those kinds of transactions."*

	recommendation was made to government that ended up being accepted. MPI does not believe that it is paying more than it should or that it is paying an inordinate amount. ¹⁶
MPI made the decision to use brokers, and brokers alone. ¹⁷	Brokers do significant uncompensated work outside of the renewal process. There is no expectation that the commission paid on a renewal is intended to compensate fully and only the work related to processing the renewal. ¹⁸
MPI committed to brokers that they were going to be, for well beyond the foreseeable future, the distributor of MPI products. In fact, MPI has a commitment that it will do no more than 4 percent of the same types of transactions that brokers will perform. ¹⁹	

¹⁶ October 18, 2010: TAB I: *"MS. MARILYN MCLAREN: The Corporation worked with the brokers to find mutually acceptable commission levels on everything, and it was really a joint recommendation to government that ended up being in a regulation...We want to work with brokers. We want to continue to make sure the Manitobans choose MPI even when they don't have to. So we -- we don't believe that we're paying more than we should. We don't believe we're paying an inordinate amount. We think it is appropriate given the -- the way the -- the business is done in the future."*

¹⁷ October 20, 2015: TAB J: *"MR. DAVE SCHIOLER: Brokers processed close to 4 million transactions for MPI in 2014. Approximately [900,000] individual customers present themselves to brokers, each with a set of unique circumstances, and brokers in turn provide professional advice and appropriate pricing to those customers...But in Manitoba, it's still higher than in many other juris -- jurisdictions, the percentage of transactions done by brokers, because of [MPI]. [MPI] is committed to utilizing brokers and, really, brokers alone."*

¹⁸ October 14, 2009: TAB K: *"MS. MARILYN MCLAREN: Not a good comparison. Not a good analogy. Not at all. We know very well that brokers do significant uncompensated work outside of the renewal process. The renewal commission is intended -- just like in every other insurance commission arrangement between insurers and brokers. There -- there's no expectation ever that the commission paid on a renewal is intended to compensate fully and only the work related to processing the renewal."*

¹⁹ November 12, 2014: TAB L: *"I mean, you've spoken at length about the effectiveness and the good relations with MPI. But does the fact that you're here this morning reflect a concern that MPI may be taking over some of the brokers' responsibilities and roles? MR. DAVID SCHIOLER: No, not at all. In fact -- and it -- it's a good question, because in the life of MPI when I took on this*

For Special Risk Extension, the broker relationship is essential for the purposes of oversight and consultation. ²⁰	
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job approximately ten (10) years ago, I -- I did hear quite a bit about, in the broker force -- from brokers, some fear about MPI is going to go direct to the customer, they're going to eventually get rid of brokers and so on, and that's why they're going to cut the commissions. And there were -- there was fear in the system.

And we worked very, very hard and very closely with MPI over the last number of years to take that fear out of the system, to work collaboratively together to build the relationship to the point that we're better serving Manitobans for sure, even though we've taken some costs out of the system. And we're building things together, like the new operating standards. And operating standards are those, you know, everyday measures that are taken in transactions and how the parties work together, the broker and MPI. How does the broker facilitator at MPI work with the broker and the broker office, and how is the transaction conducted the most efficiently? And again, what are those remedial measures to fix things when they go wrong All of these have been improvements. Also, there's been a commitment by MPI over the last, you know, eight (8) years particularly to ensure that brokers are going to be, for well beyond the foreseeable future, the distributor of MPI products. MPI has a commitment, in fact, that out of its own service centres, it will do no more than 4 percent of the same types of transactions that brokers will perform...

²⁰ October 13, 2006: TAB M: *"THE CHAIRPERSON: Is there any other forum in which policyholders of those other divisions are able to survey and discuss and examine MPI's approach; just a general question? MS. MARILYN MCLAREN: I think, certainly, with -- with respect to Special Risk Extension the customized approach to those policies, the relationship that is essential to have with the customers and with the brokers who serve those customers really provides a significant input and -- and oversight and consultation. Extension -- again, I think you know we rely significantly on brokers to provide a lot of that."*

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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE COMPANY (MPI)
GENERAL RATE APPLICATION
FOR 2011/12 INSURANCE YEAR

Before Board Panel:

- Graham Lane - Board Chairman
- Len Evans - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 12, 2010
Pages 813 to 1054

1 a different way. They do their work in a different way.
2 Brokers can be sending emails or -- or other kinds of
3 conversations with customers. Just because they don't
4 show up doesn't mean that things don't get changed.

5 I mean, think about your homeowner's
6 insurance. All right. This is exactly the same model.
7 You don't have to go to the broker every year. They'll
8 send you something, they'll highlight a few things,
9 they'll give you a phone call. Brokers are fully able to
10 do that. They know when those assessment notices come
11 out for their clients. They know that they did the
12 renewal, and that your assessment notice was coming for
13 your renewal next week and they can contact you exactly
14 the same way.

15 Brokers are connected with this business,
16 they're connected with their clients, and that's a role
17 that they are very comfortable playing. It's -- it's the
18 way the rest of their business works.

19 MS. CANDACE EVERARD: Now in conjunction
20 with SRP, the Corporation entered into an arrangement
21 with brokers to reduce the commissions paid for Basic
22 transactions.

23 That's right?

24 MS. MARILYN MCLAREN: We did work with
25 the brokers, and -- and what ended up happening is -- is

1 But mostly you're having a fewer number of
2 larger, independent insurance broker businesses with --
3 who own multiple outlets.

4 DR. LEN EVANS: I suppose if we go into
5 the infinite future, we could end up with maybe one (1)
6 broker. I'm not suggesting that'll happen, but, yeah.

7 MS. MARILYN MCLAREN: Well, it's -- it's
8 a tough business these days. You know, multiline
9 insurers are getting much, much more stringent about how
10 many brokers they have. Lots of brokers have lost some
11 of their markets.

12 You know, the -- the online insurance
13 world is -- is growing somewhat in popularity in this
14 country. Many multiline insurers who used to have a
15 commitment to solely distribute through brokers now have
16 an online division of their companies.

17 So it -- it's -- you know, one (1) -- the
18 -- the key reason really that brokers were very willing
19 to work with us and -- and agree to such a significant
20 reduction in their commission is that they know that we
21 have a commitment to work with them over the long-term.

22 You know, quite frankly, on a simple
23 mathematics basis we could probably handle most of the
24 business directly in this -- in this coun -- in this
25 province with our own service centres. We have

1 absolutely no intention of doing that. We have a
2 commitment not to do that.

3 So even though it is a less profitable
4 business than it used to be, being a Basic AutoPac
5 broker, you know you have it for the -- for the very
6 long-term. It's a stable working relationship.

7 DR. LEN EVANS: I don't want to be
8 facetious, but it's almost like a licence to print money
9 or -- I mean, it's very secure. I mean, it's --

10 MS. MARILYN MCLAREN: Well, as is the
11 body shop business in this province.

12 DR. LEN EVANS: Yeah. Yeah.

13 THE CHAIRPERSON: Thank you. I think --

14 DR. LEN EVANS: I'm just going to
15 comment. Yes, this is what I reco -- recollect from
16 history, that once the -- once the cert -- initial
17 changes were being proposed in the legislation, the body
18 shop worker -- body shop people were very happy to -- to
19 see MPI come into creation. Thanks.

20 THE CHAIRPERSON: Okay. We'll have our
21 break now. Thank you.

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23 --- Upon recessing at 10:43 a.m.

24 --- Upon resuming at 11:00 a.m.

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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE COMPANY (MPI)
GENERAL RATE APPLICATION
FOR 2012/13 INSURANCE YEAR

Before Board Panel:

- Susan Proven - Board Chairman
- Len Evans - Board Member
- Regis Gosselin - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 5, 2011
Pages 213 to 434

1 because when I go to do all this at my one (1) little
2 broker in Minnedosa, no one ever says to me, you can walk
3 down the street and do some of this other stuff, like
4 Extension.

