

*Manitoba Public Insurance Corporation*

**2020/2021 General Rate Application**

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**Pre-Filed Testimony Filed on Behalf of  
Insurance Brokers Association of Manitoba**

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**Table of Contents**

		<b>Page</b>
<b>1.0</b>	<b>Introduction</b>	<b>3</b>
	<b>1.01 Summary</b>	<b>5</b>
<b>2.0</b>	<b>IBAM’s Witness Panel</b>	
	<b>2.01 Ms. Tara Chammartin</b>	<b>7</b>
	<b>2.02 Mrs. Valerie Hutsal</b>	<b>7</b>
	<b>2.03 Mr. Don Normandeau</b>	<b>7</b>
	<b>2.04 Each Member of IBAM’s Witness Panel Understands Their Obligations to the Board at the GRA</b>	<b>7</b>
<b>3.0</b>	<b>IBAM &amp; The Services its Members Provide Throughout the Province of Manitoba</b>	<b>8</b>
<b>4.0</b>	<b>Risk to Financial Health / Stability of MPI &amp; Consumers</b>	<b>9</b>
<b>5.0</b>	<b>Consumer Protection / Customer Service</b>	<b>11</b>
<b>6.0</b>	<b>Trailing Commissions &amp; Basic Transactions</b>	<b>14</b>
<b>7.0</b>	<b>MPI Expenses and Potential Impacts on Rates</b>	<b>17</b>
<b>8.0</b>	<b>Interprovincial Comparatives / Benchmarking</b>	<b>18</b>
	<b>8.01 Models for Basic &amp; Extension</b>	<b>18</b>
	<b>8.02 Saskatchewan’s &amp; British Columbia’s Commitment to Brokers</b>	<b>19</b>
	<b>8.03 Moving Services Online</b>	<b>21</b>
	<b>8.04 Commissions - Comparisons</b>	<b>22</b>
<b>9.0</b>	<b>Economic Contribution to the Province of Manitoba</b>	<b>24</b>
<b>10.0</b>	<b>Trends in Commission</b>	<b>27</b>
<b>11.0</b>	<b>Conciliation Between MPI and IBAM</b>	<b>33</b>
<b>12.0</b>	<b>Concluding Remarks</b>	<b>34</b>
<b>Appendix “A”</b>	<b>Background Information &amp; Qualifications of Panel Witnesses</b>	<b>35</b>
<b>Appendix “B”</b>	<b><i>“A Directive to [MPI] Respecting Conciliation with [IBAM]”</i></b>	<b>37</b>

## **1.0 Introduction**

On June 20, 2019 *Manitoba Public Insurance Corporation* (“**MPI**”) filed its *2020 General Rate Application* (“**GRA**”) seeking approval of the *Manitoba Public Utilities Board* (the “**Board**”) proposed for rates and premiums of compulsory driver and vehicle insurance for the period of March 1, 2020 to March 31, 2021.

At the *GRA Pre-Hearing* held before the Board on June 27, 2019, MPI referenced “*plans for future service delivery*” and indicated that it intended to answer “*questions around the work that brokers provide in the delivery of MPI services throughout Manitoba and the commissions paid for those services*”.<sup>1</sup> After making this statement, MPI went on to add that “*the public has [had] a lot of questions come up in the last few days*” and that MPI “*need[ed] to answer those questions. How does MPI enter into service provider agreements should be asked and answered...*”<sup>2</sup>

At the same *GRA Pre-Hearing*, the *Manitoba Branch of the Consumers' Association of Canada* (“**CAC Manitoba**”) stated that it intended “*to examine the impact of any future changes to MPI's agreements with brokers and the impacts that this will have on ratepayers*”.<sup>3</sup> CAC Manitoba 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*”.<sup>4</sup> Finally, CAC Manitoba advised the Board that it expected the issue of “*broker commissions and any implications flowing from broker agreements and commissions paid to brokers [would] be explored under cost of operations and cost containment measures*”<sup>5</sup> (which is issue 9 on the Board’s *Preliminary Issues List*).

In light of these statements, IBAM sought Intervener status at the GRA so that the Board would properly understand the issues arising from broker agreements entered into with MPI and the services that brokers provide under those agreements to the citizens of Manitoba. In doing so, IBAM advised the Board that its members would be affected by the Board's decision in the GRA as it appeared that the role of brokers in the delivery of MPI services – and the commissions paid for those services - would be a central area of inquiry. Finally, any changes in premiums would directly affect brokers in the Province of Manitoba.

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<sup>1</sup> See MPI Pre-Hearing Transcript, June 27, 2019, page 39.

<sup>2</sup> See MPI Pre-Hearing Transcript, June 27, 2019, page 39.

<sup>3</sup> See MPI Pre-Hearing Transcript, June 27, 2019, page 50.

<sup>4</sup> See MPI Pre-Hearing Transcript, June 27, 2019, page 50.

<sup>5</sup> See MPI Pre-Hearing Transcript, June 27, 2019, page 85.

In seeking Intervenor status before the Board, IBAM advised that it intended to address a number of issues in the GRA, including:

1. The role brokers play in providing MPI services to Manitobans;
2. The value provided by brokers to Manitobans;
3. The costs associated with providing MPI services to Manitobans; and
4. The commissions paid for those services compared to other jurisdictions.

(collectively, the “**Broker Issues**”)

By way of *Order No. 115/19* dated August 16, 2019, the Board granted IBAM Intervener status at the GRA. In doing so, the Board accepted that IBAM's intervention would serve to assist the Board in its examination of the MPI services performed or facilitated by brokers, as well as the costs associated with the provision of those services. The Board also advised that it expected Issue 9 (which addresses MPI's costs of operations and cost containment measures) and Issue 17 (which addresses MPI's IT expenses and projects) of the *Final Issues List* would be relevant to IBAM's intervention. Finally, the Board directed IBAM to file pre-filed testimony by September 20, 2019,<sup>6</sup> in accordance with the *Timetable*, and respond to Information Requests (“**IRs**”) on its pre-filed testimony.

Pursuant to this decision from the Board, IBAM has provided the pre-filed testimony set out herein.

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<sup>6</sup> IBAM subsequently sought, and was granted, an extension to file the pre-filed testimony to September 23, 2019.

## 1.01 Summary

Brokers have been the customer-facing part of MPI's business model since 1971. MPI has consistently stated that Manitobans enjoy attractive rates for vehicular insurance, often shown to be at or among the lowest in Canada.<sup>7</sup> In addition, MPI has indicated that it offers superlative coverages to Manitoba ratepayers, especially as it relates to *Personal Injury Protection Plan Coverage* ("PIPP").<sup>8</sup> Based on these representations, Manitoba enjoys a relatively stable vehicle insurance environment, a hallmark of which is province-wide and low-cost access to a local insurance professional. In fact, MPI has professional brokers representing them and providing service to customers in over 300 locations in more than 120 communities located throughout the Province of Manitoba.

The commissions paid by MPI to brokers for *Basic Autopac* insurance only accounts for approximately 2.4% of the overall expenses contained in MPI's annual operating budget.<sup>9</sup> Despite this fact, both MPI and CAC Manitoba have identified broker services and compensation as a relatively significant area of inquiry for the GRA. The testimony that will be provided by members of IBAM's witness panel will discuss the services provided by brokers to the citizens of Manitoba and the monies paid by MPI for those services. In doing so, the witness panellists will also discuss the services that are provided by brokers to consumers that are *not* paid for by MPI (or any other third party for that matter). When considered as a whole, the citizens of Manitoba are well-served under MPI's current broker distribution channel. Moreover, the commissions paid by MPI to brokers are the lowest in the country.

IBAM is focused on ensuring the consumer is knowledgeable and informed about their choices, exposures and risks when purchasing auto, property and commercial insurance. In fact, IBAM works with MPI and the *Insurance Council of Manitoba* ("ICM") to advance the interests of the consumer *and* the broker. As a result, Manitobans are currently served by professional insurance brokers, licensed pursuant to the provisions of *The Insurance Act (Manitoba)*,<sup>10</sup> who guide Manitobans through their insurance purchase and renewal decisions. The consequences for an improperly or underinsured individual can be life-changing and devastating. Brokers ensure that the purchase of insurance and assessment/coverage of risk is dealt with in a manner that ensures that the consumer is protected. In addition, brokers play a major role in establishing the identity of new customers, which has become a critical element to driver licensing and identification card issuance since 9/11.

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<sup>7</sup> See MPI's *2019 Annual Report*.

<sup>8</sup> See 2020 GRA: *Part III - Basic Autopac Coverage*; 2020 GRA: *Part III - Comparison of Basic Policies to Other Jurisdictions*.

<sup>9</sup> Note: IBAM is seeking clarification through the PUB process as to where revenues for DVL and Flat Fee services are entered. If revenues are accounted for outside of the *Basic* premiums (for example: Manitoba Infrastructure), it will question why commission/flat fee costs are tied to *Basic* premiums.

<sup>10</sup> *The Insurance Act (Manitoba)*, C.C.S.M. c. I40.

Brokers are subject to regulation and are trained to assess and consult with consumers with respect to their coverages. This includes, but is not limited to, consultation and advice with respect to vehicle classification and coverages offered in the *Basic* and *Extension* Autopac packages. Any changes that would remove brokers from MPI's distribution channel would increase the involvement of government / MPI employees in the provision of advice and counsel with respect to complex financial products. This increased government and / or MPI involvement becomes more pronounced in an online world where consumers often self-select their coverages with little understanding of the implications of those choices. IBAM and its members maintain that broker involvement is necessary to protect consumers. This, of course, is why regulations and licensing requirements exist.

Based on the GRA and some recent media reporting, MPI is contemplating many different scenarios for future service delivery, and may favour a direct-to-consumer online model. CAC Manitoba also intends to examine "*any changes that are anticipated [and what those changes] will have... on ratepayers because ... [those] costs are incorporated directly into MPI's cost of operation and therefore into rates*".<sup>11</sup> Depending on its implementation, a direct-to-consumer online model will impact consumer protection and will diminish customer service.

To be clear, IBAM and its members are not opposed to the provision of online services. However, as is the case in the other Canadian jurisdictions that have government-run vehicle insurance and licensing regimes [in Saskatchewan: *Saskatchewan Government Insurance* ("SGI"); in British Columbia: *Insurance Corporation of British Columbia* ("ICBC")], those services should be implemented as part of the current broker distribution channel. In fact, both SGI and ICBC have formally committed to a broker-based model in their respective jurisdictions. These assurances from the Crowns in British Columbia and Saskatchewan will facilitate stability, predictability, innovation and growth in their respective broker channels. They will also promote cohesion and cooperation between the Crowns and their respective customer-facing broker channels. In short, the commitments made by SGI and ICBC will foster health in the brokerage industry and for consumers of auto insurance.

The current IBAM-MPI Accord is scheduled to expire in 2021. To date, MPI has been reluctant to offer brokers in Manitoba the same assurances expressed by the Crowns in Saskatchewan and British Columbia. However, MPI and IBAM recently agreed to attend a Conciliation for the purposes of attempting to reach a resolution to the matters at issue. IBAM will attend the Conciliation in *good faith* and with the genuine hope that an amicable resolution will be reached on all issues vis-à-vis MPI, including those issues pertaining to online services that have been addressed by the SGI and ICBC Accords.

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<sup>11</sup> See MPI Pre-Hearing Transcript, June 27, 2019, page 50.

