

APPENDIX "A"

Insurance Brokers Association of Manitoba:

Application to Intervene: MPI 2020 GRA

Additional Information

(For organizations only) Please describe the mandate of your organization and provide a description of the membership, including the number of members. Please also confirm whether the organization's intervention in this proceeding is supported by a resolution of the governing body, if any. Please enclose the resolution, if any, with your Application, along with supporting documentation of your mandate and membership.

Insurance Brokers Association of Manitoba ("IBAM") is a not for profit organization which represents the interests of brokers and consumers of Property & Casualty ("P&C") insurance in Manitoba. P&C brokerages employ over 2,600 people in over 300 storefronts in Manitoba. IBAM currently has over 2,000 broker members.

P&C brokers are the primary interface for consumers of *Manitoba Public Insurance Corporation ("MPI")* and *Drivers Vehicle Licensing ("DVL")* services in Manitoba. The vast majority of MPI and DVL transactions are conducted with the guidance and consultation of a broker. All brokers must be licenced through the *Insurance Council of Manitoba ("ICM")*¹ to ensure that they are educated and properly equipped to provide the right advice to Manitobans with respect to their insurance needs. This includes, but is not limited to, their exposure to potential losses on their assets, including vehicles.

The importance of P&C brokerages to the Province of Manitoba is significant. In fact, P&C brokerages contributed approximately \$238,000,000.00 to Manitoba's GDP in 2017 and \$18,500,000.00 in product and production taxes [such as sales tax on expenses (GST, PST and payroll taxes)]. This estimate significantly underestimates the total government revenue generated by the industry as it does *not* include corporate income taxes, personal income taxes, property taxes and premium taxes paid by brokerages to the federal, provincial and municipal governments.

Although membership in IBAM is voluntary, the vast majority of eligible brokers in this province choose to be members of IBAM. It is important to reiterate that

¹ The ICM is the regulatory body responsible for the licensing and discipline of insurance agents, brokers and adjusters in Manitoba. The ICM regulates insurance agents, brokers and adjusters in several ways: it has established standards for applicants and licensees that promote high standards of professionalism, competence and integrity in the insurance industry.

IBAM advocates for the consumers of insurance *and* for the brokerage industry as a whole. For example:

1. At the federal level, IBAM advocates for consumers and brokers with respect to legislative reviews of the *Bank Act* and other related statutes and regulations;
2. At the provincial level, IBAM works with ICM to ensure that licencing requirements are appropriate, are fully understood by our members and, most importantly, to protect consumers. More specifically, ICM has the authority to conduct investigations into a complaint, and to come to a determination as to whether there has been a breach of any of the provisions of *The Insurance Act of Manitoba*, its *Regulations*, the *Licensing Rules* and/or the ICM's *Code of Conduct*; and
3. Relatedly, IBAM manages the *Canadian Accredited Insurance Broker ("CAIB")*² program in Manitoba, and delivers many other insurance-related educational programs/seminars on a variety of topics, including on the sale and service of vehicle insurance and DVL products and services.

Of note is that IBAM has been responsible for working with MPI on the launch of new products or changes in service-delivery which impact consumers or brokers. This is sensible because brokers are the face of MPI to the consumer and brokers have unique insight into the customer experience when purchasing insurance.

IBAM also represents brokers in discussions with MPI regarding compensation for services provided by brokers to Manitobans.

Moreover, IBAM is active at the municipal level as small business storefronts are located in municipalities throughout the Province of Manitoba. A hallmark of Manitoba's relatively stable auto insurance environment is the access ratepayers have to a professional licenced broker across our province.

IBAM's Board of Directors unanimously supports *IBAM's Application to Intervene ("Application")*.

² The CAIB program is a professional development course of study designed and written specifically for insurance brokers. The CAIB program enables brokers to expand their general insurance knowledge, develop new sales markets and enhance their opportunity for career advancement. CAIB boasts four (4) levels of study pertaining to personal lines, commercial lines, and broker management skills. Students must complete all four (4) modules and be working for a member broker in order to use the CAIB designation.