5 And I -- I guess I just see it as a one-
6 stop shop. I -- I see it as a place to do everything.
7 And I -- I think some people might be under the
8 impression that its all publically controlled, you know,
9 and we -- we know it isn't, of course, because these, you
10 claim, are separate lines of business, they are
11 competitive lines of business.

12 But I'm just wondering how much the public
13 really understands that, and why the government hasn't
14 perhaps moved in a certain direction. But I know you
15 have said that's a government decision, they decide these
16 things; we just operate under what we -- the reality we
17 have.

18 Do you want to comment on that?

19 MS. MARILYN MCLAREN: Well, I -- I think
20 first of all, when you go to your broker in Minnedosa, if
21 they were to say, You know, you could go down the street,
22 that would probably be at another broker, and they're not
23 likely to do that. But the reality is Manitoba Public
24 Insurance has always worked with brokers because we want
25 people to really truly have professional insurance

1 advice.

2 Autopac agents, independent insurance
3 brokers are required to offer more lines of business than
4 just ours. Way back in the day, you know, there was the
5 occasional Autopac agent and hardware store, Autopac
6 agent and lumberyard. Tho -- those no longer exist.
7 They are all independent agents. So if -- if your broker
8 chose, and believed it was in your best interests, they
9 wouldn't say, Go down the street, they'd say, I can sell
10 you 'X' or 'Y', or I can keep you with MPI. They are the
11 ones that provide those options.

12 And I guess the other thing I -- I would
13 say that we work very, very hard creating a -- you know,
14 a -- a book of products and -- and -- and a service
15 framework where people will choose us when they don't
16 have to.

17 So even if it's almost a monopoly, if the
18 others have \$10 million and we have 100 million,
19 whatever, certainly we have a vast chunk of the market,
20 but we work very hard at that. We have introduced really
21 innovative products and found unmet needs that we
22 believed were important and -- and put those out into the
23 market, and we've worked hard at that.

24 So I think there's still a huge
25 difference, whether it's mon -- monopoly or almost a

1 monopoly, that's one (1) issue. And clearly, as you say,
2 it's for the government to consider, but the heart of it,
3 the way we look at it, it's -- it's the difference
4 between compulsory and optional. That's that's the
5 fundamental difference. Do you have to buy this to get
6 your vehicle legally registered for use on the road? You
7 do. You don't have to buy any of that other stuff.
8 That's -- that's the key difference, the difference
9 between compulsory and optional.

10 And brokers deal with Manitobans as they
11 see fit, you know. And -- and we know that the way
12 brokers register and insure vehicles, they say: Would
13 you like to have a five hundred dollar (\$500) deductible?
14 Would you like to have a two hundred dollar (\$200)
15 deductible?

16 So it becomes somewhat fuzzy, as the five
17 hundred (500) is the ma -- you know, you have to have at
18 le -- the five hundred (500), but if you want, you can --
19 because that's the way they approach it. They're trying
20 to meet customers' needs. They're trying to understand:
21 You know, I -- I really think you should by 2 million if
22 you could afford it, not just 1 million.

23 So brokers are the places where people buy
24 from others. It -- it's not anywhere else other than the
25 brokers who are primarily selling ours, but they do have

1 other markets. We insist that they have other markets.
2 We don't want them just to be Autopac agents in hardware
3 stores anymore.

4

5 CONTINUED BY MS. CANDACE GRAMMOND:

6 MS. CANDACE GRAMMOND: Thank you. I'm
7 going to ask you then to go to the annual report for the
8 Corporation. So this is in Volume III, Part 1, AI.7.
9 This is the -- the bound, pretty coloured annual report,
10 just to distinguish it from -- from the others that are
11 there. So AI.7, and it -- yeah, it's Volume III, Part 1.

12

13 MR. DONALD PALMER: Yes, I have it.

14 MS. CANDACE GRAMMOND: Okay.

15 MS. BYRON WILLIAMS: Ms. Grammond, could
16 I just ask which page?

17 MS. CANDACE GRAMMOND: Oh, sure. I'm
18 going to page 32.

19

20 (BRIEF PAUSE)

21

22 CONTINUED BY MS. CANDACE GRAMMOND:

23 MS. CANDACE GRAMMOND: Okay. So page 32
24 of the annual report. This is the tail-end of several
25 pages of commentary with respect to Basic, which starts

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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE COMPANY (MPI)
GENERAL RATE APPLICATION
FOR 2012/13 INSURANCE YEAR

Before Board Panel:

- Susan Proven - Board Chairman
- Len Evans - Board Member
- Regis Gosselin - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 11, 2011
Pages 435 to 666

1 legislative changes with -- with the support of -- of the
2 legislature. We had lots of Act and Regulation changes
3 to support this, but we basically made it so that every
4 four (4) out of five (5) your Autopac renewal was really
5 just like a payment.

6 We would rate drivers and vehicles every
7 year but we would just send you a payment notice. You
8 don't have to come in and get new documents. You don't
9 have to come in and get new stickers. You don't have to
10 get another driver licence, it was really just like a
11 payment.

12 So what that did, when it was implemented
13 about a year and a half ago -- started that process --
14 was really streamline the process for people and make it
15 that much more simple. Because now they didn't have to
16 go to a broker. They could simply just -- any other kind
17 of people who are doing online banking or, you know,
18 terminal banking, they could just make their Autopac
19 payment just that way.

20 A -- a large percentage of our customers
21 are on monthly payments. So they didn't have to do
22 anything. Once a year we would send them a statement
23 that says, you know, your forty-two dollar (\$42) monthly
24 payment has now changed to forty-one dollars and eighteen
25 cents (\$41.18), or something like that. And they had to

1 take no action whatsoever.

2 So, that was a -- really an important
3 process for us to -- for many years, in a number of
4 different ways, including the introduction of the monthly
5 payments, we've been really trying to reduce low-value
6 transactions. Things that don't have a lot of value to
7 Manitoba motorists.

8 And we knew the renewal was one (1) of
9 those, because we know the vast, vast majority, 90
10 percent or more, make no changes. When it's time to come
11 in and make their annual payment before we went to the
12 streamlined process, they don't make the changes.

13 People make their -- their decisions about
14 what kind of coverage they want, declaring their
15 insurance use and all those other things that you do as
16 part of your first registration, the first time you own
17 that vehicle. And it just doesn't change regularly after
18 that. Unless, of course, someone retires or, you know.
19 It's a very simple classification system and going
20 through that process every year of having to come in and
21 sign all the forms and get new stickers and all of that,
22 really had very low value.

23 So we've gotten rid of all of that. It's
24 been really well received by the public. The project
25 came in on time, on budget, achieved its objectives. And

1 because we expect to take so much of that more cumbersome
2 work out of broker's offices, the commissions payable to
3 brokers have -- have been, and will continue to be,
4 reduced to reflect the changes to the work that we expect
5 to evolve in their offices.

6 MS. CANDACE GRAMMOND: Thank you.

7 MR. REGIS GOSELIN: Just a follow-up
8 question. So I haven't been to see my broker for a
9 couple of years. He -- he would still get his
10 commission? If he is -- if he -- is the broker that was
11 identified on my file? I guess he still gets his
12 commission even if I don't show up.

13 MS. MARILYN MCLAREN: Yes, exactly. At
14 the reassessment date, which used to be the renewal when
15 you had to go in there, the broker does receive the
16 commission, even if you don't go there. And we -- we
17 know -- we do a couple of things to make sure that we
18 don't have very many Manitobans going for the full five
19 (5) years without ever going to see a broker.