## **2.0 IBAM's Witness Panel**

For the purposes of providing the Board with a full and proper understanding of the Broker Issues, IBAM intends to provide evidence from three (3) individuals who have provided broker services under MPI's distribution model for many years. Those witnesses, who provide services in both rural and urban areas of the Province of Manitoba, will be able to provide first-hand knowledge of MPI's distribution model and the services that brokers provide to the residents of the Province of Manitoba under this distribution model. The witnesses (set out in alphabetical order) are as follows:

### **2.01 Ms. Tara Chammartin, CAIB**

Ms. Tara Chammartin, CAIB, is the Past-President of IBAM. She is currently a Partner & Operations Manager at *La Salle Insurance* in the City of Winnipeg. Information on Ms. Chammartin's background and qualifications is attached at *Appendix "A"*.

### **2.02 Mrs. Valerie Hutsal, CIP**

Mrs. Valerie Hutsal is on IBAM's Board of Directors. She is currently a Co-Owner and Manager at *Dick Agencies Insurance Brokers* in the City of Brandon. Information on Mrs. Hutsal's background and qualifications is attached at *Appendix "A"*.

### **2.03 Mr. Don Normandeau, CAIB, CIP**

Mr. Don Normandeau is also on IBAM's Board of Directors. He is currently the Owner and President of *Le Bon Ami Inc. o/a Le Bon Ami Insurance Brokers* in the Town of La Broquerie. Information on Mr. Normandeau's background and qualifications is attached at *Appendix "A"*.

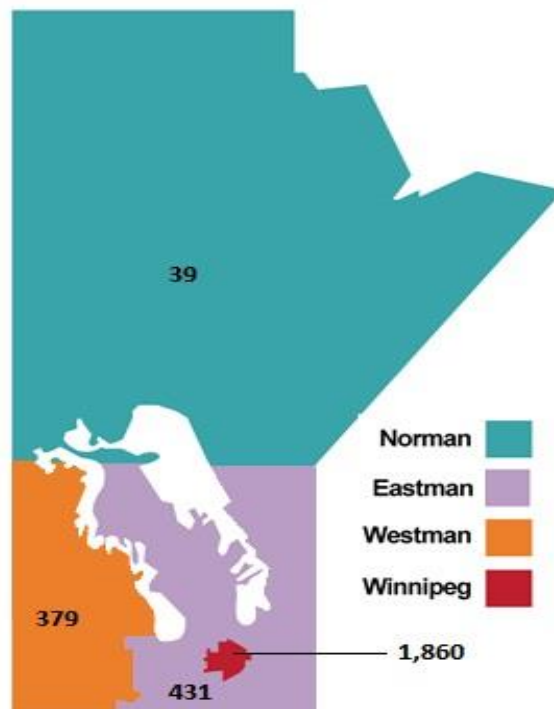
### **2.04 *Each Member of IBAM's Witness Panel Understands Their Obligations to the Board at the GRA***

Each member of IBAM's witness panel understands that they are to attend to the GRA and provide evidence to the best of their knowledge and ability. They also recognize that they may be questioned by counsel for MPI and/or other Interveners and that they may be asked additional questions by the Board for the purposes of providing any such assistance as may be reasonably required to determine an issue. In providing their evidence, each will draw upon their extensive knowledge and experience in providing brokerage services to the residents of the Province of Manitoba, as well as their knowledge and experience obtained through their involvement with IBAM (including, but not limited to, insurance services and commissions in other jurisdictions).

### **3.0 IBAM & The Services Its Members Provide Throughout the Province of Manitoba**

IBAM is a member-based not-for-profit entity that represents the interests of brokers and the consumers of *Property & Casualty* ("P&C") insurance throughout the Province of Manitoba. IBAM is focused on ensuring the consumer is knowledgeable and informed about their choices, exposures and risks when purchasing auto, property and commercial insurance. IBAM works with MPI and the *Insurance Council of Manitoba* ("ICM") to advance the interests of the consumer and the broker (small business). It currently has over 2,000 broker members. In fact, 95% of P&C brokerages in Manitoba are members of IBAM. This is the highest participation rate in the country.

P&C brokerages currently employ over 2,600 people in over 300 storefronts in approximately 120 communities located throughout the Province of Manitoba. The location of those employees is set out below (Winnipeg 1,860; Norman 39; Eastman 431; and Westman 379):



Of course, these numbers only account for the number of employees who work directly for brokerages in each constituency. Indirect beneficiaries of brokerages include local accountants, IT professionals, restaurateurs, etc.

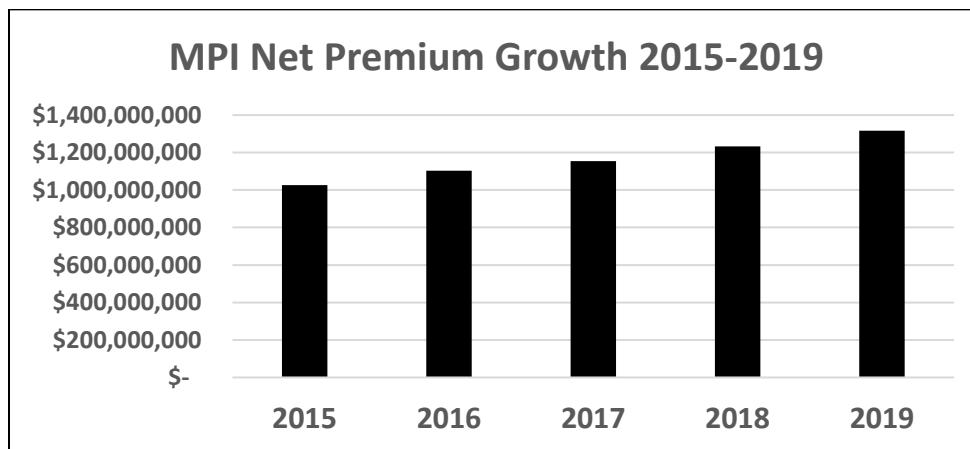
P&C brokerages contributed approximately \$238 million to Manitoba's GDP in 2017 and \$18.5 million in product and production taxes [such as sales tax on expenses (GST, PST and payroll taxes)]. This estimate significantly underestimates the total government revenue generated by the industry as it does not include corporate income tax, personal income tax, property taxes and premium taxes paid by brokerages to the federal, provincial and municipal governments.



#### 4.0 Risk to Financial Health / Stability of MPI & Consumers

Based on the GRA and some recent media reporting, MPI is contemplating many different scenarios for future service delivery, and may favour a direct-to-consumer online model. Depending on its implementation, a direct-to-consumer online model has the potential to significantly disrupt a relatively stable auto insurance system and negatively impact consumers, government, and MPI.

MPI's financials confirm that it has enjoyed successive years of solid financial results. It now has revenues exceeding \$1.3 billion and it has shown impressive growth in top line revenues. The 2015-2019 *Compound Annual Growth Rate* (“CAGR”)<sup>12</sup> for total [*Basic + Extension + Special Risk Extension* (“SRE”)] net premium growth is 5.09%.<sup>13</sup>



In the year ending February 2018, MPI reported net income of \$91.1 million; this grew to \$159.1 million in 2019. As of February 28, 2019, MPI has in excess of \$500 million in retained earnings on its balance sheet.

In its GRA Application (PF-3), MPI has forecasted that with *status quo* assumptions on broker commission percentages, *Minimum Capital Test* (“MCT”) ratios on *Basic* will improve annually and that the *Basic* line will attain a MCT ratio of 108.2% in 2023. In the GRA Application (EPF-3), MPI has forecasted that with *status quo* assumptions on broker commissions, MCT ratios on *Extension* will attain an MCT ratio of 200.0% in 2020.

Brokers have been the customer-facing part of MPI's business model since 1971. MPI has consistently stated that Manitobans enjoy attractive rates for vehicular insurance, often shown to be at or among the lowest in Canada.<sup>14</sup> In addition, MPI has indicated that it offers

<sup>12</sup> CAGR is a relatively simple formula, see: <https://www.investopedia.com/calculator/cagr.aspx>

<sup>13</sup> Information obtained from MPI's Annual Reports.

<sup>14</sup> See MPI's 2019 Annual Report.

superlative coverages to Manitoba ratepayers, especially as it relates to *Personal Injury Protection Plan Coverage (“PIPP”)*.<sup>15</sup> In short, Manitoba enjoys a relatively stable vehicle insurance environment, a hallmark of which is province-wide and low-cost access to a local insurance professional. As indicated, MPI has professional brokers representing them and providing service to customers in over 300 locations in more than 120 communities across the Province of Manitoba. Several other jurisdictions – in both private and public jurisdictions – are currently struggling with automotive insurance. Any changes to the current delivery model of services must be fully and properly considered prior to implementation.

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<sup>15</sup> See 2020 GRA: *Part III - Basic Autopac Coverage*; 2020 GRA: *Part III - Comparison of Basic Policies to Other Jurisdictions*.

## **5.0 Consumer Protection / Customer Service**

Based on the GRA and some recent media reporting, MPI is contemplating many different scenarios for future service delivery, and may favour a direct-to-consumer online model. Depending on its implementation, a direct-to-consumer online model will impact consumer protection and will diminish customer service.

Pursuant to the provisions of *The Insurance Act (Manitoba)*,<sup>16</sup> Manitobans are currently served by licensed professional insurance brokers to guide them through their insurance purchase and renewal decisions. The consequences for an improperly or underinsured individual can be life changing and devastating. The purchase of insurance and assessment/coverage of risk is complex. Brokers are also registration agents for the government and assist customers in properly selecting registration classes, which is also complex. In addition, brokers play a major role in establishing identity of new customers, which has become a critical element to driver licensing and identification card issuance since 9/11.

Brokers are also subject to regulation and trained to assess and consult with customers with respect to their coverages. This includes, but is not limited to, consultation and advice with respect to vehicle classification and coverages offered in the *Basic* and *Extension* Autopac packages.

The need for expert advice and customer service exists in an online world as well. In response to questions posed in Round 2 IRs, MPI has advised that it does not believe that *The Insurance Act (Manitoba)*<sup>17</sup> and ICM will apply to employees of MPI. Specifically, MPI has stated that it:

*“... does not expect that its customer service staff will be subject to the requirements of The Insurance Act... pertaining to the sale of insurance, as a result of any changes in service delivery.....Pursuant to section 29 of The Manitoba Public Insurance Corporation Act, the provisions of The Insurance Act relating to agents and adjusters do not apply to MPI employees”.*

However, a direct-to-consumer model will obviously necessitate the involvement of government / MPI employees in the provision of advice and counsel with respect to complex financial products. Licensed professional brokers are necessary across all platforms to help inform and protect consumers in their Autopac purchasing decisions. This becomes more pronounced in an online world where consumers often self-select their coverages with little understanding of the implications of those choices. Broker involvement is necessary to protect consumers. This, of course, is why regulations and licensing requirements exist.

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<sup>16</sup> *The Insurance Act (Manitoba)*, C.C.S.M. c. I40.

<sup>17</sup> *The Insurance Act (Manitoba)*, C.C.S.M. c. I40.

In addition, brokers can service customers holistically and have a comprehensive view of all coverages that pertain to consumers (ie. coverages such as guaranteed asset protection, umbrella liability, extension products through providers other than MPI, etc.). Conversely, MPI call centre staff will likely not have a global view of the consumer. An online direct model will also likely further marginalize competitors in the *Extension* lines. It is questionable whether MPI will inform consumers that they have options other than MPI beyond their *Basic* coverage, further limiting choice in the marketplace.

Brokers are also aware of their customer base [ie. family structure (new or deceased drivers), other coverages/policies, changes in employment, address changes, etc.], which is clearly germane to risk and coverage options. MPI will not have a holistic view of the consumer and consumers will therefore be put at risk. The reality and forces of a competitive market dictate that brokers will lose business and profitability without a steadfast commitment to customer service.