Please state your reasons for intervening in this proceeding:

For the purposes of this Application, it is important to highlight that MPI appeared before the *Public Utilities Board* (the “**Board**”) on June 27, 2019 and referenced “*plans for future service delivery.*”³ In doing so, MPI advised that it intends to answer “*questions around the work that brokers provide in the delivery of MPI services throughout Manitoba and the commissions paid for those services*”.⁴ Finally, MPI went on to add that “*the public has [had] a lot of questions come up in the last few days*” and that it “*need[s] to answer those questions. How does MPI enter into service provider agreements should be asked and answered...*”⁵

Similarly, the *Manitoba Branch of the Consumers' Association of Canada* (“**CAC Manitoba**”) has advised the Board that it “*intends to examine the impact of any future changes to MPI's agreements with brokers and the impacts that this will have on ratepayers*”.⁶ It has also stated that “*any changes that are anticipated will have an ongoing impact on ratepayers because ... these costs are incorporated directly into MPI's cost of operation and therefore into rates*”.⁷ Finally, CAC Manitoba advised the Board that it expects the issue of “*broker commissions and any implications flowing from brokers agreements and commissions paid to brokers will be explored under cost of operations and cost containment measures*”⁸ (which is issue 9 currently on the preliminary issues list).⁹

In light of these statements, IBAM is seeking Intervenor status so that the Board will fully and properly understand the issues relating to broker agreements entered into with MPI, the work undertaken and the services that brokers provide in the delivery of MPI services, and the other insurance related services that brokers provide to all citizens of the Province of Manitoba.

³ See MPI Pre-Hearing Transcript, June 27, 2019, page 39.

⁴ See MPI Pre-Hearing Transcript, June 27, 2019, page 39.

⁵ See MPI Pre-Hearing Transcript, June 27, 2019, page 39.

⁶ See MPI Pre-Hearing Transcript, June 27, 2019, page 50.

⁷ See MPI Pre-Hearing Transcript, June 27, 2019, page 50.

⁸ See MPI Pre-Hearing Transcript, June 27, 2019, page 85.

⁹ CAC Manitoba went on to state that if there was a “*preference to have the issue of broker commissions and broker agreements as a separate issue*”, it would not be opposed (see MPI Pre-Hearing Transcript, June 27, 2019, page 85).

Moreover, actions taken by MPI not only impact consumers of Autopac and DVL services, but brokerages as well. It is important for IBAM to be granted Intervenor status as there no doubt will be areas of inquiry where IBAM will be able to provide evidence, clarify issues and/or add value to the very important dialogue before the Board. It is also important for IBAM to be able to represent the views of brokers and consumers in any discussions pertaining to proposed changes in the current service delivery model as those discussions will impact the industry - and consumers - in any number of ways.

MPI is also proposing changes to the fiscal year end. If the fiscal year end is changed, as proposed, there will be implications on current agreements and arrangements between MPI, IBAM and brokers. Moreover, any change(s) in rates / premiums will directly impact brokerages. Clearly, there will be areas of discussion that will be germane to brokers and consumers throughout this hearing before the Board.

In short, IBAM should be granted Intervenor status to ensure that the Board has a full and proper understanding of the issues relating to broker agreements entered into with MPI, the work undertaken and the services that brokers provide in the delivery of MPI services, and the other insurance related services that brokers provide to all citizens of the Province of Manitoba.

Please state how you are directly affected by the Board’s decision in this matter:

As indicated, MPI has referenced “*plans for future service delivery*” and has advised the Board that it intends to answer “*questions around the work that brokers provide in the delivery of MPI services throughout Manitoba and the commissions paid for those services*”.¹⁰ As also indicated, MPI advised that “*the public has [had] a lot of questions come up in the last few days*” and that MPI “*need[s] to answer those questions. How does MPI enter into service provider agreements should be asked and answered...*”¹¹ Similarly, CAC Manitoba has advised the Board that it “*intends to examine the impact of any future changes to MPI’s agreements with brokers and the impacts that this will have on ratepayers*”.¹² CAC Manitoba went on to add that “*any changes that are anticipated will have an ongoing impact on ratepayers because ... these costs are incorporated directly into MPI’s cost of operation and therefore into rates*”.¹³

¹⁰ See MPI Pre-Hearing Transcript, June 27, 2019, page 39.

¹¹ See MPI Pre-Hearing Transcript, June 27, 2019, page 39.

¹² See MPI Pre-Hearing Transcript, June 27, 2019, page 50.

¹³ See MPI Pre-Hearing Transcript, June 27, 2019, page 50.

Finally, CAC Manitoba expects that the issue of “*broker commissions and any implications flowing from brokers agreements and commissions paid to brokers will be explored under cost of operations and cost containment measures*”¹⁴ (which is issue 9 currently on the preliminary issues list).¹⁵

Based on these representations, it is evident that the role of brokers in the delivery of MPI services throughout the Province of Manitoba is going to be a central area of inquiry before the Board. Given that the costs associated with providing these services “*are incorporated directly into MPI's cost of operation and therefore into rates,*”¹⁶ and given that “*commissions paid to brokers will be explored under cost of operations and cost containment measures*”¹⁷ (which is issue 9 currently on the preliminary issues list),¹⁸ consumers and the members of IBAM will be directly affected by any decision that is ultimately rendered by the Board.

