

Insurance Brokers Association of Manitoba

Opening Statement

Manitoba Public Insurance 2020/21 General Rate Application

Public Utilities Board of Manitoba

Monday, October 7, 2019

“Context” & “Perspective”

- **“Context”** /kəntekst/ noun: context; plural noun: contexts
 1. the circumstances that form the setting for an event, statement, or idea, and in terms of which it can be fully understood and assessed.
- **“Perspective”** /pər'spektiv/ *noun*
 1. a particular attitude toward or way of regarding something; a point of view.

“Context” & “Perspective” (con’t)

- Numbers must always be put into proper context / perspective (as a \$ value and/or as a % value).
- When those numbers are put into proper context and/or perspective, it will confirm that Manitobans are:
 - Manitobans are provided a valuable service by brokers at a fraction of the cost that is paid by insurers in other jurisdictions; and
 - Brokers should remain involved in any online service delivery model that may be implemented by MPI.

IBAM

- Not-for-profit entity that represents the interests of brokers and the consumers of *Property & Casualty* (“**P&C**”) insurance in Manitoba.
- Brokers are professionals and are licensed pursuant to *The Insurance Act, CCSM c 140*.
- IBAM has over 2,000 broker members.
- Over 95% of P&C brokerages in Manitoba are IBAM members – highest participation rate in Canada.

IBAM (con't)

- IBAM is focused on ensuring the consumer is knowledgeable and informed about all of 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).
- ICM’s mandate is to act in the public interest to protect Manitoba consumers of insurance products, and to regulate all licensees, agents, brokers, etc. to ensure standards are maintained for public protection.

P&C Brokerages

- There are over 300 P&C brokerage storefronts in approximately 120 communities in Manitoba.
- P&C brokerages employ over 2,600 people in Manitoba.
- P&C brokerage contributed approximately \$238 million to Manitoba's GDP in 2017 and \$18.5 million in product and production taxes (excluding corporate and personal income taxes, property taxes and premium taxes by brokerages).

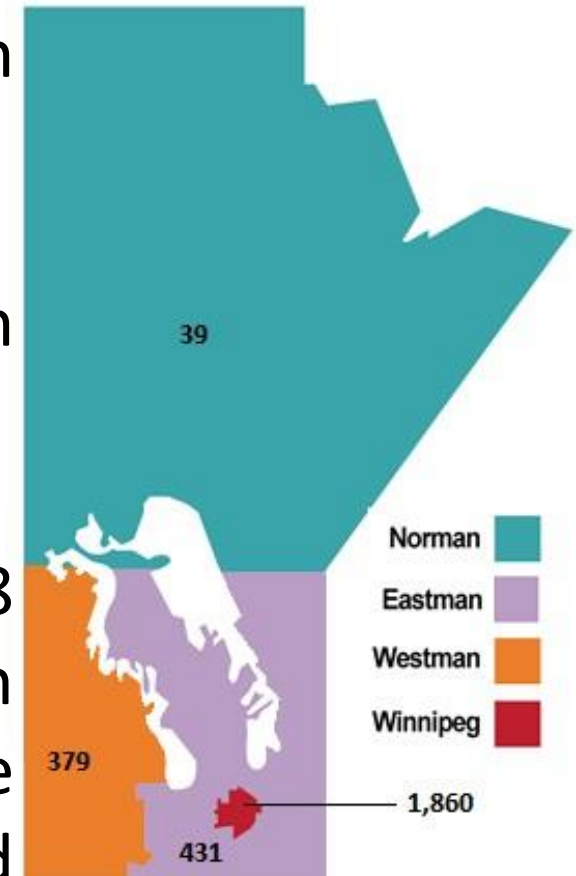


Figure 1: Number of brokerages by region

P&C Brokerages

- Over 70% of brokers volunteer in their communities and brokers contribute to an average of 16 community partnerships per year. Brokers in Manitoba donate more than \$3.0 million to local charities and partner with over 6,000 local community groups/charities each year.
- Brokers in Manitoba currently offer services in 31 languages.

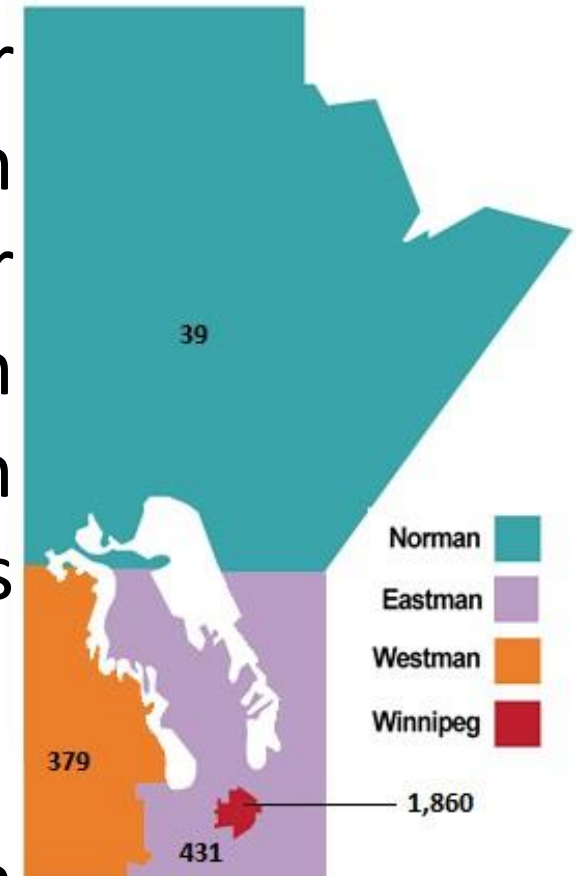


Figure 1: Number of brokerages by region

The Public Utilities Board

- The Public Utilities Board (“**PUB**”) is an independent tribunal that has broad oversight and supervisory powers over public utilities and designated monopolies, including the Manitoba Public Insurance Corporation (“**MPI**”).
- The PUB considers both the impact to customers and financial requirements of the utility in approving rates.
- ***"Just and reasonable"*** rates:
 - *Public Utilities Board Act, section 77;*
 - *Crown Corporations Governance and Accountability Act, section 25(4); and*
 - *Public Utilities Board Order 98/14, page 28.*

MPI

- MPI is a Crown corporation that delivers insurance, registration and licensing services to Manitoba drivers.
- Claims & Service Centres in 12 Manitoba communities: Arborg, Beausejour, Brandon, Dauphin, Portage la Prairie, Selkirk, Steinbach, Swan River, The Pas, Thompson, Winnipeg and Winkler.
- Recently closed a Claims Service Centre in Flin Flon. Now serviced by a broker.

MPI (con't)

- MPI has stated that it has four (4) core values:
 - **Striving for Excellence**: Providing exceptional coverage and service, while adapting to meet evolving customer and industry needs, focusing on continuous improvement;
 - **Providing Value to Manitobans**: Maintaining affordable rates and ensure accessible coverage;
 - **Doing What's Right**: Acting with integrity and accountability; striving to be open and transparent; and
 - **Investing in People**: Empowering its employees to provide excellent service, while work together with business, community and road safety partners.

IBAM & MPI

- Brokers have been the “face” of MPI Autopac for consumers since 1971. To put those 48 years into perspective, in 1971:
 - 2 years after Neil Armstrong;
 - Jim Morrison passed away;
 - 1 year before Foster Hewitt’s iconic words: *“Henderson has scored for Canada!”*; and
 - Prime Minister Trudeau – the other one – was serving his first term as Prime Minister.

IBAM & MPI (con't)

- Over the course of the past 48 years, brokers have worked hand-in-hand with MPI in furtherance of its 4 core values by:
 - Providing exceptional coverage and service to Manitobans, while adapting to meet evolving customer and industry needs, focusing on continuous improvement;
 - Maintaining affordable rates and ensuring accessible coverage;
 - Acting with integrity and accountability; striving to be open and transparent; and
 - Empowering its employees to provide excellent service, while working together with MPI, community and road safety partners.

IBAM & MPI (con't)

- Although there have been some ups and downs over the years, there can be little doubt that this has been a mutually beneficial relationship.
- More importantly, this 48 year relationship has benefited the consumers of Manitoba in the form of consumer protection and high quality services.
- Moreover, this 48 year relationship has resulted in Manitobans currently enjoying a stable vehicle insurance environment, a hallmark of which is province-wide and low-cost access to a local insurance professional.

IBAM & MPI (con't)

- Overall success of this 48 year partnership is also confirmed by several other metrics, including:
 - MPI has proudly claimed that Manitobans enjoy among the lowest rates in the country ;
 - MPI's reported net income grew from \$91.1 million in 2018 to \$159.1 million in 2019; and
 - MPI's 2011-2019 *Compound Annual Growth Rate* (“**CAGR**”) for total (*Basic + Extension*) premium growth is **3.70%**.

IBAM Sought Intervener Status

- Through ups and downs, members of IBAM continue to value their relationship with MPI.
- Although IBAM had previously participated in MPI *General Rate Applications* (“**GRA’s**”) in the past, it was generally only for the purposes of providing information on narrow issues.
- However, this year, IBAM formally sought intervener status as it became clear that MPI wanted to put the broker model in front of PUB.