Brokers also provide services to consumers in a multilingual and accessible environment. For example, if consumers in Steinbach want to conduct business in high or low German, local brokers will hire this skill in order to compete. Brokers in Manitoba currently service customers in thirty-one (31) languages. Brokers must be customer-oriented and this significantly enhances service to Manitobans overall.

Brokers protect customers and often advocate, consult and provide information as consumers navigate the claims process with MPI. IBAM has confirmed through research that consumers are significantly more likely to prefer purchasing insurance through a professional broker channel than they are to opt for buying directly from the government (MPI). A small minority of Manitobans admit they have a good understanding of how various vehicle insurance classifications operate. Even smaller numbers of consumers indicate they have a solid grasp of the meaning and implications of third-party liability coverage. Research also indicates that this level of understanding increases with broker involvement.

IBAM and its member brokers believe that consumers will enjoy a much better level of service delivered through the small business local broker as opposed to government. The vast majority of consumers who purchase insurance online will call MPI before they buy. This has been the experience of other online insurance providers. This will not only drive costs upward but will also result in a poor customer experience. For example, in February of 2019, consumers received the following message when calling the MPI contact centre:

*“We are experiencing a higher than normal volume of calls and as a result you may experience delays...please give us a few days to deal with the emergency calls and then call us again.”*

Moreover, earlier in 2019, MPI also cancelled 12-pay by credit card, a payment choice/method used by over 100,000 Manitobans.<sup>18</sup>

If any private business in the service industry (broker or non-broker) provided this level of service to consumers in a time of need, they would likely lose that customer's business. In summary:

- Brokers provide choice. Some have argued that consumers should have more choice with respect to how they want to purchase auto insurance, including purchasing online from the government directly. IBAM suggests that the only place where customers have choice in the current auto insurance value chain in Manitoba, is in their choice of broker. Again, there are over 300 small business storefronts which sell Autopac in Manitoba;
- The implementation and growth of any government implemented direct to consumer online model further limits choice in the overall value chain for auto insurance in Manitoba;
- An online direct model will likely further marginalize competitors in the *Extension* lines. It is questionable whether MPI will inform consumers that they have options other than MPI beyond their *Basic* coverage, further limiting choice in the marketplace; and
- The adoption of any government implemented direct to consumer online model will increase the role and presence of government into the daily lives of Manitoba. Today, the broker channel serves to balance the disparity in market power between the Crown corporation and consumers and this will be impacted with any launch of a government direct online model.

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<sup>18</sup> For example, see cbc.ca article titled “MPI says decision to stop accepting pre-authorized credit card payments will save millions, affect 100K people” at <https://www.cbc.ca/news/canada/manitoba/mqi-credit-car-insurance-1.5074100>

## 6.0 “Trailing Commissions” & Basic Transactions

Through the IR process as part of the GRA, MPI and CAC have placed some focus on “trailing commissions” paid to brokers. Manitoba has a 5-year renewal system where renewals are done in person every 5 years, and reassessments are done annually. However, consumers are *not* required to pay these in person with a broker. CAC appears to be targeting “trailing commissions” as an unnecessary expense imposed on ratepayers. In doing so, CAC appears to be taking an interest based, at least in part, on MPI claims suggesting that brokers are being paid for work not “performed”. For example, consider the following question CAC posed to MPI during the IR process of the GRA:

*“Please confirm that for fiscal year 2018/19, MPI paid \$46,491 million in broker commissions for Basic and Extension for which brokers performed no work.”*  
[emphasis added]

“Trailing commissions” serve two distinct purposes, both of which are reasonable. First, despite MPI’s move to the 5-year renewal in 2008, customer behaviour has *not* changed. More specifically, the majority of customers continue to attend to brokers for advice and counseling prior to making payments for reassessments in non-renewal years. Second, “trailing commissions” reflect the reality that brokers are called on to provide many services to customers between renewals and reassessments and for which *no* direct compensation is paid. In actuality a great deal of work *is* performed.

In response to questions posed on “trailing commissions” posed by CAC, MPI supplied the following tables:

<b>Trailing Commission</b>									
<b>(‘000)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Basic</b>	\$4,069	\$22,709	\$19,101	\$18,502	\$18,303	\$19,248	\$20,609	\$22,644	\$24,411
<b>Extension</b>	\$2,672	\$17,622	\$22,207	\$24,878	\$23,038	\$21,969	\$22,219	\$23,847	\$24,008
<b>Total</b>	<b>\$6,741</b>	<b>\$40,331</b>	<b>\$41,307</b>	<b>\$43,380</b>	<b>\$41,341</b>	<b>\$41,217</b>	<b>\$42,828</b>	<b>\$46,491</b>	<b>\$48,419</b>

<b>Renewals &amp; Reassessments - Basic</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Broker</b>	493,779	529,762	515,580	459,619	487,919
<b>MPI</b>	37,691	42,946	45,349	42,838	45,355
<b>Automated</b>	1,560,445	1,534,297	1,617,851	1,680,137	1,712,471
<b>Total</b>	<b>2,091,915</b>	<b>2,107,005</b>	<b>2,178,780</b>	<b>2,182,594</b>	<b>2,245,745</b>

An IR from IBAM confirmed that “*trailing commissions*” reflect a 3.0% commission paid to brokers on the value of the contract/revenue stream to MPI. This is the lowest percentage in the country. In addition, commissions have not moved with inflation / the *Consumer Price Index* (“CPI”). Conversely, brokers are running businesses and incurring other operating expenses increased by inflation / CPI.

The inference is that close to \$50 million is paid to brokers where “*no work*” is performed. MPI’s use of the term “*automated*” adds further confusion to this process. CAC has since confirmed (via the IR process) that “*automated*” simply describes how MPI defines reassessment notices in years 2-5, and does *not* describe consumer behaviour surrounding the reassessment process. It is the experience of IBAM broker members that the vast majority of consumers pay their reassessment notices in person and that brokers provide consultation and advice in reassessment years.

Upon further questioning in the IR process, MPI has advised that there are occasions where trailing commissions do involve “*face-to-face interactions with brokers, [but that] this only represents approximately 6% of all reassessment transactions*”.<sup>19</sup> This is not consistent with the experience of brokers in Manitoba and will no doubt be questioned IBAM, and possibly other Interveners, at the upcoming hearing.<sup>20</sup>

- IBAM broker members estimate that close to 90% of reassessments are done in person with a broker. It may be that the 6% figure cited by MPI represents the number of policies that are changed by consumers (for example, different coverage, payment method, vehicle change, etc.). A “*clean reassessment*” should therefore be expected 94% of the time; and
- Currently only 9% of reassessments are paid through online credit card payments at MPI. This suggests that 91% are paid in person at a brokerage.

In addition, brokers in Manitoba are paid 3.0% on *Basic* transactions (it had previously been 5% prior to the implementation of the 5-year renewal). This is the lowest percentage in the country. Commission-based models tie compensation to contracted revenue. If “*trailing commissions*” were to be eliminated, brokers would be paid a commission rate of 0.6% of

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<sup>19</sup> In response to CAC (MPI) 2-1, MPI responded: “*There are occasions where trailing commissions do involve a face-to-face interactions with brokers. This only represents approximately 6% of all reassessment transactions. .... MPI predicted and realized the reduction in the effort required by brokers for streamlined renewal based on the revised service delivery model introduced in the 2008 Agreement. While these trailing commission transactions may not require face-to-face interaction, brokers have the opportunity to service these customers outside of an official transaction, throughout the year. These services would not necessarily be captured in our systems (depending on the type of interaction).*”

<sup>20</sup> It is unclear to IBAM how MPI determined this figure.

contracted value on *Basic* policies.<sup>21</sup> As a result, if “*trailing commissions*” were eliminated, brokers would receive 3% over a 5-year period. This would result in brokers losing money on MPI transactions, which no doubt would adversely affect the broker channel utilized by MPI to provide services to all Manitobans.

For consumers who pay their reassessment notices in person, the process is identical to what it was prior to the 5-year renewal process, except that instead of 5% commission annually, brokers now receive 3%. In other words, the rationale for decreasing commissions for *Basic* transactions (from 5% to 3%) was for an anticipated reduction in customer traffic/transactions; it is the experience of IBAM brokers that this is – for the most part - simply not happening.

There are also a substantial number of non-paid transactions and consultative services that brokers provide in reassessment years (note: work is underway to complete a detailed list which will be provided in advance of the PUB hearing scheduled to start on October 7, 2019).

IBAM and its members are confident that MPI and the ratepayers in the Province of Manitoba are getting good value for their money at 3.0% on *Basic*.

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<sup>21</sup> 0.6% is 1/5<sup>th</sup> of 3.0%.



## **7.0 MPI Expenses and Potential Impacts on Rates**

MPI and CAC have suggested that broker commissions need to be considered in this GRA as they impact rate to consumers. MPI has provided data/information with respect to its operating and capital expenditures, which will also impact rate. Given the fact that broker commissions comprise a mere 2.4% of MPI's operating costs, there is some question as to why this new-found focus has not been placed elsewhere.

According to MPI's *Condensed Financial Statements* in its *2019 Annual Report*, MPI's total expenses were \$1.429 billion<sup>22</sup> in 2019. Total commission (not flat fee) paid by MPI on *Basic Auto* + commission on the insurance portion of driver licenses was \$34.5 million in 2019. This equates to 2.4% of MPI's total expenses in 2019.<sup>23</sup>

As part of GRA, MPI included a *pro forma*<sup>24</sup> which segments total expense by line of business. Total expenses allocated to the *Basic* line amounted to \$1.161 billion in total commission (not flat fee) paid by MPI on *Basic Auto* + commission on the insurance portion of driver licenses was \$34.5 million in 2019. This equates to 2.9% of MPI's total *Basic* expenses in 2019. Conversely, repair shops accounted for approximately 25.2% of MPI's total expense in 2019. Although IBAM has no reason to doubt the value of the services provided by repair shops in the Province of Manitoba, it finds it surprising that the issue of broker commissions has received so much attention at the GRA (given the relatively low percentage of total expenses attributed to *Basic* commissions compared to other expenses such as vehicle repairs).

The CAC has asked 36 separate questions under Issue 9 (*Cost of Operations and Cost Containment Measures*) during the IR process. A total of 35 questions (97.2%) relate to broker commissions. To repeat, *Basic* commission made up 2.4% of MPI's total expenses in 2019 and brokers currently earn 3.0% commission on the sale of *Basic* vehicle insurance. This is the lowest percentage in the country. In 2019, *Basic* premiums were slightly over \$1.0 billion and represented approximately 81% of MPI's total revenue. Conversely, repair shops accounted for approximately 25.2% of MPI's total expense in 2019.<sup>25</sup>

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<sup>22</sup> See 2019 MPI Annual Report, pg. 32. Total claims cost (\$1.172 billion) + Total operating expense (\$255.7 million).

<sup>23</sup> Note: IBAM is seeking clarification through the PUB process as to where revenues for DVL and Flat Fee services are entered at the Provincial Government. If revenues are accounted for outside of the *Basic* premiums (example: Manitoba Infrastructure), we will question why commission/flat fee costs are tied to *Basic* premiums.

<sup>24</sup> See: GRA - Part V (i) Pro Forma, PF-1

<sup>25</sup> Again, although IBAM has no reason to doubt the value of the services provided by repair shops in the Province of Manitoba, it finds it surprising that the issue of broker commissions has received so much attention at the GRA (given the relatively low percentage of total expenses attributed to *Basic* commissions compared to other expenses such as vehicle repairs).