In addition, if the fiscal year end is changed, there will be implications on current agreements and arrangements between MPI, IBAM and brokers. Moreover, any change(s) in rates / premiums will directly impact brokerages. These are further reasons why the members of IBAM will be directly affected by any decision that is ultimately rendered by the Board.

Please explain whether and how you represent a substantial number of ratepayers that are otherwise not represented on issues that are within the scope of this proceeding:

IBAM represents all consumers of insurance in Manitoba as well as (virtually) all brokerages in the Province of Manitoba. No other Intervenor is currently representing brokers at the hearing before the Board. IBAM has expertise in the general operations of MPI's distribution model and in the sale and servicing of insurance and Autopac services at brokerages throughout the Province of Manitoba.

¹⁴ See MPI Pre-Hearing Transcript, June 27, 2019, page 85.

¹⁵ CAC Manitoba went on to state that if there was a “*preference to have the issue of broker commissions and broker agreements as a separate issue*”, it would not be opposed (see MPI Pre-Hearing Transcript, June 27, 2019, page 85).

¹⁶ See MPI Pre-Hearing Transcript, June 27, 2019, page 50.

¹⁷ See MPI Pre-Hearing Transcript, June 27, 2019, page 85.

¹⁸ CAC Manitoba went on to state that if there was a “*preference to have the issue of broker commissions and broker agreements as a separate issue*”, it would not be opposed (see MPI Pre-Hearing Transcript, June 27, 2019, page 85).

If granted Intervenor status, IBAM will be in attendance throughout the hearing will monitor discussion(s) and will provide evidence and/or additional information, as required.

Please describe your experience, information, or expertise relevant to this matter that would contribute to the Board’s decision making, including any other prior interventions in regulatory matters before this Board or other decision-makers:

IBAM's experience, information and expertise relate to the general operations of MPI's distribution model and in the sale and servicing of insurance and Autopac services at brokerages throughout the Province of Manitoba. This experience, information and/or expertise will include discussion about the important role that brokers play in ensuring that all Manitobans have access to Autopac and other insurance products and services. No other Intervenor has the experience, information and/or expertise that IBAM and its members have in this very important area of the hearing before the Board.

This is the first time at a Board hearing¹⁹ in which MPI has referenced “*plans for future service delivery*” and the first time that MPI has stated that it intends to answer “*questions around the work that brokers provide in the delivery of MPI services throughout Manitoba and the commissions paid for those services*”.²⁰ This is also the first time at a Board hearing²¹ that CAC Manitoba expects that the issue of “*broker commissions and any implications flowing from brokers agreements and commissions paid to brokers will be explored under cost of operations and cost containment measures*”²² (which is issue 9 currently on the preliminary issues list).²³

Based on these representations, it is evident that the role of brokers in the delivery of MPI services throughout the Province of Manitoba, and the compensation paid by MPI for those services, is going to be a central area of inquiry before the Board. As a result, IBAM should be granted Intervenor status.

¹⁹ To the knowledge of IBAM.

²⁰ See MPI Pre-Hearing Transcript, June 27, 2019, page 39.

²¹ To the knowledge of IBAM.

²² See MPI Pre-Hearing Transcript, June 27, 2019, page 85.

²³ CAC Manitoba went on to state that if there was a “*preference to have the issue of broker commissions and broker agreements as a separate issue*”, it would not be opposed (see MPI Pre-Hearing Transcript, June 27, 2019, page 85).

Please list the key issues you intend to address in the proceeding. Please be specific:

IBAM will be in attendance at the hearing and will monitor discussion, provide evidence and/or provide information, as may be required. The key issues that IBAM intends to address at the hearing include, but are not necessarily limited to, the following:

1. The important role that brokers play in providing the delivery of MPI services throughout the Province of Manitoba;
2. The costs associated with providing the delivery of MPI services throughout the Province of Manitoba and the commissions paid for those services;
3. The value and high-quality of service that brokers provide to the residents of the Province of Manitoba and/or the service level that Manitobans have come to expect when dealing with a local / professional broker. The interests of these consumers must be protected;
4. The costs associated with providing the delivery of MPI services and the commissions paid for those services, in comparison to other services, distribution and/or cost models provided by other entities in other industries and/or other jurisdictions;
5. Based on the representations of MPI and CAC Manitoba, it is evident that the role of brokers in the delivery of MPI services throughout the Province of Manitoba is going to be a central area of inquiry before the Board. Granting IBAM Intervenor status at the hearing will ensure that the Board fully and properly understands the issues relating to broker agreements entered into with MPI, the work undertaken and the services that brokers provide in the delivery of MPI services, and the other insurance related services that brokers provide to all citizens of the Province of Manitoba; and
6. In addition, if the fiscal year end is changed, there will be implications on current agreements and arrangements between MPI, IBAM and brokers. Moreover, any change(s) in rates / premiums will directly impact brokerages. Granting IBAM Intervenor status will ensure that the Board fully and properly understands the potential ramifications on consumers and brokers that may arise from these proposed changes.

In light of the foregoing, IBAM should be granted Intervenor status to ensure that the Board is aware of the role of brokers in the delivery of MPI services throughout the Province of Manitoba and the level of service that is currently provided to the citizens of the Province of Manitoba (including those in rural areas and/or those that do not have Internet access). It is evident that both MPI and CAC Manitoba intend to raise these matters at the hearing; IBAM must be present to ensure that the Board is fully informed of the very important role that brokers play in the lives of Manitobans on a day-to-day basis.

Do you intend to participate fully and actively, including attendance at hearings, submission of evidence, and testing of evidence and cross examination of witnesses? If yes, please describe your intended participation:

If granted Intervenor status, IBAM will be in attendance throughout the hearing and will monitor discussion(s) and provide information, as required. IBAM will participate fully and actively throughout the course of the hearing, as may be required. This participation will include, but not necessarily be limited to, the submission of evidence, the cross-examination of witnesses and providing written submissions for the Board's consideration.

Do you intend to request an award of costs for your participation? Please explain how you meet the criteria for an award of costs:

If granted Intervenor status by the Board, IBAM will seek an award of costs for its participation at the hearing. As stated in its *Intervener Costs Policy*, the Board may award costs to be paid to any Intervenor who has:

- (a) made a significant contribution that is relevant to the proceeding and contributed to a better understanding, by all parties, of the issues before the Board;
- (b) participated in the hearing in a responsible manner and cooperated with other Intervenors who have common objectives in the outcome of the proceedings in order to avoid a duplication of intervention;
- (c) represented interests beyond their sole business interest; and
- (d) a substantial interest in the outcome of the proceeding and represents the interests of a substantial number of ratepayers.

IBAM intends to make a significant contribution to the hearing as it will ensure that the interests of brokers and consumers are made known to the Board (by way of questioning, submitting evidence and/or information and/or providing written submissions). It is important for IBAM and brokers to be able to represent the views of brokers and consumers in any number of topic areas that will arise as

part of the hearing. Its proposed intervention will be guided by the Board's criteria for the consideration of just and reasonable rates.

IBAM will participate in the hearing in a reasonable manner and will cooperate with other Intervenor who have common objectives. This may include, but not be limited to, CAC Manitoba, Bike Winnipeg and/or CAA. IBAM will make reasonable efforts to ensure that its participation is not unduly repetitive of other Intervenor.

As set out above, IBAM represents all consumers of insurance in Manitoba as well as (virtually) all brokerages located throughout the Province of Manitoba. IBAM therefore represents the interests of a substantial number of ratepayers. Moreover, no other Intervenor is currently representing the interests of brokers. As a result, the over 2,000 Manitobans that are currently members of IBAM (and the over 2,600 Manitobans employed by P&C brokerages) have a substantial interest in the outcome of the hearing.

The Board has a specific mandate based on its enabling legislation and establishes just and reasonable rates for the provision of rate bases and premiums charged for compulsory driver and basic vehicle insurance provided by MPI. The Board fulfills its mandate through public hearings, paper reviews and - when required - direct intervention. Its processes involve enquiry, research, consultation, careful deliberation, and public dissemination of decisions and notices of upcoming Board activities including rate applications.²⁴ In order to fulfill its mandate and ensure that it has a full and proper understanding of all issues arising from the hearing, the Board should grant Intervenor status to IBAM.

In closing, IBAM would like to thank the Board for its consideration of *Appendix "A"* to this Application.

Yours truly,

INSURANCE BROKERS ASSOCIATION OF MANITOBA



Per:

Grant Wainikka, CEO

²⁴ See Public Utilities Board – “*What We Do*” – at <http://www.pubmanitoba.ca/v1/about-pub/what-we-do.html>