IBAM Sought Intervener Status (con't)

- Given its 48 year relationship with MPI, IBAM did not make this decision lightly. Ultimately determined that it had no choice but to do so. Some factors:
 - MPI is contemplating different scenarios for future service delivery, including a direct-to-consumer online model;
 - The implementation of such a model will adversely impact consumer protection and customer service; and
 - There has been relatively significant focus on the commissions paid to brokers both in the GRA and in the media. However, rarely, if ever, have these commissions been put into proper context.

IBAM Sought Intervener Status (con't)

- Brokers play an indispensable role in consumer protection and service delivery for Manitobans.
- IBAM can provide information regarding the services provided by brokers, the reasonableness of the commissions paid to brokers, and the continued need to have brokers providing services in an online environment.
- We are grateful that the PUB saw the value of IBAM participating in the GRA as an Intervenor. We will ensure that the PUB has a full and proper understanding of the issues at hand.

IBAM Sought Intervener Status (con't)

- Unlikely that PUB would have been provided a full and proper understanding of the issues without IBAM's intervention:
 - Highly unlikely that MPI would provide a critical analysis / fair representation of its own proposed distribution channel;
 - Required to bring balance to this issue as MPI has pointed their "guns" at the broker channel that has been in place for 48 years; and
 - Relationship between MPI and IBAM is distressed. MPI's position against the current broker channel is curious given the past 48 years of success and the small % that brokers comprise in overall operating expenditures (ie. *"is broker compensation germane to the issue before the PUB?"*)

The Important Role of Brokers

- Based on information exchanged through the IR process, we expect that you will hear evidence that will attempt to minimize and/or simplify the important role that brokers play in consumer transactions for MPI.
- However, you will also hear evidence that the purchase of insurance and the assessment / coverage of risk is complex, and that the selection of proper registration classes is complex.
- Brokers guide consumers through these complex insurance purchase and renewal decisions in compliance with applicable regulations.
- The consequences for an improperly or underinsured individual can be devastating and life-changing.

The Important Role of Brokers (con't)

- Brokers also provide consumers with consultation and advice relating to vehicle classification and coverages offered in the *Basic* and *Extension* Autopac packages.
- Brokers also play a major role in establishing the identity of new customers. Very important after 9/11. Brokers are held accountable for photos that meet stringent standards set by the *American Association of Motor Vehicle Administrators* ("**AAMVA**"), and the *International Civil Aviation Organization* ("**ICAO**").
- Not as simple as taking a "*selfie*"; standards must be met.
- In addition, brokers respond to customer needs:
 - Brokers have a global view of their customer's insurance needs and service them holistically (home, personal liability and commercial coverages);
 - Brokers in Manitoba currently offer services in 31 languages; and
 - Brokers will advise consumers in the event that there are alternative and more suitable *Extension* coverages available from **competitors** of MPI.

“Online Sales” vs. “Direct-to-Consumer Sales”

- Contrary to the position of MPI, brokers are not adverse to moving MPI work online.
- Unfortunate that the public has been left with this impression as it has set up brokers as the only ‘obstacle’ to achieving this outcome.
- Indeed, online services have been introduced by other public and private insurers. Brokers understand the need to evolve to meet the changing needs and expectations of consumers.
- MPI has used the terms ‘direct’ and ‘online’ interchangeably, which has caused confusion for consumers.
- Brokers believe online services are appropriate, but that they should be conducted through the broker channel so their important role in counseling - and ultimately protecting – consumers remains.

“Online Sales” vs. “Direct-to-Consumer Sales”

- Will hear about what a direct model is and why this is dangerous for consumers, costly for insurers.
- It is for these reasons that ‘direct’ is not done in any other public insurance jurisdiction.
- Contrary to MPI commentary, this actually limits choice in the marketplace.
- Attempting to utilize monopolistic power in other parts of the value chain removes customer choice and empowerment.
- Brokers provide choice and maintain customer empowerment.

Online Insurance Examples

- Since launching Sonnet, Economical went from a profit of \$176 Million (combined ratio of 97.4% and MCT of 285.2%) to a loss of \$73 Million (combined ratio of 111.8% and MCT of 227.0%).
- Sonnet's Terms of Use:

Disclaimer "Sonnet does not guarantee the quality, accuracy, completeness or timeliness of the information or other Website Content provided. Sonnet assumes no obligation to update the information or other Website Content or advise on further developments concerning topics mentioned. Information or other Website Content contained on the site may contain typographical errors. Information or other Website Content provided may be changed without notice. Access to this site is provided on an "as is" and "as available" basis. You should not assume that the site will be error-free or that the site will operate without interruption."

Online Insurance Examples

- Wawanesa tried direct-to-consumer in Quebec. It was an unmitigated disaster. Ms. Carol Jardine, President of the Canadian P&C operations for Wawanesa, has been quoted as saying:

“Anyone who thinks it’s easy to do direct insurance is extremely naïve... I have been in this business for over 40 years... The one thing I know is that brokers look after their customers better than the directs. Brokers know what their customers need and want, and brokers will provide the value that a customer requires, which is choice.”

- MPI believes it can do what others have been unable to do. Why incur the risk given the success that it has enjoyed, to date?

Role of Brokers in an Online Environment

- The need for expert advice and customer service still exists in an online environment.
- To reiterate, IBAM is **not** opposed to services being offered online. In fact, many brokers already provide services to non-MPI customers online.
- However, IBAM wants to ensure that consumer protection and customer service is prioritized in any online environment.
- Broker involvement is pivotal to these 2 priorities.

Role of Brokers in an Online Environment (con't)

- In a self-selecting environment, customers will still need advice in relation to their insurance coverage needs:
 - MPI has advised that *The Insurance Act* and the *Insurance Council of Manitoba* do not apply to its employees;
 - Most Manitobans have a limited understanding insurance generally and of how vehicle classifications and third-party liability coverage function;
 - Without brokers' involvement, consumers risk obtaining incorrect or insufficient information or not receiving the information they require at all. Query: what will those Manitobans without internet access do?; and
 - Brokers are legally beholden to represent customers (choice of broker and broker offers choice of extension coverages); MPI employees are beholden to MPI.

Role of Brokers in an Online Environment (con't)

- The purchase of insurance can be complex. Other online insurance providers have reported that most online customers call for advice before purchasing the insurance.
- This will require flexible hours, people who can provide such important advice and the resources to handle the volume of calls.
- In a direct model this work will be transferred from the small business broker, to the government.

Role of Brokers in an Online Environment (con't)

- Brokers provide choices to customers in regard to insurance products beyond *Basic* coverage, such as *Extension* coverage from providers other than MPI:
 - It is unlikely that such choices will be offered to consumers if they purchase their *Basic* insurance directly from MPI; and
 - Such a practice would marginalize competition in the area of *Extension* insurance and limit customer choice.
- An adoption of a government-implemented direct-to-consumer online model will increase the role and presence of government into the daily lives of Manitobans:
 - The established broker channel serves to balance the disparity in market power between the MPI (a Crown corporation) and consumers; and
 - This will be impacted by the implementation of any government direct-to-consumer online model(s) / further expansion of monopolistic power.

Role of Brokers in an Online Environment (con't)

- If MPI was to implement a direct-to-consumer online business model, it would be an “*outlier*” compared to its government run counterparts in Saskatchewan [Saskatchewan Government Insurance (“**SGI**”)] and British Columbia [Insurance Corporation of British Columbia (“**ICBC**”)].
- Both of these government run monopolies have already recognized and acknowledged the important role that brokers play in consumer transactions.
- For this reason, they have each expressed their commitment to providing online services to consumers through their existing broker channels.

Role of Brokers in an Online Environment (con't)

- IBAM believes a similar commitment is in the best interests of all parties (MPI, IBAM and, most importantly, consumers).
- To date, MPI has been reluctant to express similar assurances to the brokers in the Province of Manitoba.
- If implemented, MPI would be the only public insurer in Canada to move to a direct-to-consumer online model (ie. Saskatchewan has already implemented an online model through its broker channel).
- IBAM is looking forward to upcoming Conciliation process with MPI.