## **8.0 Interprovincial Comparatives / Benchmarking**

The GRA process has raised questions regarding broker commissions. In order to ensure proper context, it is useful to compare distribution models in different provinces across Canada. Focus will be placed on the three (3) public auto jurisdictions in Canada, namely, Manitoba (MPI), Saskatchewan (SGI) and British Columbia (ICBC). However, cross-Canada data will also be referenced below.

### **8.01 Models for Basic & Extension**

The current models for Basic and Extension coverage in Manitoba, Saskatchewan and British Columbia can be summarized as follows:

#### **Manitoba**

In Manitoba, *Basic Autopac (Basic)* can only be sold by MPI and their agents and is a government mandated minimum amount of coverage required to be placed on vehicles in Manitoba as follows:

- \$200,000 third party liability;
- \$500 deductible on collision;
- PIPP coverage (no fault, Government mandated compensation); and
- \$50,000 maximum insurable value.

Optional (*Extension*) coverages which are not mandated by the government are also available and include (among other things):

- Increasing third party liability;
- Lowering of deductible;
- Increasing insurable value; and
- Enhanced income replacement.

Optional/Extension coverages are envisioned to be competitive. MPI is unique in that it has a 95+% share in the Extension market in Manitoba and in that it has a 5-Year renewal system.

#### **Saskatchewan**

*Saskatchewan Government Insurance (“SGI”)* separates their Auto Insurance offering between *Basic* [which is mandated by government and operated by the *SGI AutoFund* (a subsidiary of SGI)] and *Extension* (which is sold under the *SGI CANADA* banner). This is to help facilitate true competition in the *Extension* market. IBAM believes *SGI CANADA* has an approximate 60% market share in Saskatchewan. *Basic* coverage in Saskatchewan includes:

- \$200,000 third party liability;
- \$700 deductible on collision; and
- PIPP coverage (no fault, Government mandated compensation), with some Tort options.

*Extension Services* sold through SGI CANADA are similar to those offered by MPI.

### **British Columbia**

Basic *Autoplan* provides coverage to pay for injury-related medical and rehabilitation expenses in the event of an automobile accident. The basic *Autoplan* includes

- \$200,000 third party liability coverage;
- Accident Benefits;
- Underinsured Motorist Protection;
- Hit & Run and Uninsured Motorist coverage; and
- Inverse Liability coverage.

However, unlike Manitoba and Saskatchewan, insurance on the “*tin*”, i.e. physical damage to vehicles, is optional and is part of the *Extension* services offered by ICBC. Other *Extension* services offered by ICBC include:

- Higher Third-Party Liability limits up to \$5 million (most drivers purchase a \$2 million limit or more);
- Comprehensive coverage for claims such as Fire, Theft, Vandalism & Glass;
- Loss of Use coverage for temporary substitute vehicles if your car suffers a claim and cannot be driven;
- Replacement Cost insurance for cars 3 years old or newer;
- Roadstar Package: provides Loss of Use (Rental Car) benefit up to \$500, insurance for rental cars, lock re-keying if your keys are stolen; and
- RoadsidePlus: Roadside assistance plan plus the benefits of the Roadstar package and more.

IBAM believes ICBC has a market share in Extension of approximately 85-90% but the market is much larger due to population and differences in collision coverage.

#### **8.02 Saskatchewan’s & British Columbia’s Commitment to Brokers**

Historically, each of Manitoba, Saskatchewan and British Columbia enter into Accords or Agreements with their regional Broker Association. Typically, these Accords are 5-years in duration, though ICBC and *Insurance Brokers Association of British Columbia* (“**IBABC**”) have recently signed an 8-year Accord. The current *Insurance Brokers Association of Saskatchewan* (“**IBAS**”)-SGI Accord that was executed in 2016 states, in part:

*“SGI recognizes that the current motor licence issuing environment, including broker issuers, issuer-only offices, and SGI branches, will continue to be service providers of Auto Fund products and services in Saskatchewan. SGI also recognizes that issuers will continue to be the sole providers of Auto Fund*

*products and those transactions delivered online via MySGI.”<sup>26</sup> [emphasis added]*

The current IBABC-ICBC Accord that was executed in 2019 states, in part:

*“The broker is the sole distributor of Autoplan. The three parties recognize a need to be responsive to changing customer expectations on how a complex insurance product can be delivered in a cost-effective manner while at the same time ensuring that the customer has the right coverage for their unique circumstances....<sup>27</sup>*

.....

*ICBC will give its brokers an unqualified guarantee that the broker will remain the sole distributor of Autoplan over the horizon covered by this Strategic Accord.”<sup>28</sup> [emphasis added]*

The notion of a commitment to a broker-based model is standard in every other public auto jurisdiction in this country. The assurances from the crowns in BC and Saskatchewan facilitate stability, predictability, innovation and growth in their broker channel. It also promotes cohesion and cooperation between the crown and its customer-facing channel. In short, it fosters health in the brokerage industry and for consumers of auto insurance.

The current IBAM-MPI Accord is scheduled to expire in 2021. To date, MPI has been reluctant to offer brokers in Manitoba the same assurances expressed in the SGI and ICBC Accords. MPI has indicated its belief that IBAM seeking wording such as sole providers is a radical precondition and that they did not think it to be reasonable or realistic. When compared to Saskatchewan and British Columbia, MPI is the “*outlier*” as no other public insurer in Canada has moved to a direct to consumer online model, which would circumvent the broker channel in Manitoba.

Nevertheless, MPI and IBAM have agreed to attend a Conciliation (pursuant to the Directive issued by the Government of Manitoba)<sup>29</sup> for the purposes of attempting to reach a resolution to the matters at issue.

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<sup>26</sup> IBAS/SGI Auto Fund Strategic Accord, Page 1.

<sup>27</sup> 5th Accord: July 1, 2019-January 1, 2027. ICBC/CUISA/IBABC, Page 1.

<sup>28</sup> 5th Accord: July 1, 2019-January 1, 2027, ICBC/CUISA/IBABC, Page 5.

<sup>29</sup> The Directive is attached at *Appendix “B”* and is discussed further below at “*11.0 Conciliation Between MPI and IBAM*”.

### 8.03 Moving Services Online

Any direct-to-consumer model carries the potential to force lay-offs or small business shutdowns, thus impacting the access Manitobans have to a local insurance professional. Of note, the impact of this goes beyond automotive insurance as Manitobans could lose local access to an insurance professional of any kind. MPI has an enviable, low-cost distribution footprint and this is being put at risk. This will negatively impact the quality of life of Manitobans. Depending on the implementation details of any direct model, many consumers may reduce their coverages to a minimum cost option which could negatively impact *Extension* revenue, MCT ratios, and rates and also increase the number of underinsured drivers.

To be clear, IBAM and its members are not opposed to an online model of service. However, in the event that MPI was to implement a direct to consumer model, it would introduce risks to all stakeholders and should be considered carefully with brokers. IBAM and its members are pragmatic in approach and are open to all possibilities if MPI and brokers can both agree they are prudent, and consumers are protected.

SGI has implemented some online functionality *through the broker channel* on *mySGI*, which was launched in 2008. Brokers are compensated at a lesser rate when customers complete transactions through this online platform. Although online service has been available for 11 years in Saskatchewan, only 12-13% of transactions are currently done online through *mySGI*.

SGI also made the following statement in late 2018 following meetings with IBAS:

*“SGI CANADA is committed to being 100% delivered through the broker channel, and clear government direction will preclude [SGI CANADA] from making investments in the province that would compete with Saskatchewan brokers.”<sup>30</sup>*

In addition to assuring brokers that they will be the sole providers of Autoplan through 2027, ICBC committed to the following during recent Accord discussions:

*“ICBC and brokers acknowledge customers’ demand for even greater convenience.....The parties will move forward together to respond to customer expectations in delivering auto insurance **through brokers**. The parties will table these discussions beginning at the Memorandum of Understanding Council (MOUC) in the fall of 2019, and form a task force by December 31, 2019 to jointly develop a roadmap. The parties anticipate that the roadmap will outline a phased approach to implementation and will take into account continued customer demand for accessible “bricks and mortar” locations, as well as growing demand for mobile, telephone and online options. The parties recognize careful planning, consultation, and regular communication are critical elements*

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<sup>30</sup> This was confirmed by SGI following 2018 meetings with IBAS.

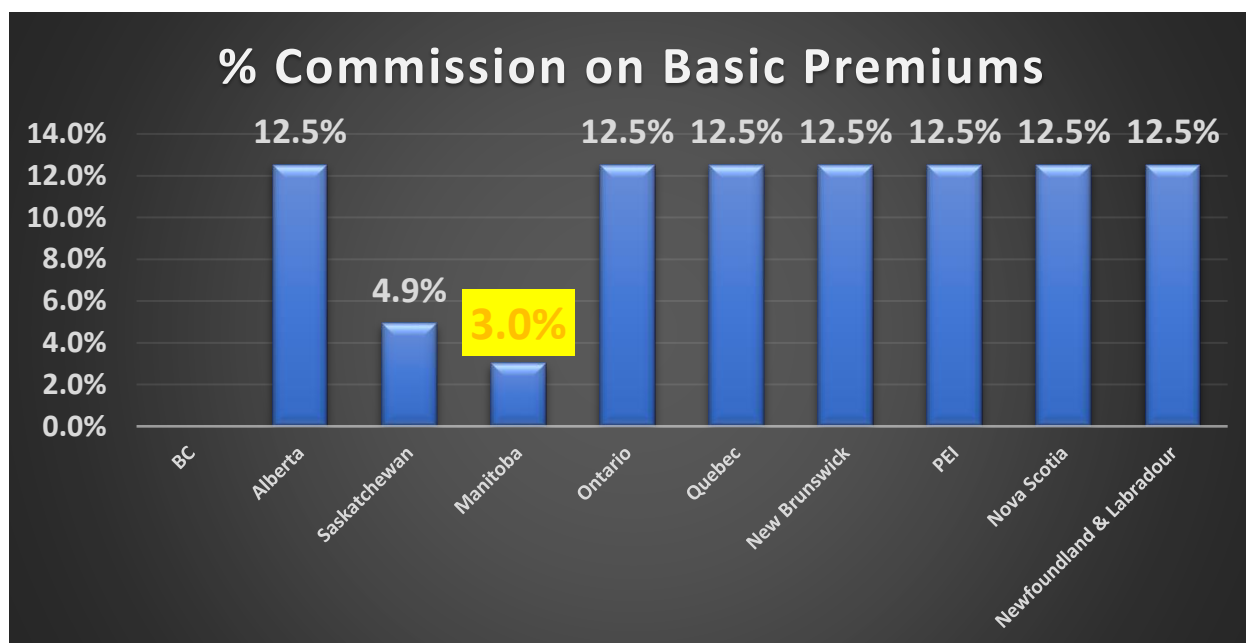
*for developing plans to ensure fairness and equal opportunity for all brokers.”<sup>31</sup>*

[emphasis added]

MPI has advised that it may favour a *direct* to consumer online model, which would circumvent the broker channel in Manitoba. If implemented, this would make MPI an “outlier” as no other public insurer is contemplating this and, in fact, have assured brokers and all stakeholders otherwise.