20 We know that most people move, or change
21 their vehicle or something, on a fairly frequent basis.
22 People that don't, we're able to get that information
23 from our records and flag it to the brokers to say you
24 may want to check in with, you know, these four (4)
25 customers. It's been a while since they've been to see

1 you. And that's not something we pay again for.

2 So, when we pay them -- much like a
3 homeowner's policy, right. I mean, I don't -- I don't --
4 you know, my broker phones me and tells me how much
5 they're going to put on my Visa, I don't have to go and
6 do it all every year for my homeowner's policy. But they
7 do have mechanisms to check in with me, and it's -- we
8 really wanted to make it like that.

9 DR. LEN EVANS: Excuse me. I would
10 understand therefore, that the income to the brokers
11 would be shrinking because of this change. Has that --
12 does -- does that affect the viability of their
13 operations?

14 MS. MARILYN MCLAREN: No, what --
15 actually what we've seen in the last little while, the --
16 the accord with the brokers was developed. We did work
17 with the Insurance Brokers Association of Manitoba. The
18 government embedded the new regulation -- the new
19 compensation into regulation.

20 What we've seen over the last little while
21 is their commission has grown a little more slowly. But
22 we certainly don't believe viability is at issue. You
23 know, we want to make sure that there -- just like we
24 want to make sure that there's a strong, competent body
25 shop industry in Manitoba, we have the same view of

1 brokers. We know Manitobans largely choose brokers to --
2 to do this business. We don't want to do anything that
3 acts -- that jeopardizes that access for Manitobans.

4 But we have no evidence that is going to
5 be a -- in -- in fact, as part of the analysis that we
6 did, we expected they -- they would never actually have
7 less dollars coming into their businesses as they did
8 back in -- I don't remember the exact date, maybe it was
9 '07 or '09, something like that.

10 So it will certainly slow, and there is a
11 staggered implementation and they have some time to make
12 some adjustments. We have some time to work with
13 Manitobans to make sure that that work actually does come
14 out of their offices so that we're not paying them less
15 but they're not doing any less. So we have to work
16 together. We're very committed to work together.

17 But certainly they are not going to see a
18 significant reduction in actual dollars as they did a few
19 years ago and have got time to -- to accommodate and work
20 with the changes.

21

22 CONTINUED BY MS. CANDACE GRAMMOND:

23 MS. CANDACE GRAMMOND: Just on that, Ms.
24 McLaren, I was going to ask the panel to go to the
25 document that deals with broker commissions. It's at Tab

1 14 of the book of documents, so Tab 14 book of documents.
2 It's PUB/MPI-1-9.

3 And if we look at the schedule at 1-9(a)
4 it does reflect Basic commissions paid from -- or written
5 rather, Basic commissions written from '08/'09 to
6 2014/'15. And we do appear to see a reduction in the --
7 the commissions being paid. Can you comment on that.

8 MS. MARILYN MCLAREN: Basic absolutely is
9 expected to decrease. I was talking more from a
10 corporate perspective. And again, if we go back to the
11 Corporation's annual report on page 48 you can see that,
12 corporately, brokers received almost \$80 million in 2011
13 and 72 1/2 million in 2010.

14 MS. CANDACE GRAMMOND: So -- so that
15 we're clear, the Basic -- commissions being paid out by
16 Basic will be stepping down, as reflected at PUB/MPI-1-9,
17 which is Tab 14 of the book of documents, and that's from
18 in the 40 million range down to the 30 million range.

19 But your point is that, overall, brokers'
20 commissions are actually going up, and that's due to the
21 Extension side?

22 MS. MARILYN MCLAREN: The -- they're
23 going up or they're holding. But in terms of -- some of
24 it would be re -- related to the -- potentially, I'm not
25 sure off the top of my head, related to the driver and

1 vehicle as well as the insurance lines of business.

2 But -- but clearly in terms of where the
3 streamlined renewals had a significant effect on
4 workload, that is absolutely on the Basic side, yeah, and
5 that's where -- that's where the reductions have been.

6 And -- and this -- these numbers here that
7 we're looking at at Tab 14 are certainly subject to
8 revision, you know, in the going forward based on -- you
9 know, I think even this year we have a little bit more
10 revenue. I think there's a few more vehicles insured
11 than we expected to have insured this year, and that
12 translates straight through to higher broker income as
13 well.

14 So these are all subject to the regular
15 revenue forecasting. Generally speaking, it is Basic
16 where the streamlined renewal process really truly
17 enhanced the efficiency.

18 MS. CANDACE GRAMMOND: And that's where
19 we see the reduction in commission over a period of years
20 from 5 percent to 2 1/2?

21 MS. MARILYN MCLAREN: Absolutely, yes.

22 MS. CANDACE GRAMMOND: On the Extension
23 side, and I know it's in one (1) of the IR responses, we
24 have a copy of the regulation that's applicable to the
25 Extension transactions, and that's an 18.5 percent

1 commission?

2 MS. MARILYN MCLAREN: That sounds about
3 right. I don't have it off the top of my head, but it is
4 in the regulation, that's right.

5 MR. REGIS GOSSELIN: Could I ask a
6 follow-up question, please. In rela -- relation to
7 Section 14, page 1, and page 48 of the annual financial
8 statement, I'm looking at -- per the statement of
9 commission revenue of 78 billion, and the page 1 of
10 Section 14 talks about total commissions of 37 million
11 roughly.

12 Why the spread? Why the -- why the thir -
13 - seventy-eight (78) in the annual statement and thirty-
14 seven (37), twice the amount of the...

15 MS. MARILYN MCLAREN: Basic compulsory
16 commissions have always, always been significantly lower
17 than the competitive lines of business commission rates
18 since the beginning of the Corporation's history.

19 You know, it -- it's -- they don't have to
20 place the business. They -- they -- we don't even -- if
21 someone renews their Autopac and then cancels partway
22 through the year, there's no clawback of the commission
23 that was paid to brokers, the broker when they first
24 issued that policy at the beginning. So there's any
25 number of significant efficiencies with selling a Basic

1 compulsory product that allows the commissions to be
2 significantly lower than the competitive lines of
3 business.

4

5

(BRIEF PAUSE)

6

7

MS. CANDACE GRAMMOND: Madam Chair, I'll
8 just jump in. I think you're -- you're asking if I have
9 more on this topic or if we should take the break now?

10

THE CHAIRPERSON: Yeah.

11

MS. CANDACE GRAMMOND: I do have more on
12 this topic, but I'm happy to take a break, because I
13 could just keep going all day. Yes, it'll be a good time
14 and then we can deal with this technical issue. Thank
15 you.

16

THE CHAIRPERSON: We'll take a fifteen
17 (15) minute break.

18

MS. CANDACE GRAMMOND: Okay. So fifteen
19 (15) minutes until five (5) to 11:00. Thank you.

20

21 --- Upon recessing at 10:39 a.m.

22

--- Upon resuming at 10:57 a.m.

23

24

THE CHAIRPERSON: I think we're ready to
25 go. My mic is fixed. Thank you.

1 (BRIEF PAUSE)

2

3 MS. MARILYN MCLAREN: I'm thinking that
4 since 1971 when the Corporation was established, when
5 registration and insurance began to be inextricably
6 linked and you couldn't do one (1) without the other, the
7 government provided a small contribution to the
8 commissions that the Corporation paid to brokers that
9 were -- were always calculated as a percentage of -- of
10 premiums -- premiums written.

11 So basically it was an acknowledgement
12 that the work that the brokers did, although it was, you
13 know, tied into one (1) step, one (1) transaction, the
14 Government got some value by -- through the collection of
15 the registration fees and issuing the -- the plate and so
16 on as the Corporation did for getting the premium.

