

Public Utilities Board (PUB)

**2020 GRA Information Requests on Intervener Evidence of
the Insurance Brokers Association of Manitoba (IBAM)**

September 27, 2019

PUB (IBAM) 1-1

Document:	Pre-Filed Testimony Filed on Behalf of Insurance Brokers of Manitoba	Page No.:	5, 22
PUB Approved Issue No.:	9. Cost of Operations and Cost Containment Measures		
Topic:	Broker Commissions		
Sub-Topic:	Broker Commission Rate Comparison		

Preamble to IR (If Any):

IBAM states: "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."

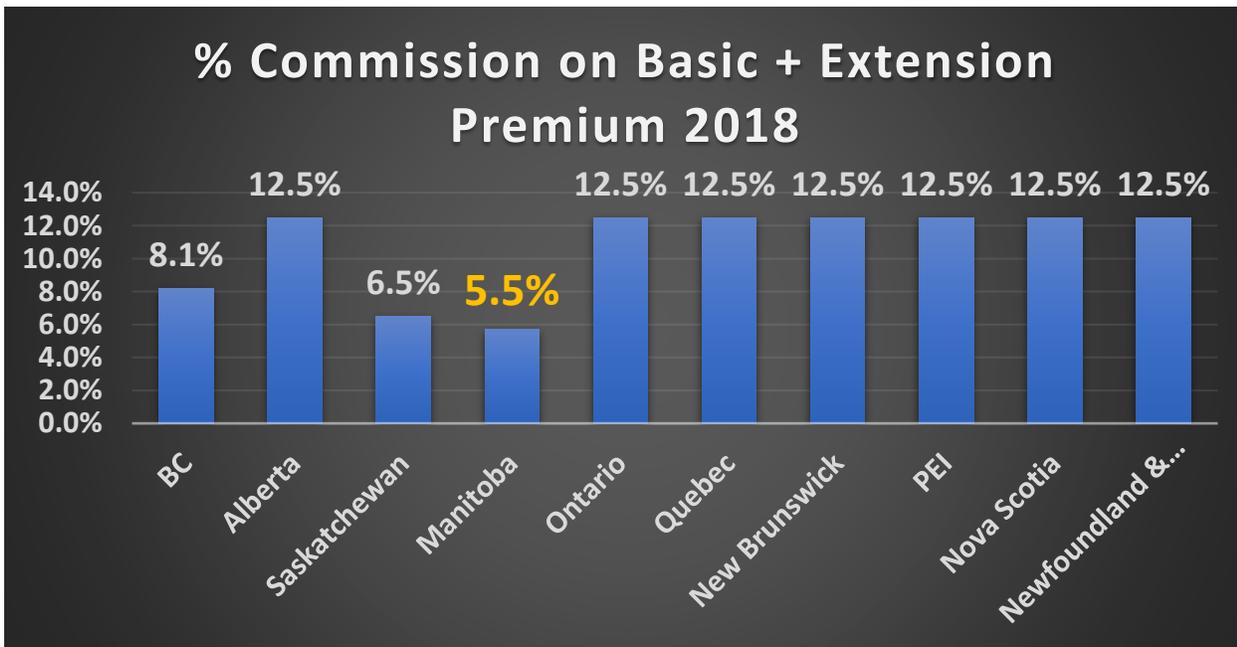
Question:

- a) Please provide the comparative information of broker commissions for Basic and Extension (combined) with other jurisdictions, along with a summary of the scope of services provided by brokers in the other jurisdictions.
- b) Please indicate in each case whether the jurisdictions pay trailing commissions, and provide a description of the trailing commission arrangement.
- c) Please indicate the source for premium commissions information for jurisdictions other than BC and Saskatchewan.

Rationale for Question:

To assess the reasonableness of Broker commissions for rate-setting purposes.

RESPONSE:



Manitoba (MPI only):

$(\text{Basic} + \text{Extension Commission}) / (\text{Basic} + \text{Extension Premium})$

Saskatchewan (AutoFund and SGI Canada only):

The 2019 AutoFund Annual Report indicates Issuer Fees of \$47,089,000 against premiums of \$956,472,000. In addition, the 2018/2019 SGI Canada Annual Report reported Extension auto insurance premiums in Saskatchewan to be \$168,900,000. The commission rate on Extension in Saskatchewan is fifteen percent (15%). As a result, the commissions paid in Saskatchewan are as follows:

$$(\text{Basic} + \text{Extension Commission}) / \text{Basic} = \text{Extension Premium} = \\ \$71,588,000 / \$1,106,208 \text{ or six point five percent (6.5\%).}$$

Note: However, two (2) factors understate the actual gap in commissions paid in Manitoba and Saskatchewan:

1. First, the market for Extension auto insurance in Saskatchewan is more competitive than Manitoba. As a result, brokers are earning

revenue from additional *Extension* carriers. In Manitoba, MPI enjoys a ninety-five percent (95%) market share in *Extension*, compared to eighty percent (80%) in Saskatchewan; and