#### **8.04 Commissions – Comparison**

IBAM has also reviewed the commissions paid to brokers on *Basic* premiums in other jurisdictions. There is little doubt that brokers in Manitoba are paid the lowest commissions in the country:



**Notes: Manitoba number is rate for Basic Commission only as set in regulation. Including commissions on Drivers Licences would increase this figure to 3.26%.**

**British Columbia uses a 100% fee-based model for Basic Auto. Commissions are not measurable. Basic in British Columbia does not include any collision coverage. As a result, the extreme majority of consumers have extension coverages and a more useful comparative is compare % Basic + Extension commissions to Basic + Extension premiums. This figure is 8.1% in British Columbia vs. 5.5% in Manitoba. ICBC 2018/19 Annual Report indicates commissions of \$490.4 million and ICBC premiums of \$6.079 billion.**

**In Saskatchewan, 2019 Auto Fund Annual Report indicates “Issuer Fees” of \$47,089 million against premiums of \$956,472 million.**

<sup>31</sup> 5th Accord: July 1, 2019-January 1, 2027, ICBC/CUISA/IBABC, Page 2.

In sum, brokers in Manitoba are the lowest paid in the country on *Basic* premiums. Clearly, brokers in the Province of Manitoba provide a valuable service to the residents of the Province of Manitoba and are compensated at a much lesser rate than their colleagues located elsewhere in Canada. The commissions paid to brokers by MPI under its distribution model are already at a country-wide low, and should therefore not be a focus of the GRA.

## 9.0 Economic Contribution

Based on the GRA and some recent media reporting, MPI is contemplating many different scenarios for future service delivery, and may favour a direct-to-consumer online model. Depending on its implementation, a direct-to-consumer online model has potential to significantly impact brokerages (notably in rural Manitoba), and considerably reduce brokerages' economic contribution to Manitoba.

According to an independent report conducted by Deloitte,<sup>32</sup> accounting for the direct, indirect, and induced economic contribution, in 2017, the capital and operating expenditures from member brokerages are estimated to contribute:

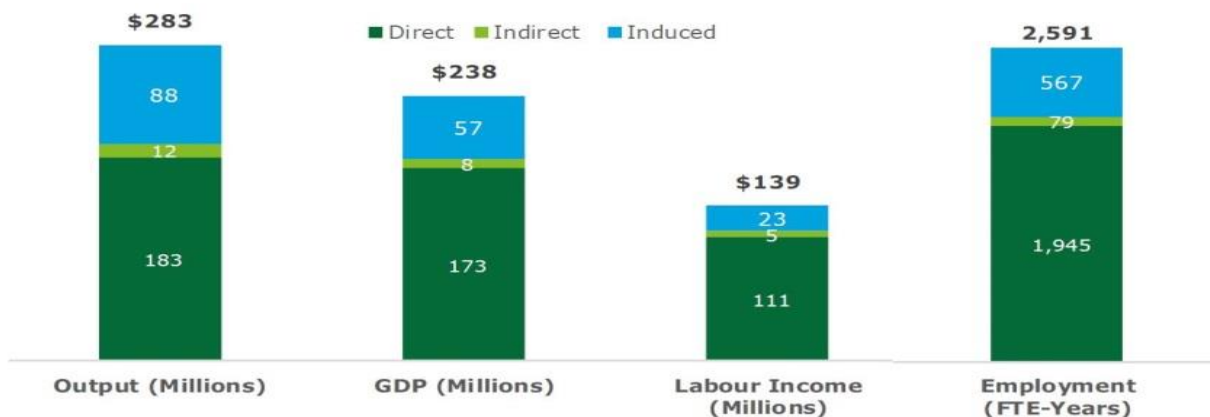
- \$283.4 million to Manitoba's output;
- \$238.3 million to Manitoba's GDP, of which nearly \$139.4 million is contribution to labour income; and
- ~2,600 full-time equivalent (FTE) jobs created or sustained across Manitoba.

This indicates that:

- For every dollar spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to contribute \$1.30 of value-added to Manitoba's economy; and
- For every million dollars spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to create or sustain 14.1 Full-time equivalent ("FTE") jobs in Manitoba.

The average annual wage in the insurance brokerage sector is \$57,300 compared to the provincial average of about \$47,400.

Estimated Economic Contribution to Manitoba in 2017



<sup>32</sup> It was commissioned by the *Insurance Brokers Association of Canada*.



In the Deloitte study, it is also estimated that member brokerages generated \$18.5 million in products and production taxes, such as federal sales tax on claims and expenses (GST), provincial sales tax (PST/QST), retail sales tax (RST), property tax, and payroll taxes, to the federal, provincial, and municipal governments. This estimate significantly understates the total government revenue generated by the industry as it does not include corporate income tax, personal income taxes, and healthcare levies paid by member brokerages.

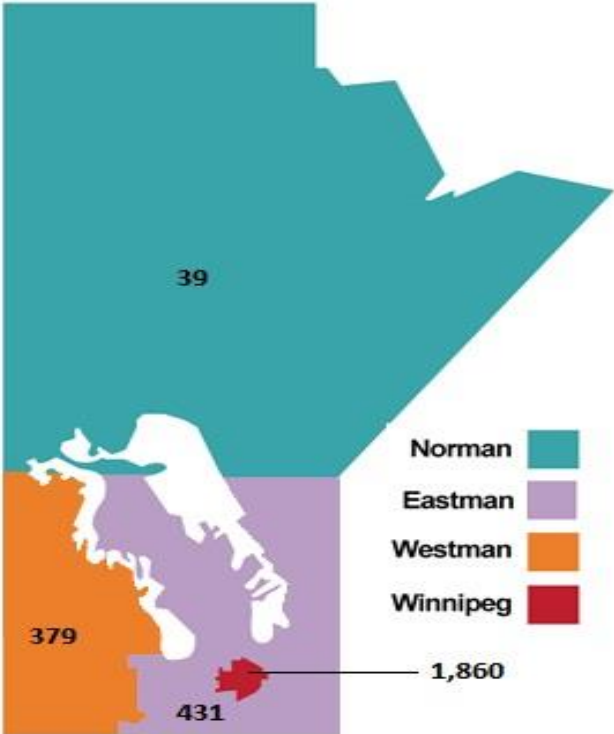
Estimated Products and Production Taxes Contribution to Manitoba in 2017



There can be little doubt that insurance brokers create jobs in Manitoba’s economy. There are over 2,600 employees in small business P&C brokerages, servicing consumers out of 300 storefronts in over 120 communities across Manitoba. Brokers in Manitoba service customers in 31 languages. These languages include, but are not limited to: English, French, Mandarin, Cantonese, Spanish, Hindi and Italian. Insurance brokerages are small businesses that provide large-scale private sector jobs and account for millions of dollars of private equity in small businesses across Manitoba.

Over 70% of brokers volunteer in their communities and brokers contribute to an average of 16 community partnerships per year. These social contributions make a significant impact, especially in rural Manitoba. Rural and remote brokerages are mainstays of their communities. A direct model may lead to job losses and bankruptcies in the small business sector in Manitoba, notably in the rural areas. Along with business failures, there will be job loss across the Province due to reduced profit. For every million dollars spent on capital and operating expenditures from member brokerages, insurance brokers in Manitoba are estimated to create or sustain 14.1 full-time equivalent employees. The shuttering of small business brokerages would not only result in the loss of access to MPI services in communities, but also home, farm and commercial insurance.

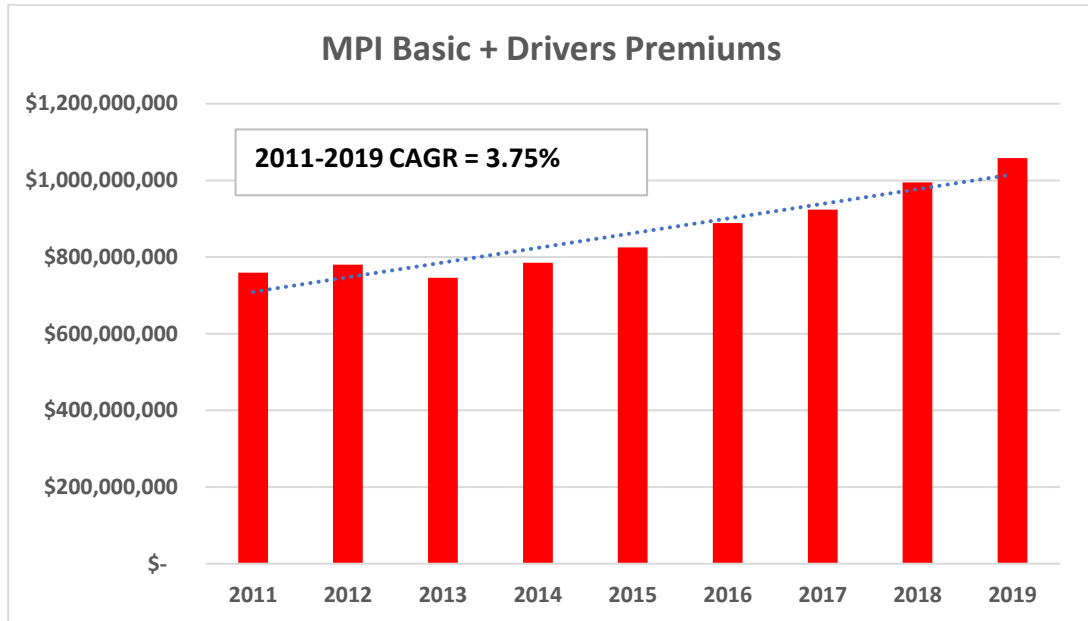
Insurance brokers provide jobs to families all across Manitoba, including in rural and remote communities, namely Norman (39); Eastman (431); and Westman (379):



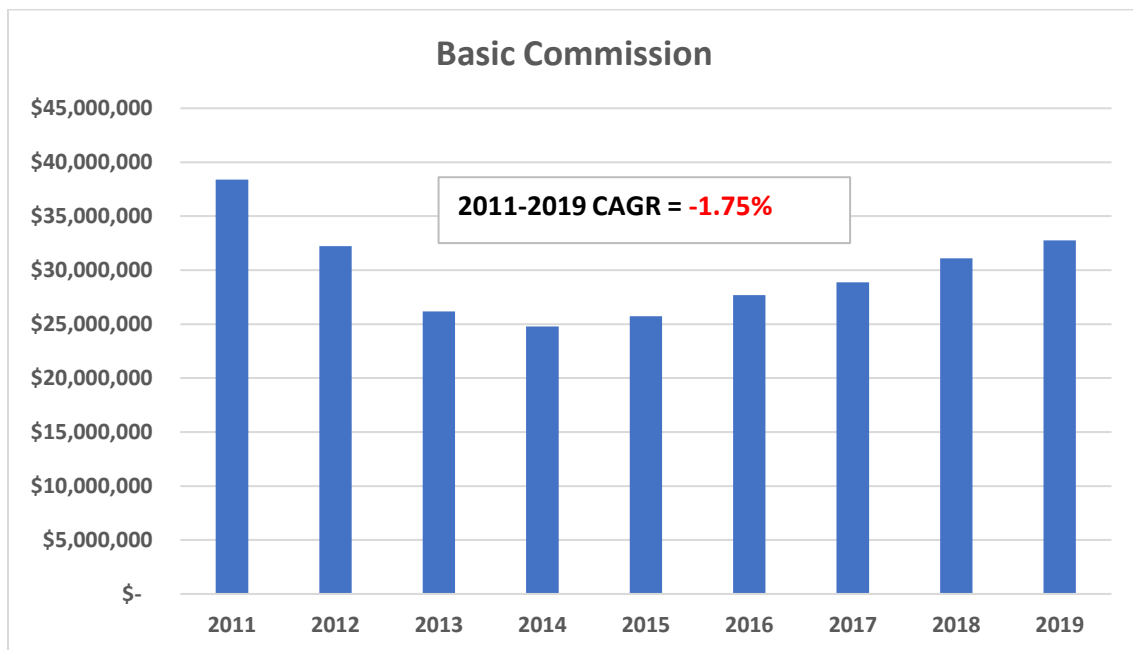
Of course, these numbers only account for the number of employees who work directly for brokerages in each constituency. Indirect beneficiaries of brokerages include local accountants, IT professionals, restaurateurs, etc.