17 I'm just trying to think back. I guess it
18 was probably back in about 2003 it stopped. And the
19 government stopped making that contribution. Generally
20 it -- it amounted to about 1 percent of premiums, is what
21 they were contributing to the Commission for their share
22 of the value of that transaction. But it ended pri --
23 getting -- getting close to ten (10) years ago now.

24 MS. CANDACE GRAMMOND: Yeah, I think, Ms.
25 McLaren, the answer or the question actually said that it

1 MS. MARILYN MCLAREN: Not -- not
2 explicitly, no. The Corporation through time has really
3 evolved its approach to appointing agents -- sort of in
4 insurance industry terminology an agent sort of sells on
5 behalf of a company. A broker, by definition, has multi
6 lines of many different companies or -- or at least
7 several different companies, that they offer their
8 clients insurance from a number of different companies.

9 So, strictly speaking, MPI has agents but
10 virtually all it's a -- agents are independent insurance
11 brokers. And that has evolved through time to really
12 focus more on working with and -- and having more
13 stringent standards as to who can qualify for an Autopac
14 appointment.

15 There used to be not -- not just the
16 occasional Autopac agent in -- in a Caisse, there was
17 also in har -- a hardware store, kind of, you know, dry
18 goods kind of -- there -- I think that at one (1) point
19 there was, sort of a, you know, liquor store/Autopac
20 agent at -- at some small town in Manitoba. So we've
21 really moved away from that and really focussed more on
22 appointing agents who qualify as independent insurance
23 brokers, able to offer more than one (1) line of
24 insurance and to really behave as professional insurance
25 advisors to people.

1 It -- it -- you know, the more we have --
2 and in all honesty, I can tell you that we don't really
3 have any concerns at this point about a lack of access to
4 Autopac agents but I -- I think that's certainly possible
5 that that day could come in the future.

6 There's still about a hundred (100) towns
7 in this province that have one (1) Autopac agent, you
8 know, an insurance broker in town. So they may not have
9 a choice but there is at least one (1) providing access
10 to our -- our services and registration and licensing
11 fees and so on. So it's really because the Corporation
12 has really tried to focus on insurance brokers as the
13 formal access channel for its products and services and
14 licensing and so on.

15 MR. REGIS GOSSELIN: If you don't mind,
16 another follow-up question to that.

17 Thinking specifically of isolated
18 communities and namely, Indian reservations, they have
19 trouble accessing a variety of services, and I'm just
20 wondering how they access Autopac services if they want
21 to insure their car. And -- and I'm intrigued about how
22 that is -- that clientele is serviced.

23 And I guess the second part of the
24 question is: Does your rate scheme allow for higher
25 commissions in -- in recognition of the fact it may cost

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
2018/2019 GENERAL RATE APPLICATION
HEARING

Before Board Panel:

- Robert Gabor, Q.C. - Board Chairperson
- Michael Watson - Board Member
- Carol Hainsworth - Board Member
- Allan Morin - Board Member
- Robert Vandewater - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 10, 2017
Pages 1110 to 1349



“When You Talk - We Listen!”



1 insurance captured each
2 year from 2008 to date

3
4 THE CHAIRPERSON: Certainly. I just
5 want to confirm that if a -- if somebody wants to
6 register a car and obtain insurance, that the
7 information that is requested about the level of
8 insurance and deductible is integrated between Basic
9 and Extension going into the computer, so that when a
10 person is asked the question, they're asked, How much
11 insurance do you want, what sort of deductible you --
12 you want? Is that correct?

13 MR. LUKE JOHNSTON: The -- I can't
14 speak how every broker promotes their products or --
15 but it typically would be, you know, What deductible
16 level would you like, how much third-party liability
17 would you like, other products, and I know I used to
18 work at a -- a broker in my, you know, younger years,
19 and we had products like premier, or another -- other
20 things that -- that we would promote. But I -- I
21 can't speak for the individual broker.

22 THE CHAIRPERSON: But if they're -- if
23 they're going on the computer and putting the
24 information in, they simply -- the -- there isn't one
25 (1) screen for Basic and another screen for Extension,

1 is there? It's -- it's integrated in one (1) screen?

2 MR. LUKE JOHNSTON: There -- there is
3 one (1) screen. They can select the deductible level
4 there, yes.

5 THE CHAIRPERSON: And is the -- is --
6 does the broker get a commission for placing Basic
7 insurance?

8 MR. LUKE JOHNSTON: I can't remember
9 the exact commission rate, but it's between 2 and 3
10 percent for -- for Basic.

11 THE CHAIRPERSON: And is there a
12 separate commission for Extension insurance?

13 MR. LUKE JOHNSTON: There's a separate
14 commission for Extension. Yes.

15 THE CHAIRPERSON: Then are the
16 commissions the same, or are they different?

17 MR. LUKE JOHNSTON: They're different.

18 THE CHAIRPERSON: And the commission
19 for Extension is higher or lower than Basic?

20 MR. LUKE JOHNSTON: The Basic
21 commission being less than 3 percent is very, very
22 low, so the Extension commission is higher. Yes.

23 THE CHAIRPERSON: Okay. Thank you. I
24 just want to -- this question may have been asked
25 before. I believe, Mr. Yien, you -- you mentioned

E

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
GENERAL RATE APPLICATION FOR
2015-2016 INSURANCE YEAR

Before Board Panel:

- Karen Botting - Board Chairman
- Regis Gosselin - Board Member
- Anita Neville - Board Member
- Susan Proven - Board Member
- Allan Morin - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 22, 2014
Pages 1 to 250



“When You Talk - We Listen!”



1 -- that we're holding the line on the expenses, that
2 we're really starting to show you that things are
3 changing around. That's -- that's the number 1.

4 The second thing that's important to me
5 is while we are showing that we're -- that we're toeing
6 the line, is that before we do anything else, that the
7 way I am is that it needs to be done thought for --
8 thoughtfully and thoroughly. And I don't want to do
9 things that will negatively affect the Corporation and
10 not be able to meet its mandate. It has to be thought
11 through. And I'll talk about that a little bit more
12 later.

13 The second thing that we're doing is --
14 is identifying opportunities to reduce costs. But what
15 I'd like to do as the new CEO and -- and the principles
16 of leadership, you know that you need to get the buy-in
17 from -- from your leadership team and your staff and
18 your business partners. We're working on that.

19 And if you want to think about how we
20 work, we're a corporation that really lives its values.
21 And when you think about what we did to put the \$60
22 million to the bottom line for Manitobans, if you look
23 at what we were able to do with the brokers, from 5 to
24 3 percent on the commission, that's what I'm talking
25 about, about getting the buy-in from people. From --

1 the lowest across Canada and to be able to continue to
2 make insurance affordable in this Province.

3 We're working with the repair industry.

4 We've -- we're -- we're very fortunate, like, with the
5 -- with the brokers. What we did in -- in the last
6 decade with the brokers, the repair industry is working
7 with us, and there's no way that we would be able to
8 achieve -- like we -- like we set out that \$60 million
9 dollars. We wouldn't have made it without the
10 collaboration of the brokers.

11 There's no way we're going to make it
12 without the collaboration of the dealer -- Manitoba
13 Dealer Association or the -- or the ATA. And we're
14 working with them, and we're very, very fortunate --
15 very fortunate in Manitoba to have stakeholders that
16 believe in public auto insurance and are willing to
17 work with us.

18 And to make my point, I'm sure many of
19 you are aware of what happened in Saskatchewan, where
20 the collision repair industry just had a deal of 10-10-
21 10, like 10 percent every year increase guaranteed. So
22 that's 30 percent right there.

23 So we're going to work together to put
24 that \$30 million to the bottom line. We're going to
25 find a way to -- to do that. We'll do some things on

1 this year?