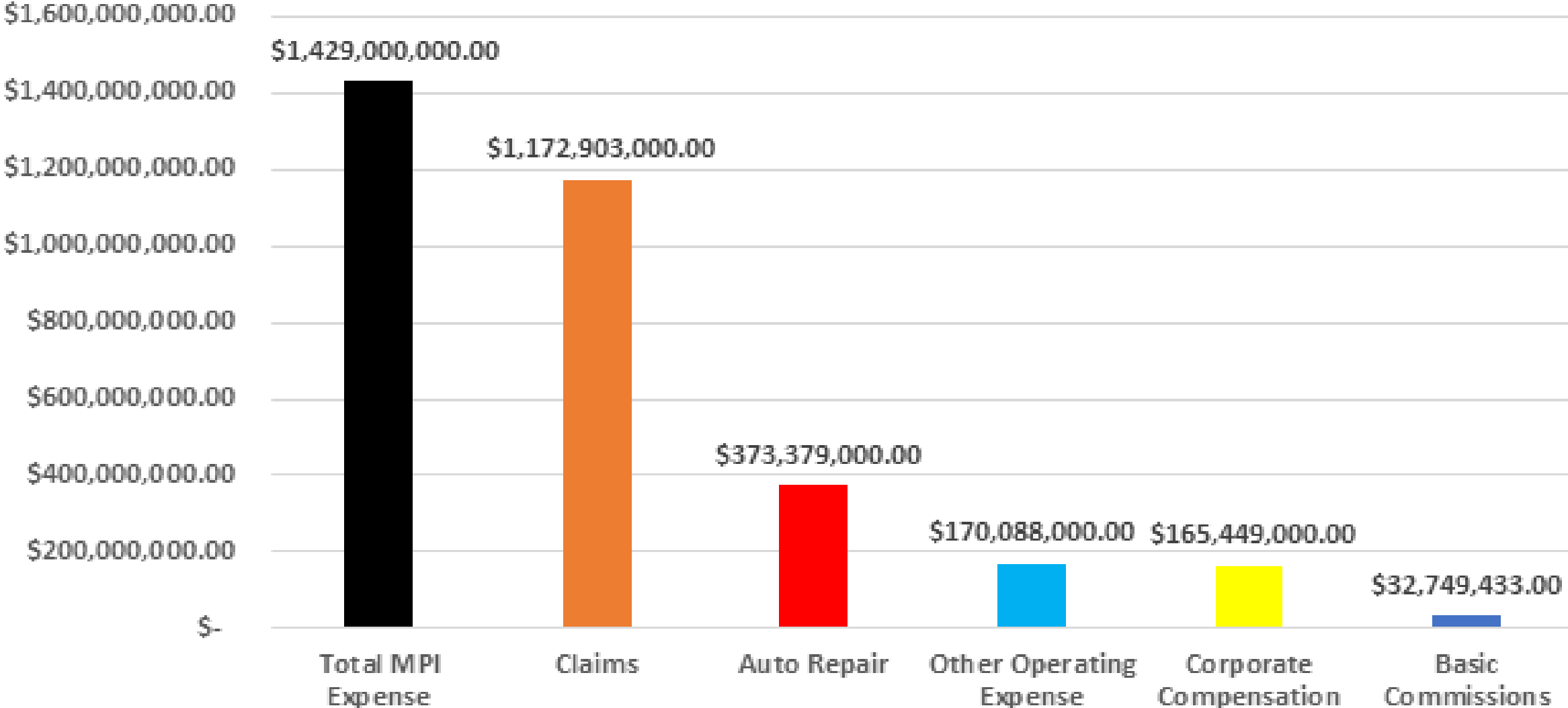
Commissions Paid to Brokers

- Commissions paid to brokers have been a focus of both the GRA and the media. For example, several questions posed in the Information Requests filed herein.
- June 26, 2019 *Free Press* article "Province overruled MPI on paying brokers 'for work not performed'. Stated: "[MPI] told the province that it was no longer willing to pay commissions for little or no work."
- Inflammatory and not in proper context.

Commissions Paid to Brokers (con't)

- Of course IBAM cannot deny that the broker channel receives commission for revenue and service delivered to MPI.
- Earlier referred to events in or around 1971 for perspective. No different with broker commissions; this amount needs to be put into proper perspective.
- One must look at overall revenues and compare to other jurisdictions.
- What you are going to hear is that MPI and Manitoba ratepayers receive value for their money when brokers are paid **only** 3% commission on *Basic* insurance.
- Commissions paid by MPI to brokers for *Basic* Autopac insurance only accounts for approximately 2.4% of MPI's overall expenses.
- Leads one to question why this has been highlighted as an issue.

MPI Total Expense (2019A)



Commissions Paid to Brokers (con't)

- Manitoba has a 5-year renewal system.
- Renewals are done in-person and reassessments are done annually.
- Reduced commission from 5% to 3% on *Basic* after implementation of 5-year renewal on basis that there would be a 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.

Commissions Paid to Brokers (con't)

- Brokers are paid trailing commissions for this work, which serves a few purposes:
 - By regulation, Brokers receive 3% (lowest in the country). We deliver revenue stream to MPI and, as with every other insurance company in Canada, brokers are compensated based on revenue delivered;
 - In addition to the above, most customers attend to brokers for advice in reassessment years and thus the trailing commissions directly compensate brokers for such work; and
 - Brokers are often called on to provide services between renewals and reassessments for which no direct compensation is paid.
- The commissions paid to brokers and the number of transactions, as provided by MPI, is as follows:

Commissions Paid to Brokers (con't)

Figure 1 Contracted Revenue

Line No.		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
1	(\$000's, except where noted)									
2	Basic	90,993	558,826	565,738	600,860	602,813	629,532	672,717	736,013	791,611
3	Extension	12,980	93,534	100,281	102,368	102,205	103,811	112,091	118,601	121,038
4	Total Contracted Revenue	103,974	652,360	666,020	703,228	705,018	733,344	784,808	854,613	912,649

Figure 2 Commission to Contracted Revenue

Line No.		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
1	Basic Percentage	4.47%	4.06%	3.38%	3.08%	3.04%	3.06%	3.06%	3.08%	3.08%
2	Extension Percentage	20.58%	18.84%	22.15%	24.30%	22.54%	21.16%	19.82%	19.80%	19.84%

See IBAM 2-23 part a. b.

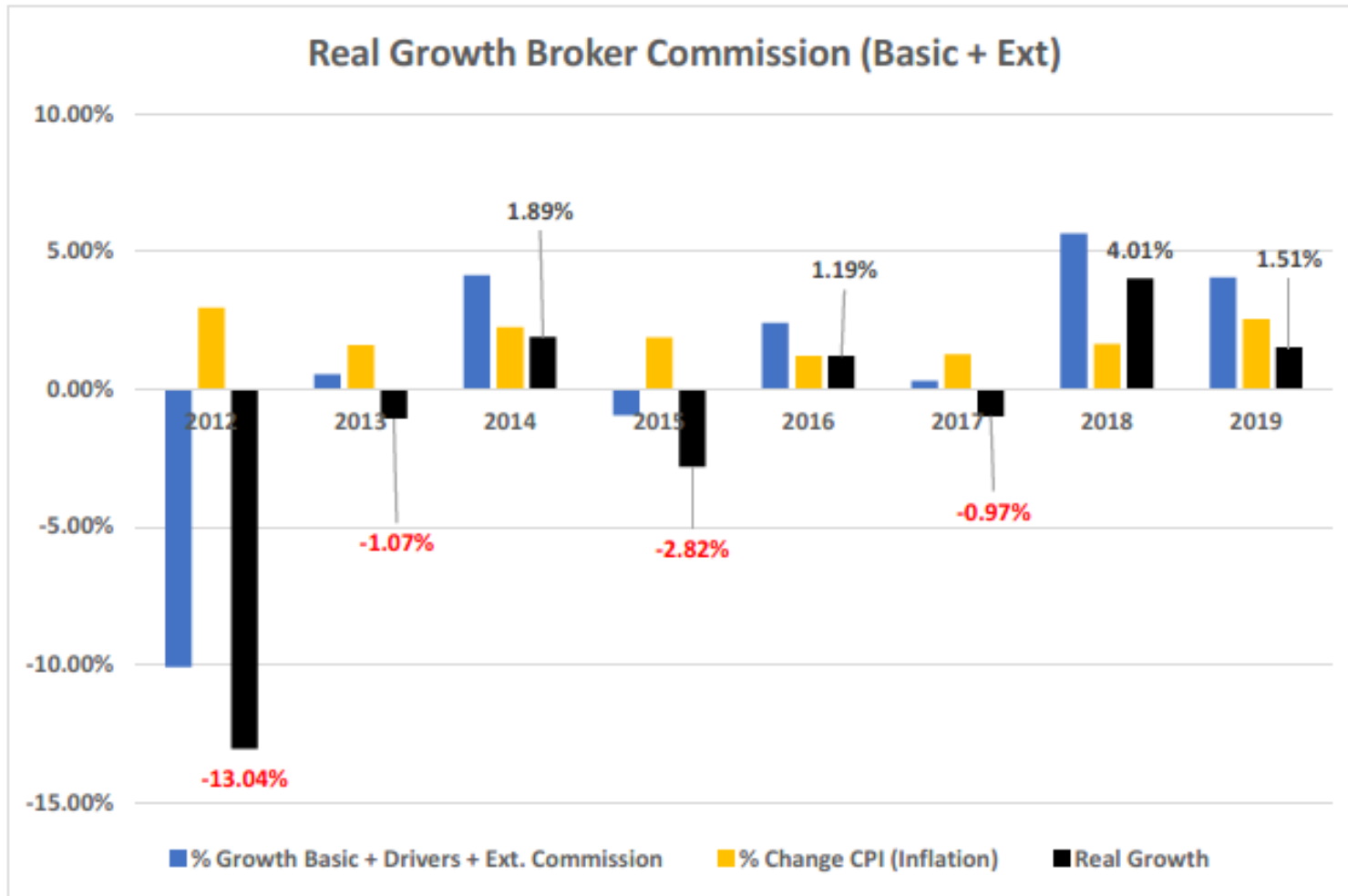
Commissions Paid to Brokers (con't)

- As seen above, MPI has confirmed that trailing commissions reflect a 3% commission paid to brokers on the value of the contract/revenue stream to MPI.
- This is the **lowest percentage** in the country:
 - As indicated, this commission was reduced from 5% to 3% when the 5-year renewal process was introduced;
 - If trailing commissions were eliminated, it would result in brokers losing money by completing Autpac transactions or providing advice in reassessment years; and
 - Commissions have not increased with inflation / Consumer Price Index (“CPI”), but broker expenses are rising in accordance with inflation / CPI.