## 10.0 Trends in Commissions

Growth rates in *Basic*, *Extension* and *Total Compensation* should be compared against premiums collected at MPI for *Basic* and *Extension* lines to reflect inherent disparities. They are as follows:

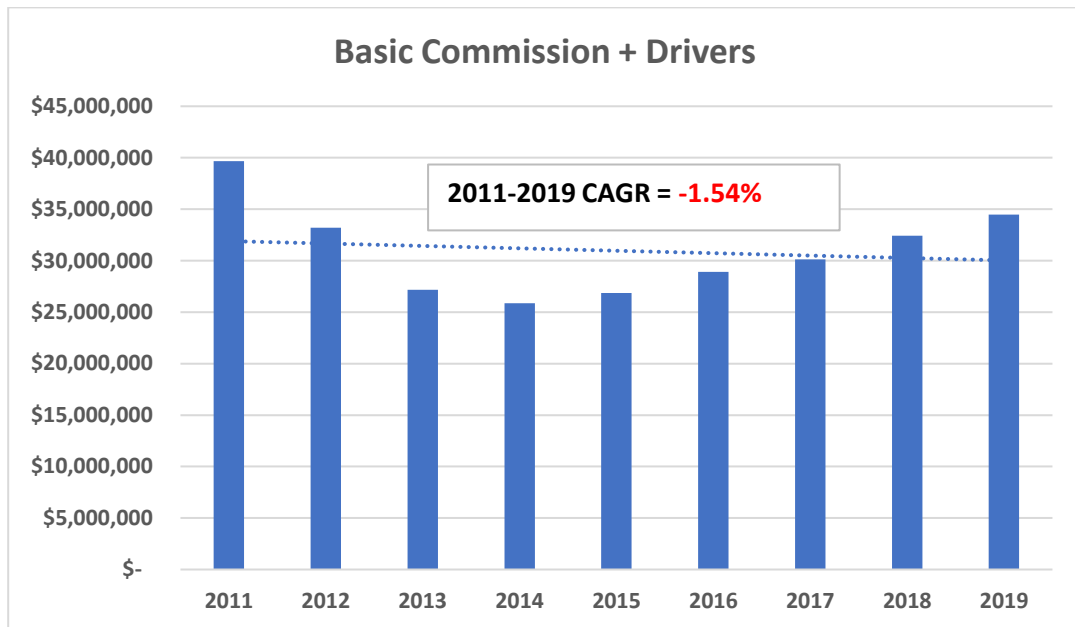


Note: IBAM will seek to clarify “Drivers” revenue. MPI Basic + Drivers Premiums are in MPI’s Annual Reports. MPI Basic + Driver premiums are growing 3.75%. However, Basic + Driver Commission has gone down 1.54% (see chart below).

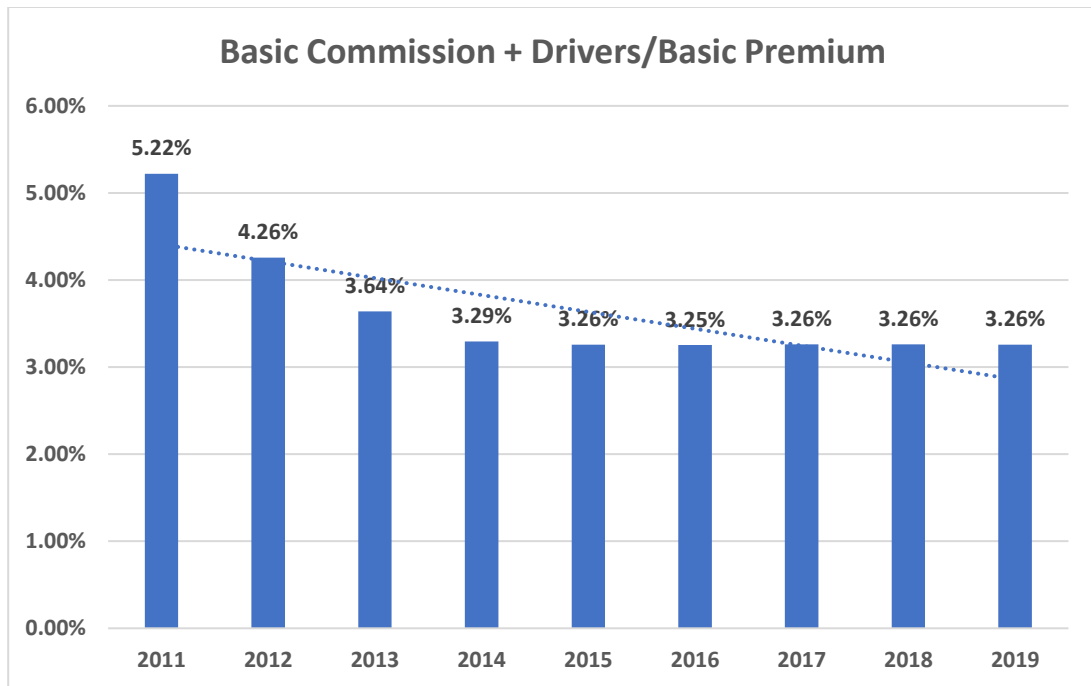


Note: MPI sends *Commission Charts* to IBAM annually. In these Charts, MPI categorizes compensation to

Brokers by: Basic Commission, Extension Commission, Driver's License Commission, Flat Fees, SRE and Adjustments.



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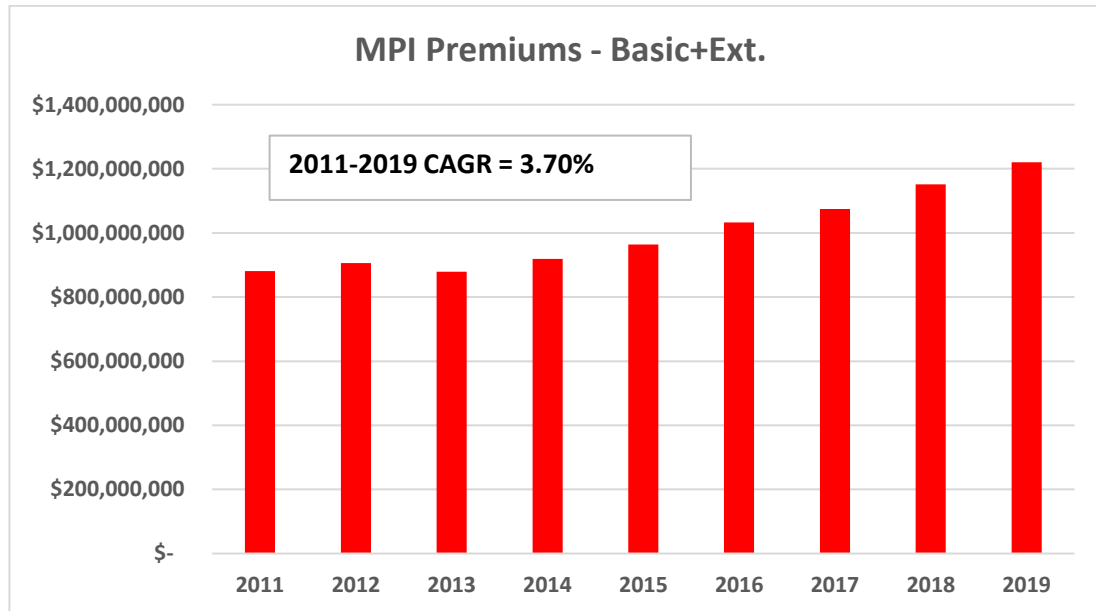


Note: MPI sends *Commission Charts* to IBAM annually. In these Charts, MPI categorizes compensation to Brokers by: Basic Commission, Extension Commission, Driver's License Commission, Flat Fees, SRE and Adjustments.

As illustrated, Basic Commission + Drivers/Basic Premium has been reduced approximately 2.0% since 2011.

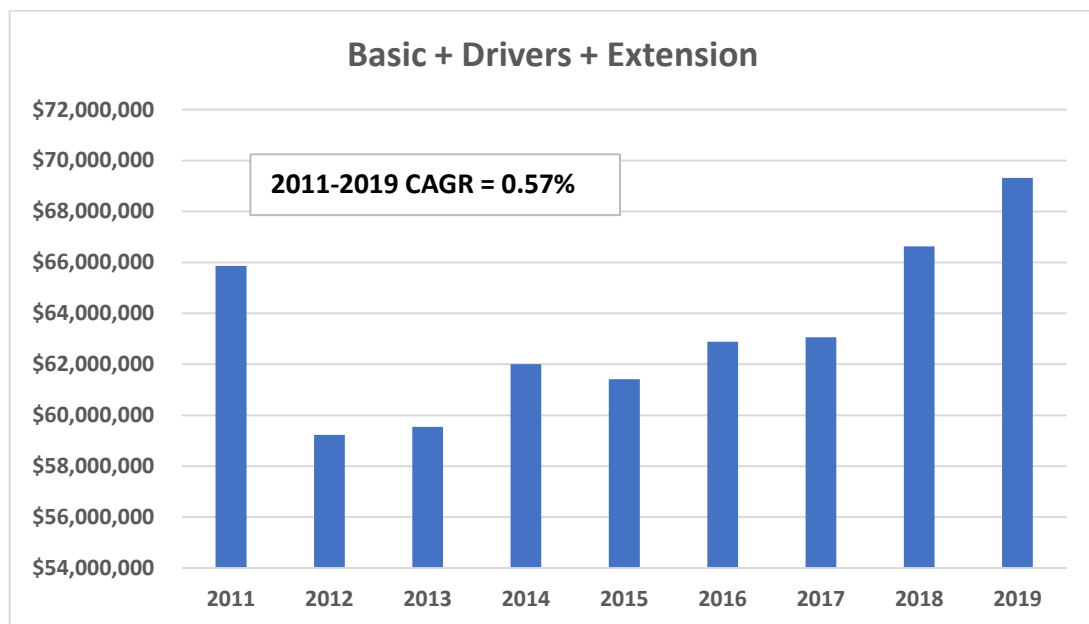
The percentages above are derived as follows: (Basic Commission + Drivers Licence Commission)/MPI Basic premiums. MPI Basic Premiums can be found in MPI Annual Reports.