2 MR. DAN GUIMOND: My understanding is
3 that the regulator wanted to have a better
4 understanding of how MPI can demonstrate value to
5 Manitobans, and it was agreed that we would add this
6 section. That's the history I got briefed on when I
7 assumed my responsibilities. And that -- that's the
8 primary reason why we added that section into the --
9 into the rate -- into the general rate application.

10 MS. CANDACE GRAMMOND: And I think
11 anyone who looks at SM.1 would see that it sets out
12 what value Manitobans get from the Corporation,
13 including initiatives to improve value.

14 Is there anything specific that you can
15 point to with respect to the rate increase that's being
16 provided? And what I mean by that is, is there
17 something that it could be said Manitobans would get in
18 exchange for, for lack of a better phrase, the rate
19 increase?

20 MR. DAN GUIMOND: Yeah, I -- I think --
21 and -- and MPI has to share its ability to create value
22 with how we work with our stakeholders, because if it
23 wasn't for the -- our -- our stakeholders like the
24 brokers or the repair industry and so on, we wouldn't
25 have been able to accomplish the things we did. It's

1 really -- we're a community-based organization. We
2 live our -- our values. And at the end of the day,
3 Manitobans would have to pay \$60 million more a year if
4 we hadn't done the things that we were doing. And
5 also, from a re -- on the repair side, if it wasn't the
6 cooperation that we're getting with the repair
7 industry, you can see how we were able to beat
8 inflation on that, and so they'd be paying a lot more
9 for their rates.

10 So I -- and I -- I think it speaks
11 highly of -- of what MPI's able to do, but also the
12 community buy-in that we've been able to get from the
13 various business partners that we have and be able to
14 achieve that value and to demonstrate how -- how people
15 are committed to the long-term success of public auto
16 insurance in Manitoba.

17 MS. CANDACE GRAMMOND: So would it be
18 fair to say that the -- the 2.4 percent increase that's
19 being asked for goes to all of those things; it doesn't
20 go to a specific piece?

21 MR. DAN GUIMOND: I think that the 2.4
22 percent, I mean, if you want to break it down, I think
23 the waterfall diagram that we have in the rate app, I
24 think that's the one that describes the best in terms
25 of how you can allocate the 2.4 percent.

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
GENERAL RATE APPLICATION FOR
2015-2016 INSURANCE YEAR

Before Board Panel:

- Karen Botting - Board Chairman
- Regis Gosselin - Board Member
- Anita Neville - Board Member
- Susan Proven - Board Member
- Allan Morin - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 23, 2014
Pages 251 to 494



“When You Talk - We Listen!”



1 it'll show you the shops that are qualified to repair
2 your vehicle. You just go there and you get your
3 vehicle fixed. Because these cars that are coming in,
4 unless you put them apart, you won't be able to do the
5 estimate.

6 So we have to find a way in terms of
7 customer experience. We have to find a way to work
8 with the trade that when your vehicle is drivable, you
9 can go to a shop of your choice. You drop your car.
10 You get your use, your rental. You should be able to -
11 - you need to get your car back in about eight (8)
12 days.

13 So that's all the supply chain
14 management and all that stuff. And we need to be able
15 to cut the cost to -- to something that's going to be
16 between the sixty-eight (68) to the hundred and fifty
17 dollars (\$150) that I was showing you yesterday to make
18 -- to ensure that -- that the -- it remains affordable
19 to -- to our customers.

20 MR. REGIS GOSSELIN: Now, one of the
21 things that interests me and, you know, I -- I like to
22 do a lot of my business on the web, and I guess one of
23 the things I'm wondering about is whether or not I'd be
24 able to interact to a greater extent with MPI via the
25 web as opposed to having to go to the local broker shop

1 or -- what are the plans in that --

2 MR. DAN GUIMOND: Yeah. We --

3 MR. REGIS GOSSELIN: -- that respect?

4 MR. DAN GUIMOND: I think like dealing
5 on the web with us, you'll see a huge change in the
6 next five (5) years on the claims side, and also on --
7 on products that are -- that are not tied to the
8 distribution side of it.

9 What we did from -- from a -- hardwired
10 into our service delivery model is that when you look
11 at the broker transactions, like when you have to
12 interact with the brokers, you'll notice that all the
13 transactions that can be automated have been automated.

14 And the rest that are left are tied to
15 two (2) things. One (1), transactions that are tied to
16 -- to physical inventory. For example, you buy a new
17 car. You want your plates. You want your sticker.
18 You want your -- your registration card. And you have
19 to, you know, go through the taxation process and all
20 that stuff to be able to legally drive that car. So
21 from a -- from a virtual perspective, or Internet
22 perspective, everything's been automated except for
23 transactions that are tied to -- to physical inventory.
24 The second thing we did is for consumer
25 protection is your identity. We -- we like the idea

1 that you go through the broker for your driver licence
2 and your -- and anything that has to do with personal
3 information about you. Why? Because it offers
4 consumers protection against identity theft.

5 The biggest identity theft, based on the
6 -- on the stuff that I've read and -- and some of the
7 things we've been looking at, is that somebody who
8 looks like you can go to a broker -- you know, if -- if
9 we didn't do what we had done, can go to a broker, get
10 an address change, get your driver licence with their
11 picture on your driver licence, you don't know about
12 it, and then you end up with three (3) or four (4)
13 warrants for your arrest in North America. And it's
14 going to cost you a fortune to get your record back.

15 What we do for identity, anything that
16 has to do with your personal information we want you to
17 go to a broker. We're going to take a picture of you.
18 We're going to run you through facial recognition, and
19 we're going to make sure that it's you that's there.
20 And then we'll allow the card to be printed and sent to
21 the new address, if it's an address change, or if it's
22 a name change, or whatever. But there'll be consumer -
23 - that's the consumer protection aspect of -- of how
24 our model works.

25 So that's been hardwired like that on

1 and fewer brokers out there. They may -- they may have
2 a faceplate that is suggesting a particular name, but
3 behind the scenes we know that there's a consolidated
4 operation going on.

5 Does that change anything here to the --
6 to these statements? I mean, does that -- does that
7 change anything from the standpoint -- your
8 relationship with those brokers and those repair shops?

9 MR. DAN GUIMOND: In terms of the --
10 them buying themselves each out, or whatever, there's
11 about three hundred and five (305) locations right now
12 throughout the province. I mean, for what we pay
13 brokers and what they do for us, it would -- you know,
14 like, it's -- it's really -- let's say we -- we were to
15 go direct and just deal through our service centres,
16 for example. I mean, the -- the impact on customer
17 service would be horrible.

18 I mean, these guys are open -- the
19 brokers are open seven (7) days a week. Their hours of
20 operation in the malls and so on are from 9:00 in --
21 you know, 8:30 in the morning to 9:30 at night. People
22 are used to buying a car and just having their plates
23 right away and be able to -- to drive with -- with
24 their car with -- with proper insurance and proper
25 registration. So the benefit we get with the brokers,

1 from a -- from a consumer protection perspective and
2 servicing the public, I mean, you can't beat what
3 they're doing right now for -- for what we're paying.

4 Now -- now, there's three hundred and
5 five (305) locations throughout the province, and it's
6 about a hundred and fifty-nine (159) owners. You know,
7 if -- if the bank would -- you know, let's say you --
8 you go from three hundred fif -- three hundred and five
9 (305) locations over time and you're down to -- to, you
10 know, fifty (50) locations owned by banks, I mean,
11 maybe that's something we could talk about. But right
12 now, it's pretty hard to beat what they provide.