Commissions Paid to Brokers (con't)

- MPI describes reassessment transactions are “*automated*” but MPI has confirmed that this term does not describe consumer behaviour surrounding the reassessment process.
- MPI has confirmed that the majority of reassessment transactions are processed through broker offices (MPI Exhibit #43, pages 10-11).
- Brokers report that they provide similar consultation and advice in the reassessment process as they do in renewal years.

Commissions Paid to Brokers (con't)



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 here. Figure 13 demonstrates that brokers have experienced negative real growth in 4 of the last 8 years.

Note: IBAM believes that expenses related flat fees paid to brokers should be allocated to matching revenue lines within the Manitoba government. IBAM will question this at the upcoming PUB hearings. Nonetheless the following figure on the next slide encompass the full weight of flat fees into compensation paid to brokers measured against premiums collected at MPI.

Commissions Paid to Brokers (con't)

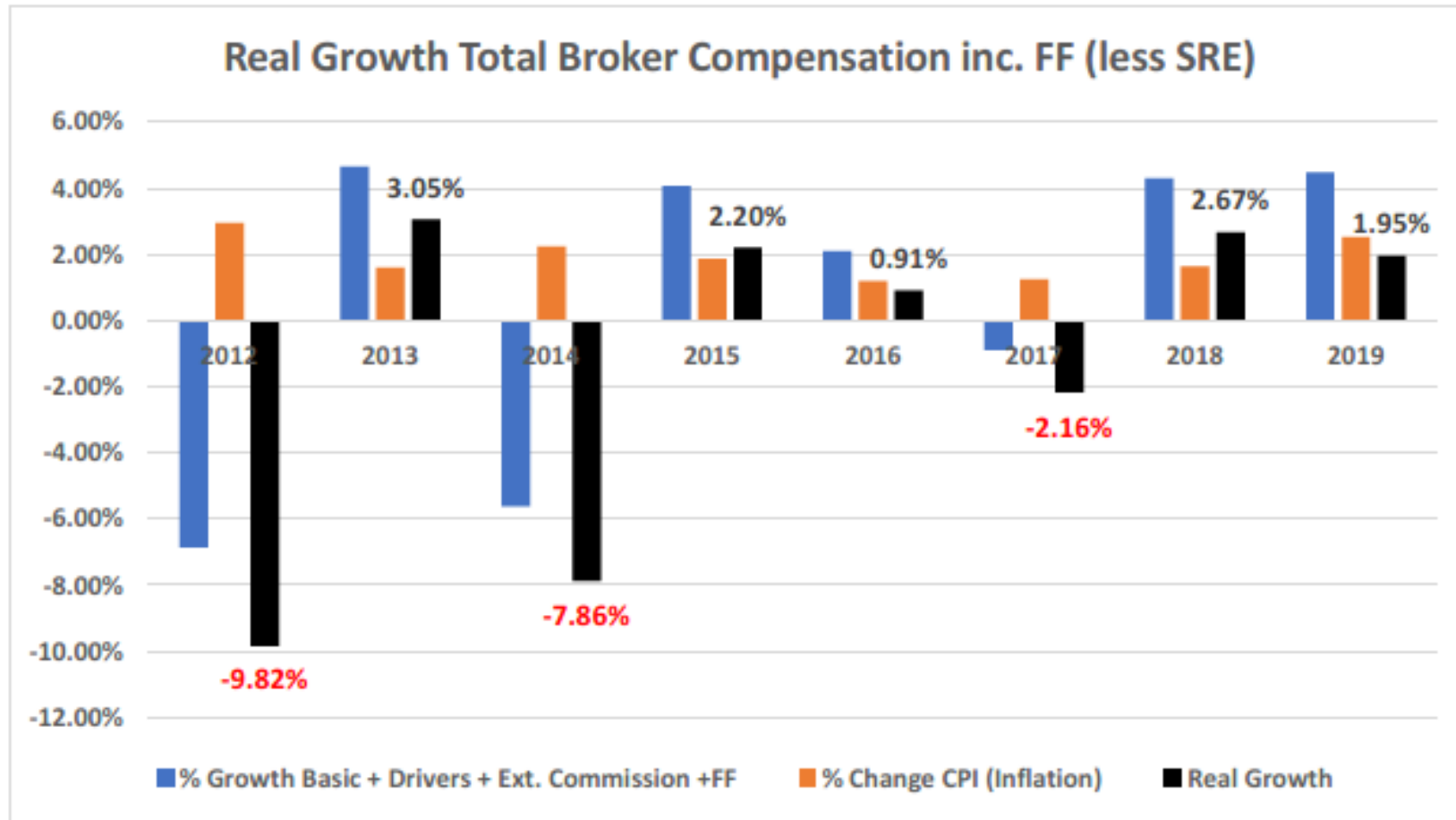


Figure 15.

Demonstrates the real growth total of broker compensation.

Jurisdictional Comparison of Commissions

- The following slides offers a comparison of the commission paid to brokers on basic premiums in the majority of the provinces in Canada.
- B.C. uses a 100% fee-based model for Basic Auto. Commissions are not measurable. *Basic* in B.C. 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 B.C. vs. 5.5% in Manitoba. ICBC 2018/19 Annual Report indicates commissions of \$490.4 million and ICBC premiums of \$6.079 billion.

Jurisdictional Comparison of Commissions (con't)

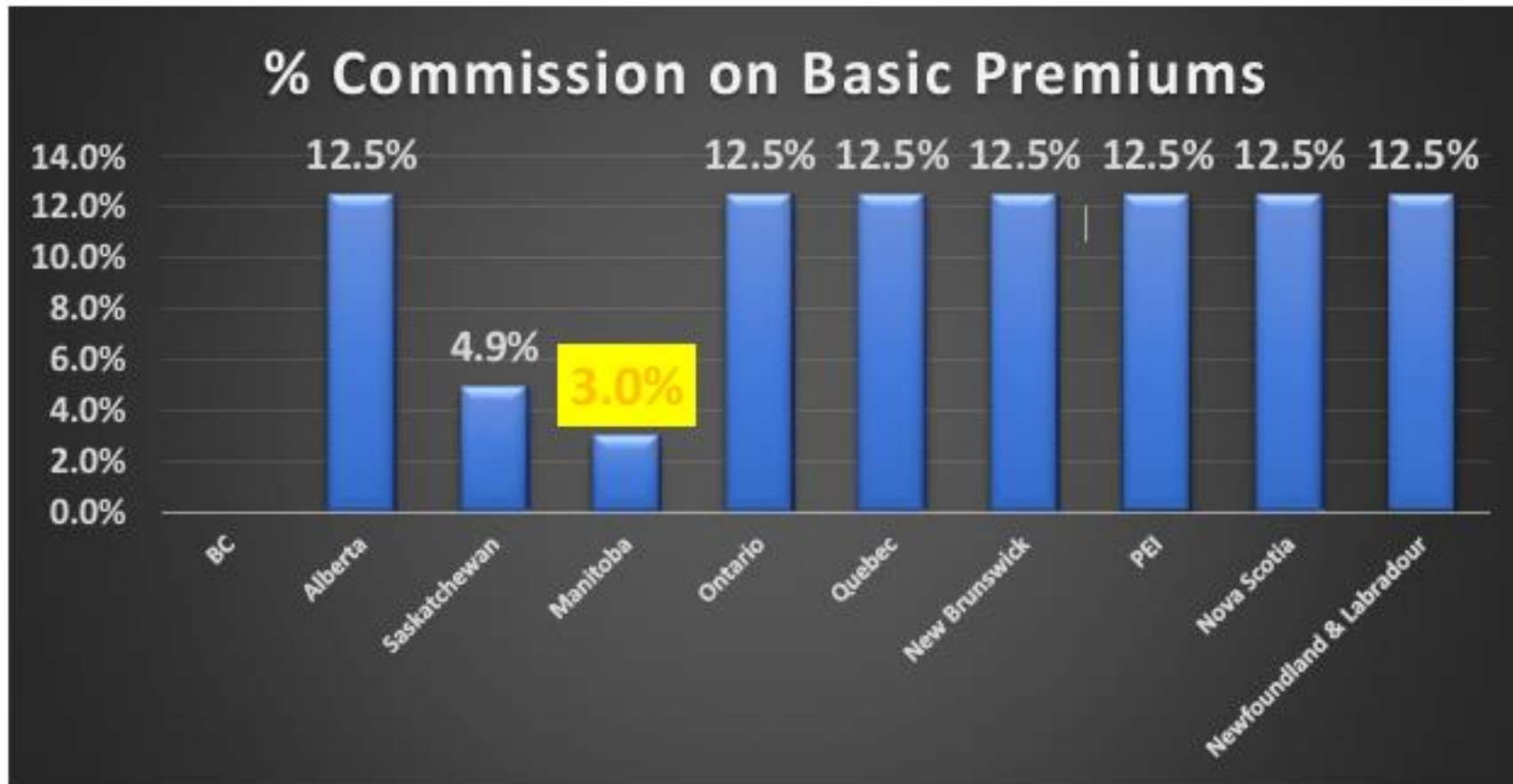


Figure 4: Jurisdictional comparison of commissions on basic premiums paid to brokers.
Note: Manitoba number is rate for Basic Commission only as set in regulation.