**MPI Basic + Drivers + Extension Premium**



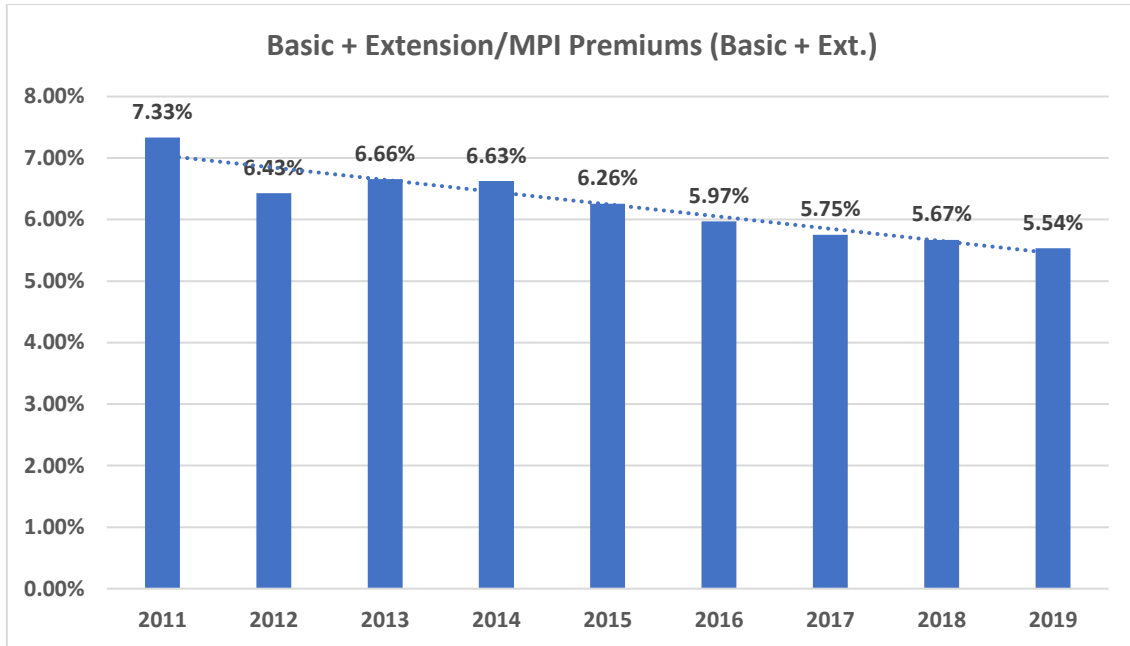
Note: From 2011-2019 MPI Annual Reports.

**Broker Basic + Drivers + Extension Commission**

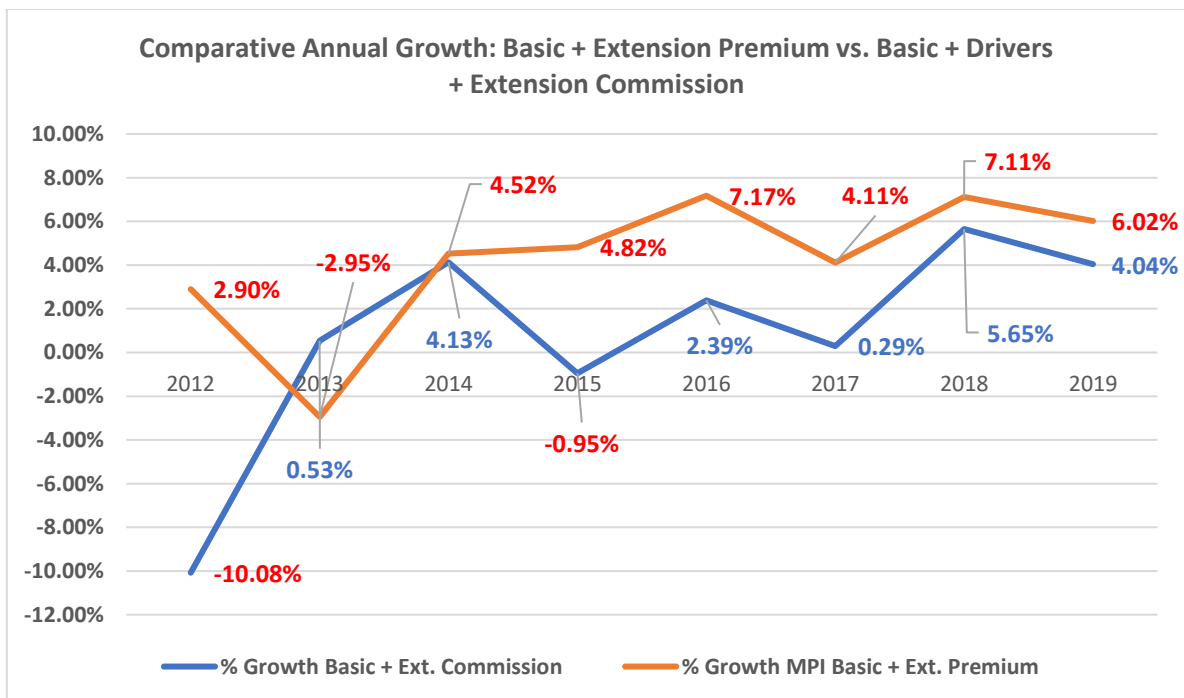


Note: MPI sends Commission Charts to IBAM annually. In these Charts, MPI categorizes compensation to Brokers by: Basic Commission, Extension Commission, Driver's License Commission, Flat Fees, SRE and Adjustments.

**Trend - Broker Basic + Extension Commission vs. MPI Basic + Extension Premium**



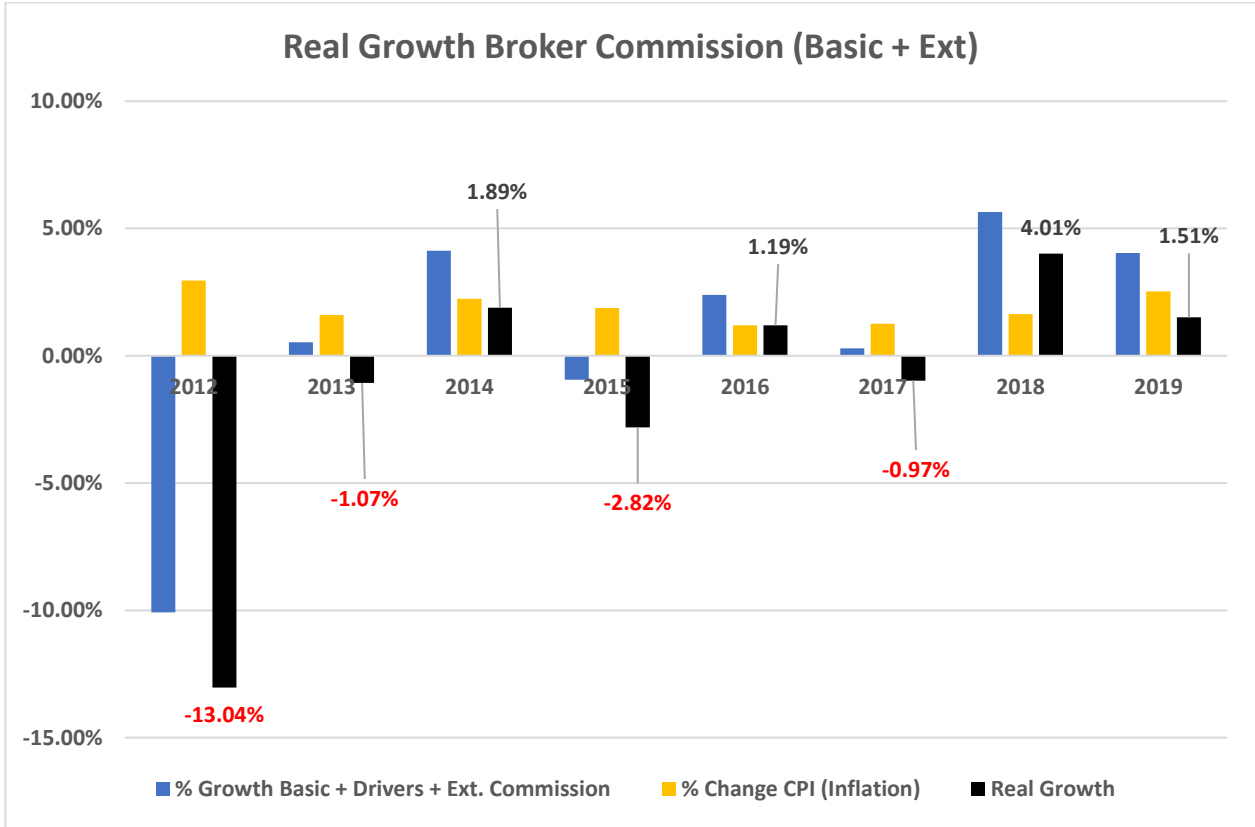
**Annual Growth Rates Basic + Ext. Premium vs. Basic + Drivers + Ext. Commission**



Note: MPI revenues continually outgrow the payment of commissions to brokers.

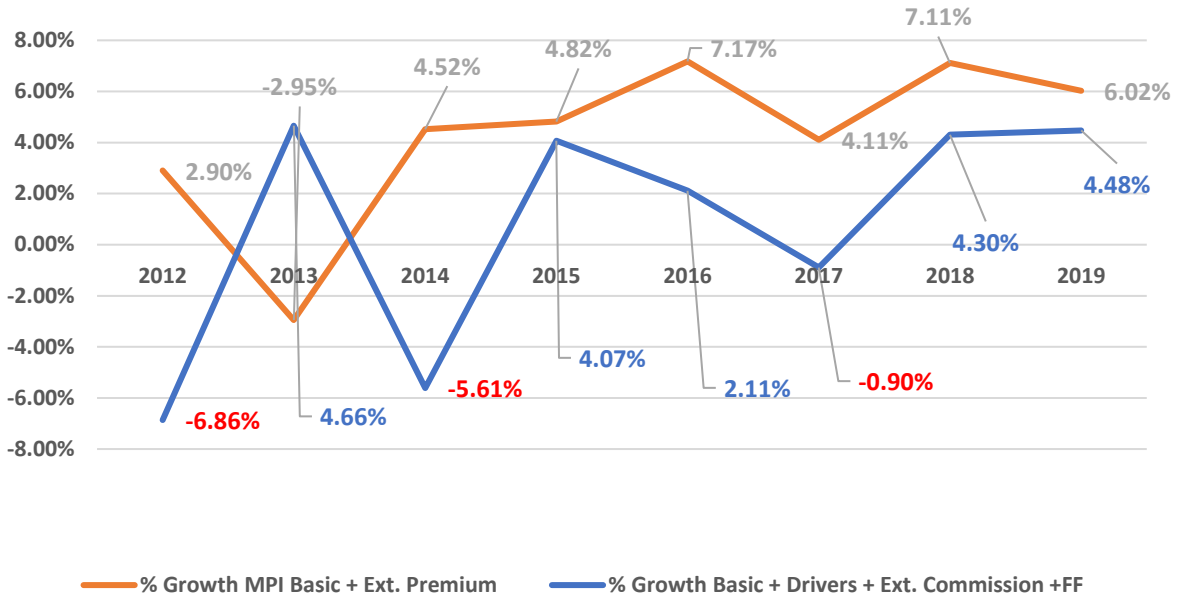
**Annual Growth Rates Basic + Drivers + Ext. Commission vs CPI**

Brokerages are small businesses that need to pay ongoing expenses in order to operate. These expenses rise, on average, at the rate of inflation / CPI. The real return or real growth rate is considered below. In sum, brokers have experienced negative real growth in 4 of the last 8 years:

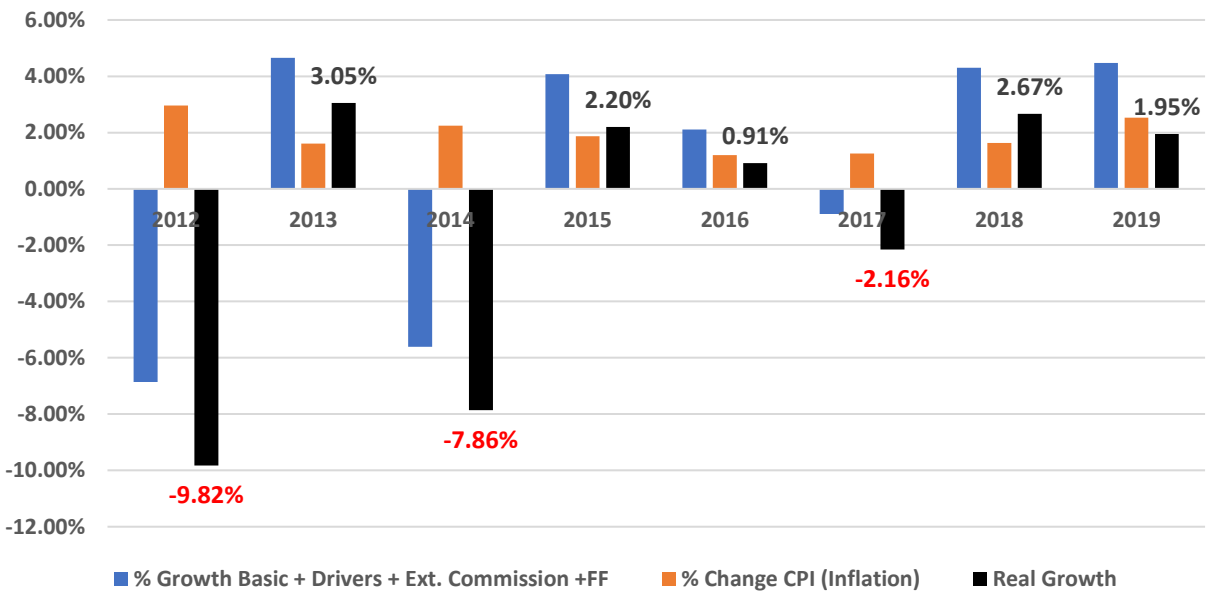


**Note on Inclusion of Flat Fees:** IBAM believes that expenses related flat fees paid to brokers should be allocated to matching revenue lines within the Manitoba government. IBAM has a FIPPA request outstanding in this regard and will also question this at the upcoming PUB hearings. Nonetheless the following figures encompass the full weight of flat fees into compensation paid to brokers measured against premiums collected at MPI.

**Comparative Annual Growth MPI Basic + Ext. Premiums vs. Total Broker Compensation inc. FF (less SRE)**



**Real Growth Total Broker Compensation inc. FF (less SRE)**





## 11.0 Conciliation Between MPI and IBAM

On July 24, 2019, the Honourable Minister Colleen Mayer issued to “A Directive to [MPI] Respecting Conciliation with [IBAM]” (the “Directive”).<sup>33</sup> MPI has referred to the Directive and stated, in part:

*“... The conciliator was agreed to on August 2, 2019 (appointment pending) and negotiations are expected to commence in the fall of 2019. The Directive sets out principles to be applied in the negotiations, one of which is that IBAM and MPI will not make public statements about the subject matter of the negotiations during the continuation of the conciliation process. MPI understands this to mean, should the conciliation process proceed, that IBAM and MPI could discuss historical facts and issues at the GRA, but will not be permitted to discuss the status and content of the negotiations.”*

IBAM agrees that the Directive imposes some restrictions on what may be discussed regarding the Future Service Delivery Strategy for customer transactions under both *The Manitoba Public Insurance Corporation Act* and *The Drivers and Vehicles Act*.<sup>34</sup> In doing so, IBAM wishes to draw the Board’s attention to the *Terms of Reference* set out in the Directive, a copy of which is attached hereto as *Appendix “B”*. More specifically, the *Terms of Reference* state, in part:

*“8. The discussions in the conciliation process will be confidential unless the parties agree otherwise. The process will be without prejudice and any statements made by a party may not be used by the other party as evidence in any legal proceedings.*

*9. Conciliation process discussions shall be held in private.*

*10. IBAM and MPI will not make public statements about the subject matter of the negotiations during the continuation of the conciliation process.”*

As set out in its Application for Intervener Status,<sup>35</sup> IBAM represents all consumers of insurance in Manitoba as well as (virtually) all brokerages in the Province of Manitoba. 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. We can advise that although IBAM and its witnesses intend to respect the Directive and the *Terms of Reference* set out therein, this will *not* detract from their participation in the GRA.

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<sup>33</sup> A copy of the Directive can be found at *Appendix “B”*.

<sup>34</sup> See Directive, *Appendix “B”*, page 1.

<sup>35</sup> See page 5 of *Appendix “A”* to the Application for Intervener Status filed by IBAM with the Board.

## 12.0 Concluding Remarks

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.<sup>36</sup> In order to fulfill its mandate and ensure that it has a full and proper understanding of all issues arising from the Application, the Board granted Intervener status to IBAM.

We trust that the above noted information will be of assistance to the Board at the upcoming hearing and in its deliberations.

September 23, 2019

*Insurance Brokers Association of Manitoba*

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<sup>36</sup> See Public Utilities Board – “What We Do” – at <http://www.pubmanitoba.ca/v1/about-pub/what-we-do.html>

## **APPENDIX “A”**

### **a) Ms. Tara Chammartin, CAIB**



Ms. Tara Chammartin, CAIB, is the Past-President of IBAM. She is currently a Partner & Operations Manager at La Salle Insurance in the City of Winnipeg.

After graduating high school and working for about one (1) year as a substitute school secretary, Tara took an office job as a receptionist and Autopac clerk at an insurance company in 1994. When IBAM formed the *Young Brokers Network Committee* in 1997, she was one of its first members, and that helped develop her passion for IBAM and the insurance industry itself. Tara achieved her *Canadian Accredited Insurance Broker (“CAIB”)* designation in 2001, and the next year became a CAIB course facilitator. She maintained the role of facilitator until a few years ago, and she will continue to help guide others in the insurance industry. She was elected President of IBAM in 2016.

### **b) Mrs. Valerie Hutsal, CIP**



Mrs. Valerie Hutsal is on IBAM’s Board of Directors. She is currently a Co-Owner and Manager at Dick Agencies Insurance Brokers in the City of Brandon.

Val began her insurance career working for her father after school at their family owned insurance brokerage. During her professional life she has worked for a large insurance company in Winnipeg starting in personal lines, then moving to the commercial underwriting and marketing area of practice. In 1992 she met her husband Greg who owned Dick Insurance Agencies in the City of Brandon. Val left Winnipeg in 1993 to marry Greg and return to her roots as an Insurance Broker.

Val obtained her *Chartered Insurance Professional (“CIP”)* designation in 1995. She is also Past-President of the *Insurance Women’s Association of Western Manitoba* and a member of a *100 Women Who Care- Brandon Chapter*. She and her husband have two (2) daughters, Carmen

& Alexa. Carmen is employed by PWC in Winnipeg and Alexa is studying at the Asper School of Business in Winnipeg.

c) **Mr. Don Normandeau, CAIB, CIP**



Mr. Don Normandeau is also on IBAM’s Board of Directors. He is currently the Owner and President of *Le Bon Ami Inc. o/a Le Bon Ami Insurance Brokers* in the Town of La Broquerie. He started his insurance career at the age of 19 and has been in the insurance business as a broker since 1993. Don worked at two (2) insurance brokerages in the City of Winnipeg over seven (7) years before moving to his hometown of La Broquerie in 2000, where he and his wife Lise partnered in the local insurance brokerage. They bought out their partners in 2009.

Don achieved his *Canadian Accredited Insurance Broker (“CAIB”)* designation in 1996 and his *Chartered Insurance Professional (“CIP”)* designation in 2002. He has volunteered his time for multiple organizations in his community. He was a volunteer firefighter for seventeen (17) years and also chaired multiple boards, such as *Caisse Populaire, Manitoba Liquor Vendors Association (“MLVA”)* and the *La Broquerie Minor Hockey Association*. He has also coached and managed his boys’ hockey teams. Don has been married to his wife Lise for twenty-five (25) years. They have two boys, Alex and Justin, both of whom are pursuing their education in university.

## **APPENDIX “B”**

### **A Directive to The Manitoba Public Insurance Corporation Respecting Conciliation with the Insurance Brokers Association of Manitoba**

**Issued by: Honourable Minister Colleen Mayer**

**Effective: July 24, 2019**

#### **BACKGROUND**

*The Crown Corporations Governance and Accountability Act* provides for the issuing of directives to one or more Crown corporations as follows:

13(1) the minister may — with the approval of the Lieutenant Governor in Council — issue a directive to a corporation

(a) respecting:

- (i) matters of policy and the accounting policies and practices for the corporation,
- (ii) standards to be complied with in respect of advertising done by the corporation, and
- (iii) the conduct of special organizational reviews to be conducted by the corporation;

(b) to ensure that practices of two or more corporations are consistent; and

(c) to ensure that two or more corporations act in concert with each other or with government departments or agencies when doing so will further efficiency and effectiveness.

#### **PURPOSE**

This directive provides instruction to The Manitoba Public Insurance Corporation (MPI) to engage in a process of conciliation with the Insurance Brokers Association of Manitoba (IBAM) to reach an agreement regarding the Future Service Delivery Strategy for customer transactions under both *The Manitoba Public Insurance Corporation Act* and *The Drivers and Vehicles Act*.

## **APPLICATION AND SCOPE**

This directive applies to the development and introduction of on-line services relating to motor vehicle licensing and insurance in Manitoba and the participation of insurance brokers in providing those services.

The Minister of Crown Services acknowledges IBAM is an independent organization not subject to this directive but strongly encourages it to participate in the conciliation process to achieve a resolution on the matters of contention.

## **DIRECTIVE**

MPI will engage in a conciliation process with IBAM to reach agreement regarding future service delivery strategies and the modernization of service delivery options.

MPI will work with IBAM to select a mutually acceptable individual to act as conciliator, and will identify that individual to Manitoba. If a mutually acceptable individual is not identified by August 2, 2019 then the Minister of Crown Services will identify a conciliator.

The conciliation process will be governed by the following Terms of Reference:

MPI and IBAM will negotiate with the objective of reaching one or more agreements or written letters of understanding (“agreements”) to address the development and introduction of on-line services relating to motor vehicle licensing and insurance in Manitoba and the participation of insurance brokers in providing those services.

The principles to be applied in the negotiations are as follows:

1. Manitobans expect and must be able to access an online distribution and payment channel for their automotive insurance needs.
2. Manitoba is committed to supporting the stability and health of small business in the province.
3. A conciliator will be retained by Manitoba to assist the parties to seek to reach these agreements. The conciliator will be an individual who is wholly independent of the parties, wholly impartial and free of any personal interest or other conflict of interest.
4. Each of the parties will be responsible for its own costs of participating in the conciliation process. MPI will pay the reasonable costs of the conciliator, in accordance with a budget agreed by the conciliator.
5. The conciliator will be responsible for the conduct of the conciliatory process in accordance with practices and procedures commonly used in commercial mediations.

This may include the conciliator proposing to IBAM and MPI agreements to apply to the conduct of the conciliation process.

6. Each of the parties will identify up to three representatives as principal participants in the negotiations.
7. The time frame for the conciliation process will be established at the outset of the process. It is expected that some issues will need to be addressed on a priority basis so that actions to assist customers may be taken sooner.
8. The discussions in the conciliation process will be confidential unless the parties agree otherwise. The process will be without prejudice and any statements made by a party may not be used by the other party as evidence in any legal proceedings.
9. Conciliation process discussions shall be held in private.
10. IBAM and MPI will not make public statements about the subject matter of the negotiations during the continuation of the conciliation process.
11. MPI agrees not to institute any new on-line services during the continuation of the conciliation process except in accordance with any agreement made with IBAM.
12. At the end of the conciliation process, where requested to do so by the Minister of Crown Services, the conciliator will provide a written report to MPI, IBAM and the Minister of Crown Services setting out any non-binding recommendations on how the issues considered in the conciliation process may be addressed.