13 MS. SUSAN PROVEN: I also think that's
14 not happening in the small towns. I mean, the small
15 towns, the people are small business owners --

16 MR. DAN GUIMOND: That's right.

17 MS. SUSAN PROVEN: -- both in the
18 brokerage and also in the auto repair industry.

19 MR. DAN GUIMOND: Yeah.

20 MS. SUSAN PROVEN: So we haven't seen
21 that yet.

22 MR. DAN GUIMOND: Yeah. And, I mean,
23 they -- it's -- it's also -- like, the customer service
24 aspect, from a customer service perspective, I mean,
25 it's -- it's not worth changing that; it's really not.

1 I think it's really to the advantage of -- of
2 customers, both in terms of customer service and
3 identity protection, because once you're in the
4 community, people know each other, people know
5 something's going on. And it's -- it's a way to -- to
6 really service the customer and offer protection that
7 we could never do on our own.

8 MR. REGIS GOSSELIN: Now, what about
9 the repair shops?

10 MR. DAN GUIMOND: I'm sorry?

11 MR. REGIS GOSSELIN: The repair shops.

12 MR. DAN GUIMOND: The repair shops are,
13 to me -- first of all, I -- I'm very reluctant to
14 interfere in the marketplace. I -- I don't think MPI
15 has been set up to -- to be able to -- to -- you know,
16 like, how big do you become, right? I mean -- I mean,
17 I could build one (1) body shop in -- in Winnipeg.
18 It's be pretty hard to beat the economies of scale at
19 that body shop, but that's not our mandate. That's not
20 what we do. We don't interfere in -- in the
21 marketplace.

22 The only thing we have to do is make
23 sure -- and that's what I -- I told the joint steering
24 committee, that -- that we're working repair shop, is
25 that you got to make sure that people are getting their

1 we're not going to perform as well as -- as the other
2 cor -- corporations because we're -- first of all,
3 we're not doing on the entire revenue that we're
4 flowing through. And -- and you know with the bench --
5 the word 'benchmarking' that I'm average in two hundred
6 thousand dollars (\$200,000) less of revenue per
7 employee because we grind on the incur.

8 I mean, at two hundred thousand dollars
9 (\$200,000) per employee compared to that bench -- you
10 know, that word 'benchmark' and run the numbers, you'll
11 see we're doing fantastic. We're probably -- you know,
12 we'll be well above the -- I mean, we'll be beating
13 that benchmark like heck.

14 So you -- you've got to look at the
15 monopoly versus the private sector, and then be able to
16 re -- and Gartner, that's why they made that comment in
17 the score card. Remember, MPI does not maximize
18 revenue. These score cards are based on profit,
19 revenue -- maximize revenue -- maximizing revenue per
20 employee from a -- from a profit perspective. So you
21 have to put that into context.

22 MR. REGIS GOSSELIN: But are you doing
23 anything differently at MPI with IT than, say, an SGI
24 or an ICBC, or -- I mean, are you -- are you -- in
25 terms of your relationship with the -- the dealer shops

1 or your relationship with the broker, are you doing
2 something at an IT level that's different than what --

3 MR. DAN GUIMOND: Yeah.

4 MR. REGIS GOSSELIN: -- a comparable
5 operation?

6 MR. DAN GUIMOND: The -- the biggest
7 difference that we do, if -- if you look at us in terms
8 of our -- our business model and in terms of -- of our
9 pattern, so to speak, in terms of trying to be the
10 lowest price across Canada and be able to beat
11 inflation, is that we have what we call 'the
12 distributed enterprise model'. And what we mean by
13 that is we embed ourself from a technology perspective
14 with our business partners.

15 So we've embedded technology into the
16 broker side. We're embedding technology into the --
17 the repair facilities, like E-GLASS. And now we're
18 going to do it for physical damage because what we're
19 doing -- from a comparative advantage perspective in
20 the marketplace, what we're doing is we're embedding
21 ourselves into our business partners to be able to work
22 with them to achieve magic numbers to be able to have
23 the lowest -- to be able to beat inflation, to be able
24 to have the lowest price across Canada without having
25 to change the -- the coverage we have in -- in our

1 policy.

2 Like -- like, think about SGI right now.

3 I mean, they -- they have a seven hundred dollar (\$700)

4 deductible. I mean, we -- we got a five hundred dollar

5 (\$500) deductible. That's huge for consumers. I mean,

6 to be able to do that, if it wasn't for our -- our

7 business partners and how we work with them, there's no

8 way we could do what we're doing right now, from a

9 coverage perspective and pricing perspective.

10 So if there's a fundamental difference,

11 it's how in Manitoba, for whatever reason, we've been

12 able to work with the brokers, with the repair

13 industry, with the -- the medical community and be able

14 to embed the technology, be able to have collaboration

15 innovation to be able to beat the -- the inflation and

16 be able to have the lowest price without having to

17 change the coverage.

18 I mean, look at Alberta, a thousand

19 dollars, the deductible; SGI, seven hundred dollars

20 (\$700). I mean, that -- that's -- if -- if you want

21 value, I mean, there's value for you. So that's --

22 that's the fundamental difference, is our ability to

23 embed ourselves with the distribute enterprise

24 modelling and be able to meet magic numbers that allow

25 us to -- to achieve the price points that we have for



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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

GENERAL RATE APPLICATION

2014/15

Before Board Panel:

Karen Botting - Chair

Regis Gosselin - Board Chair

The Hon. Anita Neville - Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

September 26th, 2013

Pages 404 to 632

1 that's not easy. And that -- that is expensive. And
2 the banks do that, because they know they need to do
3 that.

4 I don't know that Manitobans have that
5 expectation of MPI, but I do believe that, you know,
6 and brokers tell us as well, now that we've moved to
7 the five (5) year renewal period, most people still
8 show up at the broker every year to make that
9 payment. I think people would appreciate an online
10 opportunity to pay by credit card in the year that
11 they don't need a photo. We go out of our way to
12 minimize the requirement for people to go to brokers
13 if they don't need a new photo, or a plate, or a
14 sticker, or something like that. So that's -- that's
15 something that we would look to do.

16 People have differing needs and
17 interests with respect to keeping track of where
18 things are with a claim. But what we're learning,
19 through organizations like Mitchell and others, is
20 that, you know, we won't need to build that. We
21 don't need to do that. We can find ways for people
22 to start processing their ca -- claim online and then
23 get regular updates, if they want it, from the
24 Mitchell system, which would all likelihood come
25 through the body shop and say, you know, The parts

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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE COMPANY (MPI)
GENERAL RATE APPLICATION
FOR 2012/13 INSURANCE YEAR

Before Board Panel:

Susan Proven - Board Chairman
Len Evans - Board Member
Regis Gosselin - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 25, 2011
Pages 1742 to 1926

1 from their home, perhaps an -- an accident claim or maybe
2 a renewal. We -- we weren't sure exactly what they would
3 be doing.

4 But would this effect the brokers in any
5 way? Like, do you ever discuss the IT plans and what
6 this could mean five (5) years down the road for their
7 particular job description, what they might be expected
8 to do or not do and is that part of your discussions with
9 the brokers?

10 MS. MARILYN MCLAREN: Ab -- absolutely.
11 And we really -- we kind of split that in two (2) -- two
12 (2) ways, right. I mean, we -- we talk to them about --
13 they were very involved and understood exactly what was
14 happening with streamlined renewals, that's why the
15 commission schedule changed. And -- so we absolutely
16 involve them and -- and have as many in-depth
17 conversations with them as we would expect to have with
18 the body shops if we change how they do their work,
19 absolutely.

20 We -- corporately we have a -- a real
21 commitment to independent brokers as the key distributor
22 of our products. And we would not expect, without a
23 significant policy change at the highest level, we would
24 not expect to -- to change that and all -- and allow
25 Manitobans to do things online that up until now have

1 been required to be done at a broker.