Jurisdictional Comparison of Commissions (con't)

- When put into proper perspective, it is apparent that both MPI and the citizens of the Province of Manitoba have received high quality service from licensed professional brokers at a more than reasonable cost.
- When compared to their counterparts in other jurisdictions, there can be no dispute that they are paid the lowest commissions in Canada.
- Although IBAM understands and appreciates MPI's desire to find operational cost savings, based on the foregoing, it cannot credibly view the services provided by brokers and their associated costs as being unreasonable. Especially in light of % of overall expense.

Trends in Commissions

- Growth Rates in *Basic*, *Extension*, and *Total Compensation* should be compared against premiums collect at MPI for *Basic* and *Extension* lines to reflect inherent disparities.
- What you will hear is that brokers' commissions are growing at a slower rate than MPI's corresponding premiums and, in some cases, are shrinking while MPI's premiums continue to grow.

Trends in Commissions (con't)

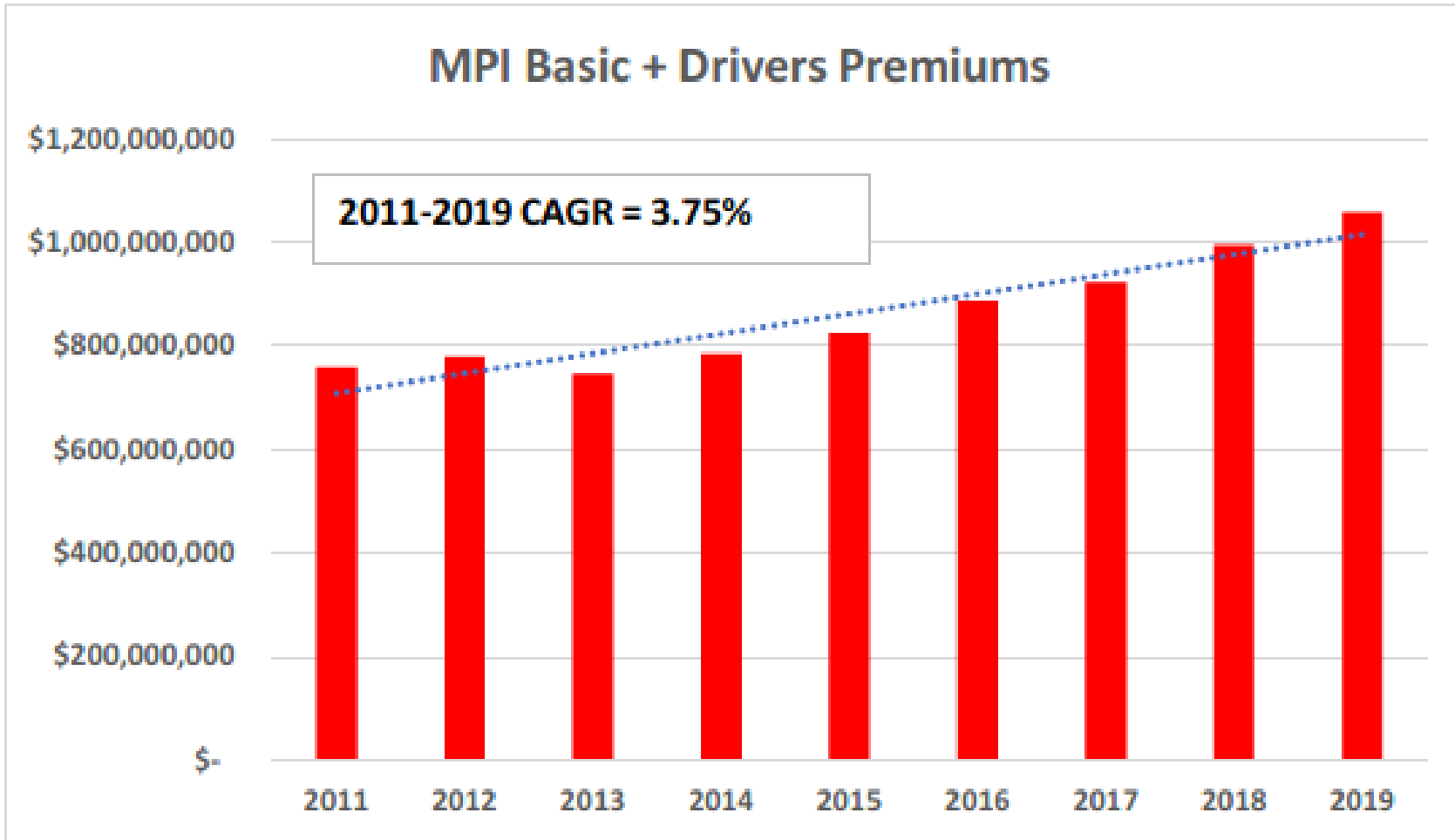


Figure 5.

MPI Basic + Drivers Premium demonstrates a 2011-2019 CAGR of 3.75%

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 Figure 6).

Trends in Commissions (con't)

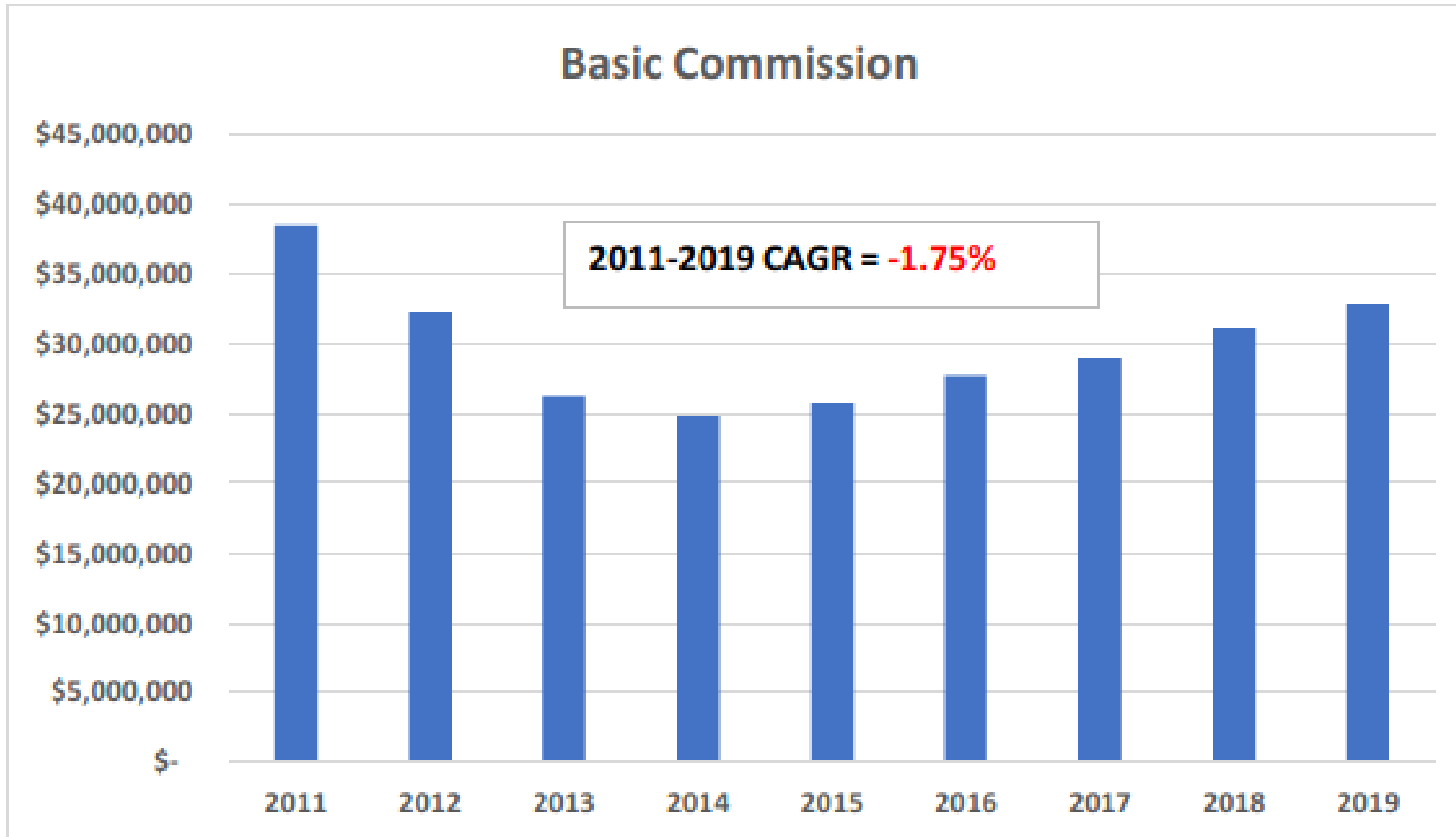


Figure 6.