2. Second, the market penetration of *Extension* in Saskatchewan is much lower than in Manitoba. The *Insurance Brokers Association of Saskatchewan* ("**IBAS**") reports that only half of drivers carry *Extension* auto insurance in Saskatchewan. IBAS and SGI Canada are currently working with provincial regulators to address this unfortunate reality.¹

British Columbia (ICBC only):

British Columbia uses a one hundred percent (100%) fee-based model for *Basic* auto insurance; commissions are not measurable. Moreover, *Basic* auto insurance 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 would be to compare % *Basic* + *Extension* commissions to *Basic* + *Extension* premiums. The *ICBC 2018/19 Annual Report* indicates commissions of \$490,400,000 and premiums of \$6.079 billion [or commissions of eight point one percent (8.1%)].

See PUB (IBAM) 1-1 c. for an explanation re: private markets.

The scope of services provided by brokers have similarities in that brokers are matching coverage options with consumers. In private markets, brokers will identify the best solution for consumers, typically among a number of alternative insurance companies. In public markets (British Columbia, Saskatchewan, Manitoba), *Basic* auto coverages are mandated (as they are in private markets) but are only sold by the Crown (ie. insurance companies do not compete for

¹ Source: <https://www.ibas.ca/wp-content/uploads/2019/05/IBAS-Extended-Auto-Advisory-Committee-Recommendations-May-15-2019.pdf>

consumers). In Manitoba and Saskatchewan, Driver Vehicle Licensing and Registration are managed closely in distribution with MPI and AutoFund respectively, whereas in private markets these functions are separated.

With regard to claims service on *Basic Autopac*, brokers in public and private auto jurisdictions have many similarities, the major difference being the reporting of the claim direct to insurer. In a private auto province, the claim can be reported either to the broker or to the insurer directly. In Manitoba, the claim must be reported to MPI directly. Often when a claim occurs the client will call or email their broker or attend the broker office to find out how to report a claim. In these cases, the broker provides the phone number for MPI claims reporting, provides information on the customer's deductible, their coverage level, what they can expect in the claims process, and whether they should submit a claim based on their deductible. When a customer is unhappy with the claims process, the broker can be authorized by the customer to talk to MPI on their behalf. The broker can then discuss coverage issues, service issues and/or assist the customer in negotiating a fair settlement of their claim. The broker's role as the customer's independent representative can be very helpful when things go wrong in the claims process.

With regard to claims service on *Extension*, the services offered are very similar to those outlined above for *Basic Autopac* claims. A broker whose customer has an *Extension* policy through a competing insurer to MPI will report that claim to the competing insurer, provide any invoices for repair or damage to the insurer, and ensure that the claim is paid fairly and promptly to the customer.

Overall, the scope and services provided by brokers in Manitoba is very comparable to private jurisdictions, the main difference being the government monopoly on *Basic Autopac* provides efficiency in the following areas:

- The *Basic Autopac* coverage is not marketed to multiple companies;

- The *Insurance Workstation System* ("**IWS**") provides brokers the ability to complete the transaction on MPI's computer system, which eliminates the requirement in private auto provinces to submit new business, changes, or cancellations to the insurer, wait for it to be processed, and follow-up to make sure the change arrives correctly and in a timely fashion to be sent out to the customer; and
- A higher percentage of claims are reported directly to MPI without broker intervention when compared to a private auto province.

b. Manitoba is the only jurisdiction with a five (5)-year renewal program on *Basic/Extension* auto insurance coverage. As such, the issue of trailing commissions is not germane in other provinces: in those jurisdictions, auto policies are renewed annually with brokerages/providers. In short, those brokers are compensated based on the premium (revenue) delivered to the insurance company. The system in Manitoba is similarly designed, but annual commission for premiums delivered is spread over five (5) years to match the premium going to MPI.

c. This is difficult to identify because of the sheer number of insurance companies that write auto insurance in private markets. Most carriers address the national market and premiums are collected from several provincial jurisdictions.

In private auto insurance markets across Canada, the standard broker commission is twelve point five percent (12.5%), regardless of whether consumers are purchasing the equivalent to Manitoba's *Basic* or *Extension* coverage. Of note is that private markets also offer *Contingent Profit Commissions* ("**CPC**"), which insurance companies use to reward good front-line underwriting, volume of premium business placed, and the absence of claims. In simple terms, the better your loss experience and the larger the premiums

placed, the higher the CPC typically is for a brokerage. It can be thought of (loosely) as profit-sharing. CPC payments are not included in the numbers above.

PUB (IBAM) 1-2

Document:	Pre-Filed Testimony Filed on Behalf of Insurance Brokers of Manitoba	Page No.:	6
PUB Approved Issue No.:	9. Cost of Operations and Cost Containment Measures		
Topic:	Broker Commissions		
Sub-Topic:			

Preamble to IR (If Any):

IBAM states: "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."

Question:

- a) Please explain how IBAM envisions the Broker distribution channel and broker involvement in on-line transaction to protect customers. Describe how brokers propose be involved in initial insurance and subsequent annual renewals of coverage for proposed online transactions.