2 So we're -- we're careful about how we do
3 things like that. And I'll -- I can talk to you a little
4 bit about the streamlined renewal. Because the renewal
5 itself, now which only happens once every five (5) years,
6 requires a photo to be taken. We will -- in -- in my
7 view from a policy perspective, we will never allow
8 people to file an address change online like you can with
9 many, many organizations. But we understand that the
10 Manitoba driver licence or the Manitoba identity card is
11 a key identification document for Manitobans.

12 And we also know that -- that -- I can't
13 say for sure this has happened in Manitoba, but there
14 have been cases of attempted identity theft, fraud, by,
15 you know, people looking fairly similar to someone else
16 would change their address and send all that person's
17 documents somewhere else. So address changes have to be
18 done in person. We take a new photo everytime somebody
19 reports a move, and we compare that photo to the photo we
20 have on file through our software that does that.

21 So, it's really one (1) of the mechanisms
22 to reduce opportunities for identity theft. And brokers
23 also have to issue registration documents, they have to
24 issue plates and stickers and things like that we call
25 stock, right. So we really want people to keep using

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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE COMPANY (MPI)
GENERAL RATE APPLICATION
FOR 2011/12 INSURANCE YEAR

Before Board Panel:

- Graham Lane - Board Chairman
- Len Evans - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 18, 2010
Pages 1542 to 1716

1 MR. DON PALMER: Yes, that's correct.

2 MS. CANDACE EVERARD: So let me make sure
3 that I have this right: In a situation wherein there are
4 no changes to coverage, and the broker of record gets a
5 commission for five (5) years on a particular policy on
6 the Extension side, at the end of the five (5) years they
7 would have accumulatively a 92.5 percent commission on
8 one (1) year?

9 MR. DON PALMER: It -- it's on five (5)
10 years of policy, and they pay a premium that's paid every
11 one (1) of those years, but you add them all up and they
12 get 92 percent over the five (5) years, yes.

13 MS. CANDACE EVERARD: Of one (1) year's
14 premium, basically.

15 MR. DON PALMER: Yes.

16 MS. CANDACE EVERARD: That's what I was -
17 - that's what I was getting at.

18 And does the Corporation have a view of
19 that arrangement in terms of its prudence, or any other
20 aspect that it can share with the Board?

21 MR. DON PALMER: It's in the regulations,
22 so I have nothing more to say than that.

23 MS. CANDACE EVERARD: Now, we know that
24 one (1) of the corporate goals of MPI is to return 85
25 percent of premiums to ratepayers, or something like

1 to the whole of the Corporation?

2 MR. DON PALMER: That's correct.

3 MS. CANDACE EVERARD: Mr. Palmer, just
4 one (1) more question with respect to the -- your answer
5 about the commission rate being in the -- in the
6 regulation.

7 Was there not negotiation with respect to
8 that prior to its enactment in regulation, as would have
9 been the case on the Basic side?

10 MS. MARILYN MCLAREN: The Corporation
11 worked with the brokers to find mutually acceptable
12 commission levels on everything, and it was really a
13 joint recommendation to government that ended up being in
14 a regulation.

15 MS. CANDACE EVERARD: So it flowed from
16 discussions between the Corporation and the brokers?

17 MS. MARILYN MCLAREN: Yes, it did.

18 MS. CANDACE EVERARD: Thank you. Okay.
19 Can you tell us -- now, coming back to the -- the root of
20 the Rate Application, the -- the request for a 4 percent
21 rate reduction.

22 Can you tell us, if that is granted, what
23 the risk would be that there would need to be a full or
24 partial offset by increases in the foreseeable future?

25 MR. DON PALMER: The -- the rate as

1 undertakings that we may have some questions on once
2 they're answered, but other than that, I -- I'm quite
3 confident that we've com -- completed the cross on behalf
4 of the Board.

5 THE CHAIRPERSON: I see Mr. Williams
6 looks extremely eager. And I apologize for this, but I
7 just cannot resist asking.

8 Why would MPI agree to an 18 1/2 percent
9 commission when you have 95 percent of the Extension
10 business?

11

12 (BRIEF PAUSE)

13

14 MS. MARILYN MCLAREN: I'm just trying to
15 think back in my mind to the process and the discussions.
16 You know, I mean, I think -- I -- I think it's fair to
17 say that streamlined renewals had a potential to hurt our
18 Extension business, and we want to make sure that didn't
19 happen.

20 We want to work with brokers. We want to
21 continue to make sure the Manitobans choose MPI even when
22 they don't have to. So we -- we don't believe that we're
23 paying more than we should. We don't believe we're
24 paying an inordinate amount. We think it is appropriate
25 given the -- the way the -- the business is done in the

1 future.

2 It is -- as much as we talk in these
3 proceedings, you know, I mean, the first day of these
4 hearings we were -- sorry, excuse me, that's not true.
5 Some of the conversation at standing committee of the
6 legislature about competition the Corporation faces for
7 its competitive lines, and, you know, that very same week
8 CTV was running a story about competitive auto Extension
9 opportunities for people in Manitoba. It -- it's out
10 there. It's real.

11 We don't want it to be any bigger. We are
12 very pleased with the extent that Manitobans choose us
13 when they don't have to, and we -- we think that that was
14 one (1) of the things that we could do to -- to help make
15 it stay that way.

16 THE CHAIRPERSON: Thank you for answering
17 that. Mr. Williams -- thank you, Ms. Everard.

18 Mr. Williams, do you want to start now?
19 We might as well get underway.

20 MR. BYRON WILLIAMS: I'll -- I'll rework
21 some things, Mr. Chairman. I had a rather lengthy
22 section at the start, but I think we'll move to a shorter
23 area.

24 THE CHAIRPERSON: Thank you.

25 MR. BYRON WILLIAMS: And I did want to



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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
GENERAL RATE APPLICATION
2016/17 INSURANCE YEAR

Before Board Panel:

- Karen Botting - Board Chairperson
- Regis Gosselin - Board Member
- Anita Neville - Board Member
- Susan Proven - Board Member
- Allan Morin - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba

October 20, 2015
Pages 1633 to 1847

1 IBAM appears before you because it is
2 pretty much the sole distributor of insurance products
3 in Manitoba in terms of its broker members.

4 Approximately 33 percent of all insurance transactions
5 done today in Manitoba by insurance brokers are
6 conducted involving Manitoba Public Insurance, and
7 that's a -- that's a big number. This is a \$54
8 billion industry across Canada. It's -- it's well
9 over 2 billion here.

10 Appropriate rate setting and the
11 overall viability of MPI going forward is critical to
12 our membership, and therefore to the citizens of
13 Manitoba who are insurance consumers and customers of
14 insurance brokers and insurance companies in Manitoba
15 and Canada.

16 Brokers processed close to 4 million
17 transactions for MPI in 2014. Approximately nine
18 hundred (900) individ -- nine hundred thousand
19 (900,000) individual customers present themselves to
20 brokers, each with a set of unique circumstances, and
21 brokers in turn provide professional advice and
22 appropriate pricing to those customers.

23 So brokers understand, and I've
24 understood over the ten (10) years I've been at IBAM
25 through the brokers, that the appropriate level of

1 out, you know, in excess of 90 percent of the
2 insurance transactions in Manitoba. The reason it's
3 not a hu -- a hundred percent is because some of the
4 companies do have directing writing arms where they're
5 direct from company to consumer, bypassing the broker.
6 Some of that transaction type is done online, some is
7 done by phone and so on.

8 But in Manitoba, it's still higher than
9 in many other juris -- jurisdictions, the percentage
10 of transactions done by brokers, because of Manitoba
11 Public Insurance. Manitoba Public Insurance is
12 committed to utilizing brokers and, really, brokers
13 alone. And in a -- in a province like Ontario, for
14 example, the percentage of transactions done by
15 brokers is much lower.