Basic Commission paid by MPI to Brokers demonstrates a 2011-2019 CAGR of -1.75%

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.

Trends in Commissions (con't)

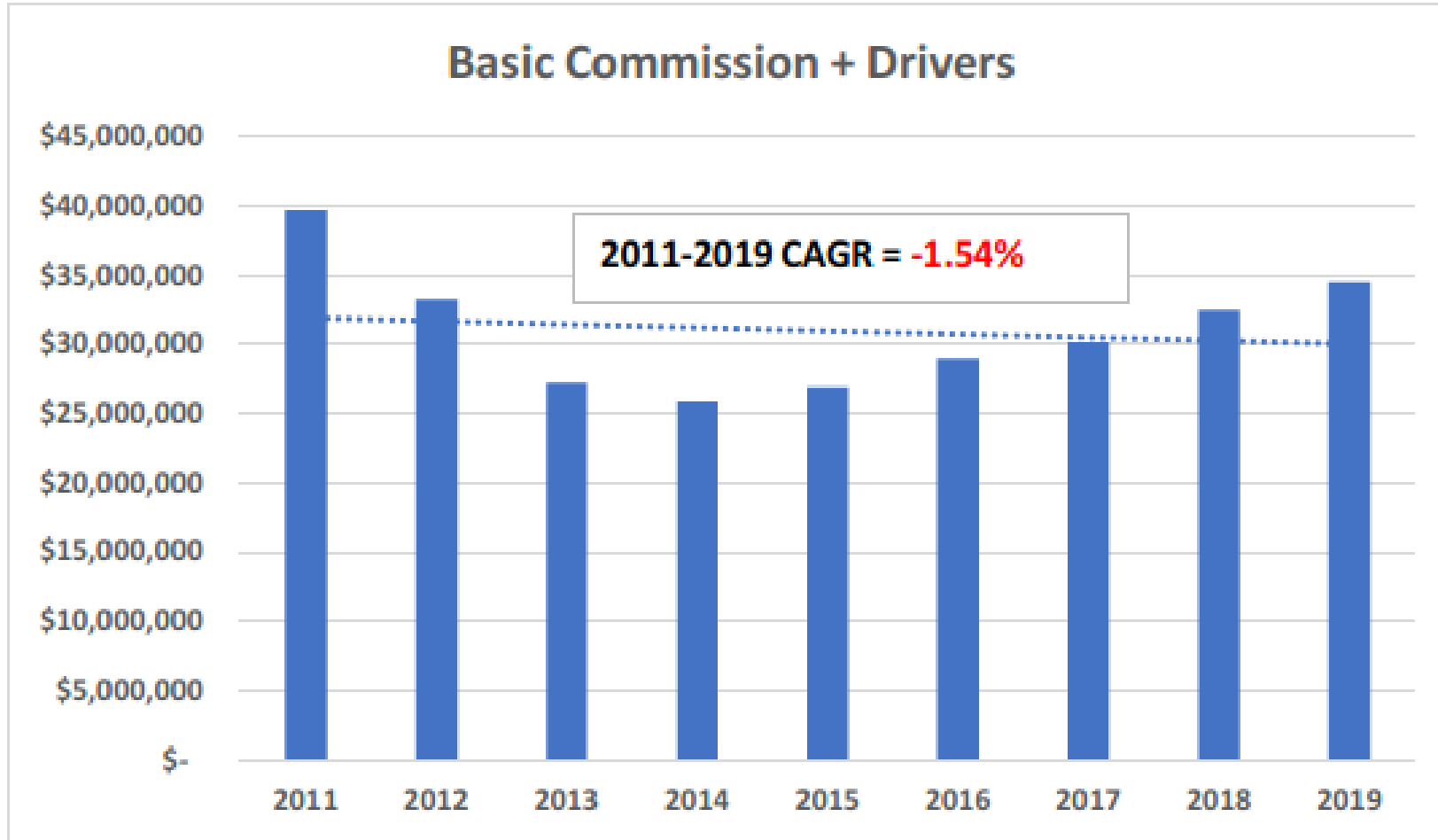


Figure 7.

Basic Commission plus Drivers paid by MPI to brokers demonstrates a CAGR of -1.54%

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.

Trends in Commissions (con't)

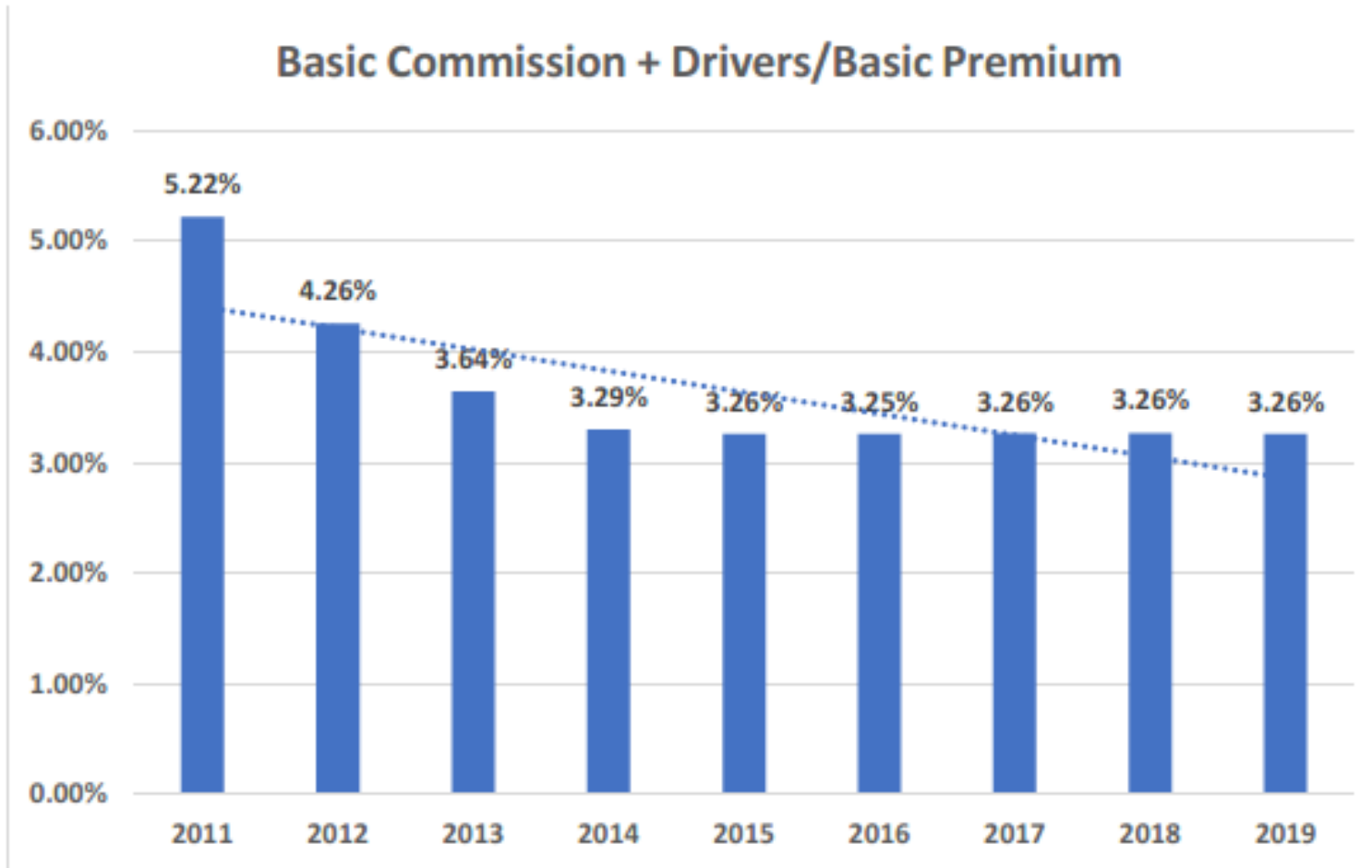


Figure 8.

Demonstrates that the percentage paid to brokers as compared to the amount of premiums collected by MPI has been reduced by approximately 2% since 2011.

Notes: The percentages above are derived as follows: (Basic Commission + Drivers License Commission)/MPI Basic premiums.

MPI Basic Premiums can be found in MPI Annual Reports.

Trends in Commissions (con't)

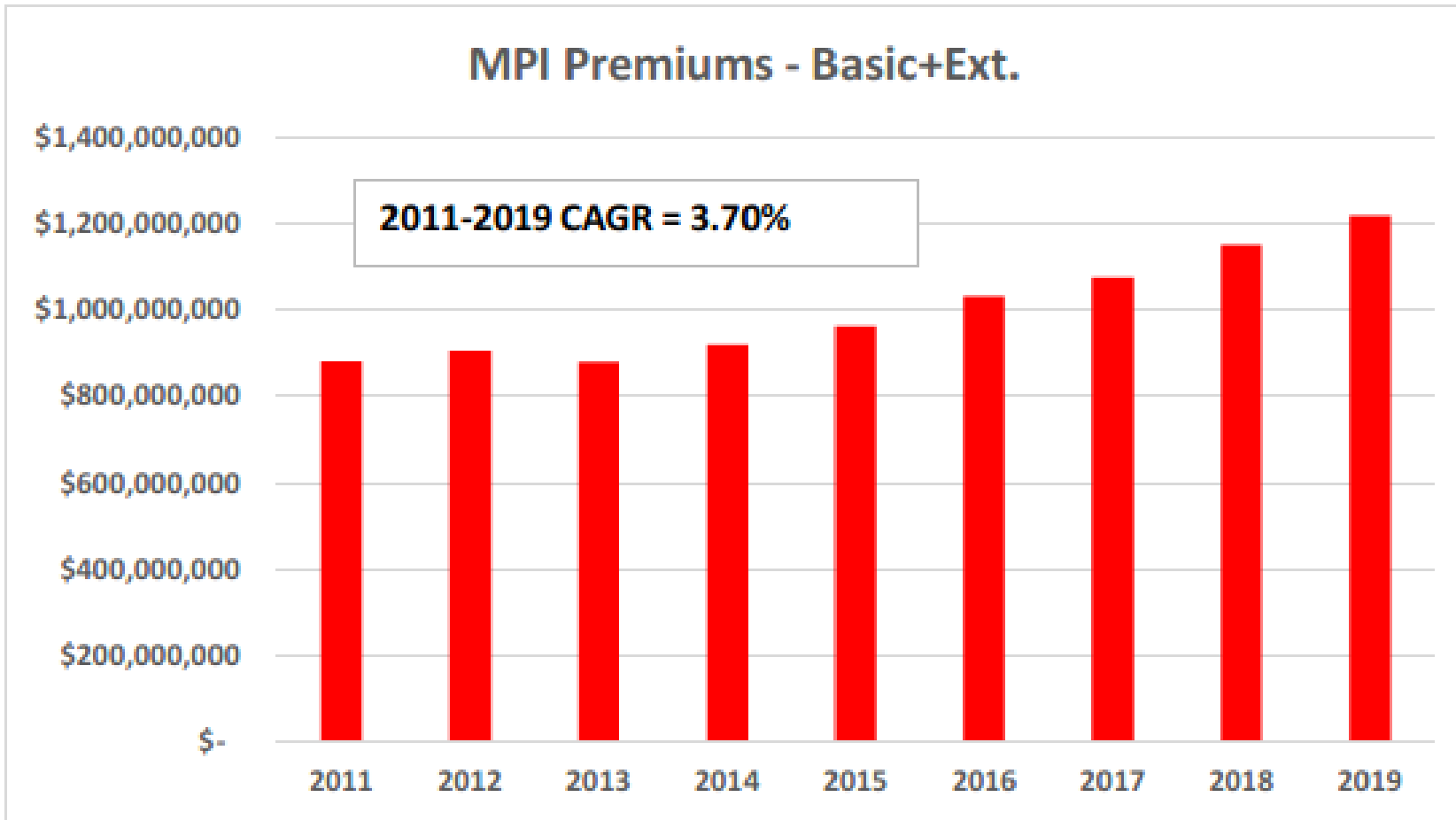


Figure 9: MPI's premiums for basic and extension demonstrate a 2011-2019 CAGR of 3.70%.

Note: From 2011-2019 MPI Annual Reports

Trends in Commissions (con't)

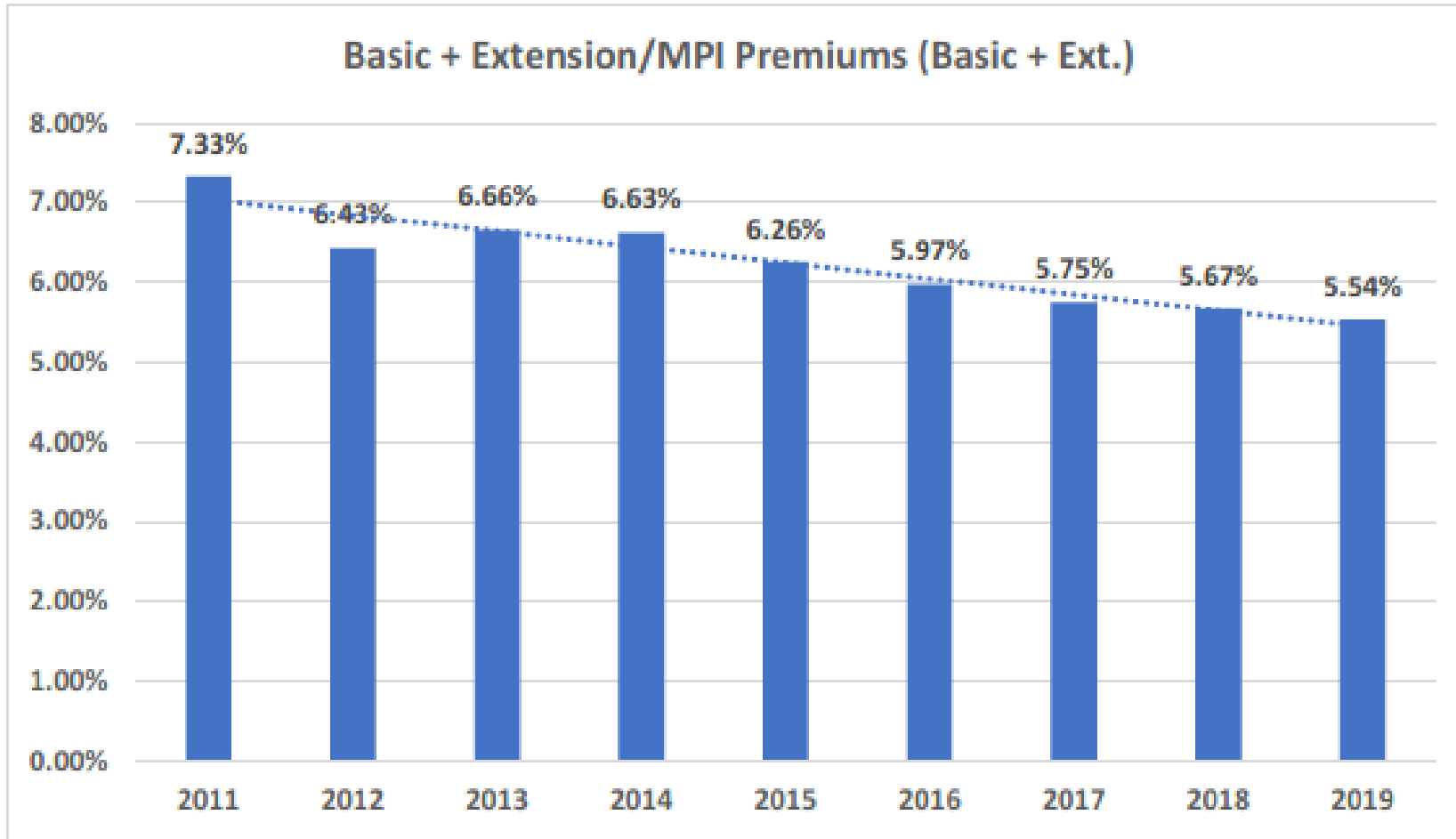


Figure 11.

Demonstrates that brokers commissions have been reducing in comparison to MPI's premiums for the corresponding services

Trends in Commissions (con't)