16 So that's -- that's the significance in
17 terms of the service and the professional advice and -
18 - and the quality of counsel that is afforded to
19 Manitobans. And again, it -- it all has a cost to it
20 and it all is inside of Manitoba Public Insurance
21 pricing, which, again, we support.

22 So I encourage you to consider my
23 evidence, and I thank you. I -- I come back to my
24 summary that I started with, that it is appropriate
25 for now and for the longer term, in our opinion and

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MANITOBA PUBLIC UTILITIES BOARD

RE:

MANITOBA PUBLIC INSURANCE
DRIVER SAFETY RATING

Before Board Panel:

- Graham Lane - Board Chairman
- Len Evans - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
April 14, 2009

Pages 609 to 801

1 insurance brokers.

2 Would you agree with me, Ms. McLaren, that
3 the -- there are reduction in the commissions, gradually,
4 by up to 15 -- 50 percent by the year 2010; that same is
5 out of step with the amount of decrease in business,
6 which is to be decreased by 80 percent as a result of the
7 Streamline Licence Renewal Process?

8 MS. MARILYN MCLAREN: Up to 80 percent of
9 the renewal business could very well disappear under the
10 Streamline Process. We know that for many years it will
11 be less than 80 percent disappearing, because some large
12 number of people will continue to go to their brokers to
13 make the payment.

14 It will be a simpler transaction, but
15 there will still be a visit involved for many people, we
16 suspect.

17 But the point we made earlier in these
18 proceedings is that the commission that is payable on a
19 renewal transaction is intended to compensate brokers for
20 more than just the few minutes that a renewal takes
21 today.

22 So, they do answer questions and they
23 service the policy, they service the client throughout
24 the year. That work is not going to disappear.

25 MR. RAYMOND OAKES: Ms. McLaren, how

1 vehicles or pay them the same for repairing one-fifth
2 (1/5) of the amount of vehicles that they were previously
3 paid to fix.

4 MS. MARILYN MCLAREN: Not a good
5 comparison. Not a good analogy. Not at all. We know
6 very well that brokers do significant uncompensated work
7 outside of the renewal process. The renewal commission
8 is intended -- just like in every other insurance
9 commission arrangement between insurers and brokers.

10 There -- there's no expectation ever that
11 the commission paid on a renewal is intended to
12 compensate fully and only the work related to processing
13 the renewal.

14 That's just not the way it works. So the
15 compensation paid to body shops is expressly intended to
16 compensate them for repairing vehicles according to MPI
17 produced estimates.

18 No real comparison there.

19 MR. RAYMOND OAKES: Well I wonder if I
20 might refer you to page 398 of the transcript, Ms.
21 McLaren. I'll just wait until you have that.

22

23 (BRIEF PAUSE)

24

25 MR. RAYMOND OAKES: The statement I'm

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
GENERAL RATE APPLICATION FOR
2015-2016 INSURANCE YEAR

Before Board Panel:

Karen Botting	- Board Chairman
Regis Gosselin	- Board Member
Anita Neville	- Board Member
Susan Proven	- Board Member
Allan Morin	- Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
November 12, 2014
Pages 1782 to 1989

"When You Talk - We Listen!"



1 been at my job. And brokers aren't hearing a lot of
2 that either.

3 THE CHAIRPERSON: Ms. Neville...?

4 MS. ANITA NEVILLE: Is this on? Yeah.
5 Thank you for coming this morning, Mr. Schioler. This
6 is the first time that you and/or your organization
7 have appeared since I've been on the panel. Let me
8 just say that Mr. Gosselin has preempted me with some
9 of the questions I was going to ask. But I'm going to
10 just try a few other things.

11 The fact that you're here this morning,
12 does it indicate that you anticipate -- I mean, you've
13 spoken at length about the effectiveness and the good
14 relations with MPI.

15 But does the fact that you're here this
16 morning reflect a concern that MPI may be taking over
17 some of the brokers' responsibilities and roles?

18 MR. DAVID SCHIOLER: No, not at all.
19 In fact -- and it -- it's a good question, because in
20 the life of MPI when I took on this job approximately
21 ten (10) years ago, I -- I did hear quite a bit about,
22 in the broker force -- from brokers, some fear about
23 MPI is going to go direct to the customer, they're
24 going to eventually get rid of brokers and so on, and
25 that's why they're going to cut the commissions. And

1 there were -- there was fear in the system.

2 And we worked very, very hard and very
3 closely with MPI over the last number of years to take
4 that fear out of the system, to work collaboratively
5 together to build the relationship to the point that
6 we're better serving Manitobans for sure, even though
7 we've taken some costs out of the system.

8 And we're building things together, like
9 the new operating standards. And operating standards
10 are those, you know, everyday measures that are taken
11 in transactions and how the parties work together, the
12 broker and MPI. How does the broker facilitator at MPI
13 work with the broker and the broker office, and how is
14 the transaction conducted the most efficiently? And
15 again, what are those remedial measures to fix things
16 when they go wrong

17 All of these have been improvements.
18 Also, there's been a commitment by MPI over the last,
19 you know, eight (8) years particularly to ensure that
20 brokers are going to be, for well beyond the
21 foreseeable future, the distributor of MPI products.

22 MPI has a commitment, in fact, that out
23 of its own service centres, it will do no more than 4
24 percent of the same types of transactions that brokers
25 will perform. So MPI pushes people from the service

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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE
 GENERAL RATE APPLICATION
 FOR 2007/'08 INSURANCE YEAR

Before Board Panel:

- Graham Lane - Board Chairman
- Eric Jorgensen - Board Member
- Len Evans - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 13th, 2006
Pages 1508 to 1825

1 recall or are you aware the reasoning behind leaving
2 Extension and SRE outside of the Board's jurisdiction
3 even at a high level?

4 MS. MARILYN MCLAREN: I believe the view
5 was that the compulsory program needed the third-party
6 review and approval of the rate-making process. The
7 competitive lines would be significantly disadvantaged to
8 be subject to this sort of a process and I think the
9 Government of the day and governments subsequently have
10 seen that.

11 THE CHAIRPERSON: To the level of detail
12 we get into, in other words?

13 MS. MARILYN MCLAREN: Yes.

14 THE CHAIRPERSON: Is there any other
15 forum in which policyholders of those other divisions are
16 able to survey and discuss and examine MPI's approach;
17 just a general question?

18 MS. MARILYN MCLAREN: I think, certainly,
19 with -- with respect to Special Risk Extension the
20 customized approach to those policies, the relationship
21 that is essential to have with the customers and with the
22 brokers who serve those customers really provides a
23 significant input and -- and oversight and consultation.

24 Extension -- again, I think you know we
25 rely significantly on brokers to provide a lot of that

1 input and perspective.

2 THE CHAIRPERSON: Thank you. If the
3 basic -- we were talking about "what ifs" the other day.
4 For example, when we were talking to Mr. Christie and
5 Drs. Hum and Simpson, for example, if basic deductible
6 for example was to increase to seven hundred dollars
7 (\$700) would that not reduce basic's claim cost while
8 increasing the opportunities for the Extension division?

9 MS. MARILYN MCLAREN: Yes.

10 THE CHAIRPERSON: In this last question
11 in this series, and then we'll have our break, I'm not
12 talking about whether or not an actuary operating
13 pursuant to their standards of practice would arrive at a
14 particular conclusion, I'm talking about something more
15 general than that.

16 Is it fully logically possible, without
17 reservation, to reach a conclusion on the capital
18 adequacy of a company when some divisions of that
19 company, highly profitable divisions, are outside the
20 purview of the reviewer?

21 MS. MARILYN MCLAREN: I would say, yes.

22 THE CHAIRPERSON: Okay. Thank you very
23 much. We'll have our break now.

24

25 --- Upon recessing at 10:27 a.m.