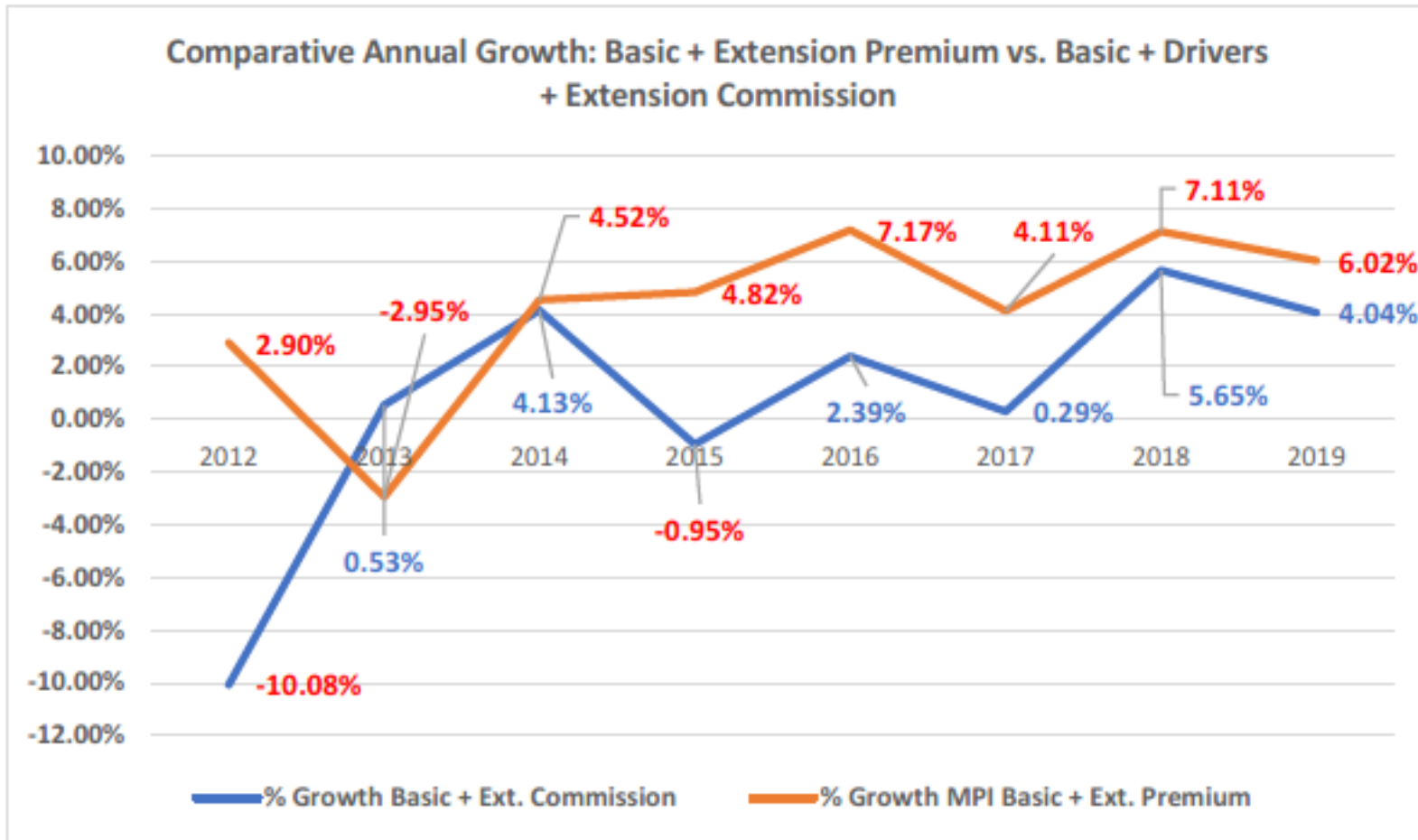


Figure 12.

Demonstrates that MPI revenues continually outgrow the payment of commissions to brokers.

Trends in Commissions (con't)

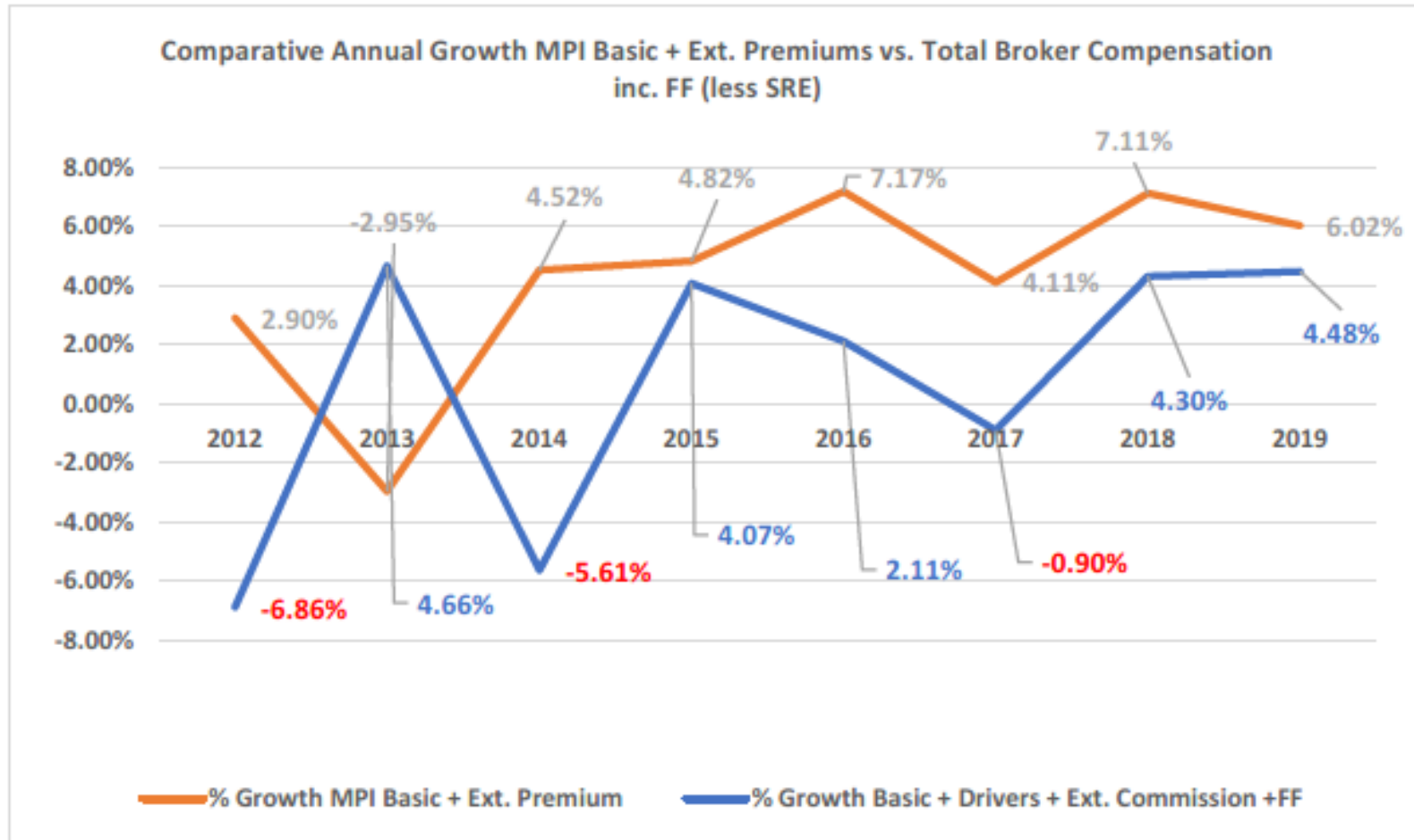


Figure 14.

Demonstrates that MPI Basic + Extension premiums has grown at a faster rate than the corresponding commissions to brokers

Note: IBAM believes that expenses related flat fees paid to brokers should be allocated to matching revenue lines within the Manitoba government. IBAM will question this at the upcoming PUB hearings. Nonetheless the following figure on the next slide encompass the full weight of flat fees into compensation paid to brokers measured against premiums collected at MPI.

The Future Service Delivery Strategy

- IBAM and MPI are entering a Conciliation regarding the Future Service Delivery Strategy.
- Both parties are restricted from discussing the status and content of the conciliation at the GRA.
- 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 in Manitoba.
- This restriction will not detract from its participation in the GRA in order to ensure a full exchange/balance of the role of brokers in MPI's distribution model.

Conclusion

- Contrary to the has position taken by MPI, brokers are not adverse to moving MPI work online – they openly embrace the concept.
- IBAM members want to evolve and offer online delivery services to Manitoba. Indeed, online services have been introduced by other public and private insurers and brokers understand the need to evolve their business models to meet the changing needs and expectations of consumers.
- It is unfortunate that this impression has been given to consumers, who have viewed brokers as the only “obstacle” to achieving this outcome.

Conclusion (con't)

- IBAM plays an important role in ensuring consumer protection and a high level of customer service. Like SGI (in Saskatchewan) and ICBC (in British Columbia), both of which are overseen by senior insurance executives, MPI should commit to an online delivery model that maintains broker involvement.
- MPI should not be an “outlier”.
- Brokers provide an excellent level of service to Manitobans at a more than reasonable price: lowest % in Canada; only 2.4% of expenses.
- MPI uses the terms ‘direct’ and ‘online’ interchangeably and this is creating significant confusion for consumers. Brokers believe online services are appropriate but that they should be conducted through the broker channel so brokers can continue their role in counseling and in presenting all available options and ultimately protecting consumers.

Conclusion (con't)

- Since launching Sonnet, Economical went from a profit of \$176 Million (combined ratio of 97.4% and MCT of 285.2%) to a loss of \$73 Million (combined ratio of 111.8% and MCT of 227.0%).
- Ms. Carol Jardine, President of the Canadian P&C operations for Wawanesa, has been quoted as saying:

“Anyone who thinks it’s easy to do direct insurance is extremely naïve... I have been in this business for over 40 years... The one thing I know is that brokers look after their customers better than the directs. Brokers know what their customers need and want, and brokers will provide the value that a customer requires, which is choice.”

Conclusion (con't)

- A direct model is dangerous for consumers, costly for insurers, and for these reasons it has not done in any other public insurance jurisdictions (ICBC and SGI).
- MPI believes it can do what others have been unable to do. Why incur the risk given the success that it has enjoyed, to date?
- Costs are largely incurred by brokers in the private sector. If MPI assumed the role of delivering services, it would bear all of the costs. The average salary at MPI is approximately \$93,000.00.
- What kind of savings would ultimately be realized, if any? See: Phoenix Payroll System.

Conclusion (con't)

- Insurance transactions are complex and consumers benefit from the involvement of brokers to ensure they are purchasing the right insurance coverages to meet their individual needs. This is why regulations exist.
- Brokers are trained and licensed professionals subject to significant government regulatory oversight under the Insurance Act and through the Office of the Superintendent of Manitoba and the Insurance Council of Manitoba. This benefits all stakeholder, none more that customers.
- Given the successful relationship that has been enjoyed by IBAM and MPI over the course of 48 years, and MPIs stable position, the question that needs to asked is: *“why mess with success?”*