- b) Please describe how Brokers should be compensated for this role in (a).

Rationale for Question:

To understand the role of Brokers and the cost consequences for processing online transactions.

RESPONSE:

- a. Through qualitative research and interviews with five (5) insurers [three (3) direct and two (2) broker + direct models],² IBAM has learned that the experience of direct writers is that eighty percent (80%) to ninety percent (90%) of consumers fall "*out of the box*" and do not complete transactions online. All five (5) companies indicated a rate of over eighty percent (80%) and two (2) of the five (5) indicated rates over ninety percent (90%). That is, customers favour speaking with a live person before binding their coverages. IBAM is of the view that customers are best protected and serviced through the broker channel.

In Manitoba, the *Insurance Council of Manitoba* ("**ICM**") - and its related regulations governing the sale of insurance products in Manitoba - do not place any minimum education and training requirements on the employees of MPI for the sale of *Basic* insurance. It is IBAM's understanding that the sale of *Basic* insurance is exempt from the provisions of the *Insurance Act* by way of the *Manitoba Public Insurance Corporation Act*.³ The provision of advice and information relating to insurance needs and other services by MPI employees is not ideal for consumers and - in light of the current regulatory environment - reinforces the need to have auto insurance sold through licensed insurance brokers. On that note, licensed insurance brokers in Manitoba are subject to minimum requirements for obtaining licensing, criminal record checks, annual requirements for continuing education, ethics guidelines, and maintaining errors & omissions insurance. A significant amount of consumer protection is provided by the regulations governing the licensing of insurance brokers in Manitoba.

² IBAM expects to obtain additional research in the coming weeks. It may provide any additional research that is relevant to the matters at hand.

³ See section 30 of the *Manitoba Public Insurance Act*.

Insofar as service, brokers can service consumers holistically and have a comprehensive view of all coverages that pertain to those consumers (ie. coverages such as guaranteed asset protection, umbrella liability, extension products through providers other than MPI, etc.). Conversely, MPI call centre staff will not have a global view of the consumer. Brokers are also aware of their consumer base [ie. family structure (new or deceased drivers), other coverages/policies, changes in employment, address changes, etc.], all of which are germane to risk and coverage options. Conversely, 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 consumers. 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 service customers in thirty-one (31) languages. In short, brokers must be consumer oriented and this significantly enhances service to Manitobans overall. Brokers also protect customers and often advocate, consult and provide information as consumers navigate the claims process with MPI.

In February of 2019, customers 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."

If a broker provided a similar message in a time of need, they would likely lose that customer's business. In short, brokers are much more "consumer focused" given the competitive environment that they operate in.

IBAM is of the firm view that the broker channel is the best model for consumers and that an online direct model ultimately gives MPI more market power and further limits choice for consumers. MPI has projected a fifty percent (50%) take up rate (See: "The Future of MPI's Customer Service Delivery Model Operating

Model Analysis)⁴ in its direct to consumer business modelling. *Ceteris Paribus*,⁵ if this was to occur, it will have a severe impact on the broker distribution network and will result in business failures. Ultimately, this will eliminate a preferred local option for some Manitobans.⁶

In addition, IBAM believes it to be unreasonable to expect that MPI employees - who presumably will be servicing fifty percent (50%) of Manitobans (according to MPI assumptions) - will inform consumers of *Extension* options available to them outside of MPI. This limits choice even further.

Brokers in Manitoba are excited about transforming their businesses and moving with MPI into an online model. In fact, many brokers in Manitoba have already adopted an omnichannel distribution approach and offer communication including: email, texting, phone, live chat, chatbot, quoting engines and quote request platforms, social media, use of Artificial Intelligence based technologies, in-branch experience, etc.. In other words, many brokers have developed multiple channels to connect with their customers, allowing consumers choice of doing business. As stated above, very often an interaction starts online, but quickly becomes more complex. In a broker-based online model, consumers can move seamlessly from one channel to another and have their questions answered by a licensed professional.

Given the foregoing, it is not surprising that the other two (2) public insurance jurisdictions (British Columbia and Saskatchewan) have fully committed to broker-based online models. As set out in the Pre-Filed Testimony filed on behalf of IBAM, both SGI and ICBC have indicated that brokers are to be the "sole

⁴ See: *2020 GRA Information Requests Round 1*, CAC (MPI) 1-1(r), Appendix 14, pg. 27.

⁵ All things being equal.

⁶ Please See: IBAM Pre-Filed Testimony and CAC (IBAM 1-12).

providers” of their products. 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.**”⁷ [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....⁸*

.....

*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.”⁹ [emphasis added]*

The notion of a commitment to a broker-based model is standard in every other public auto jurisdiction in this country. Given the inherent risks to stakeholders, IBAM maintains that Manitoba should follow a similar route and implement a broker-based online model. IBAM is looking forward to having meaningful discussions with MPI regarding this issue at the upcoming Conciliation.

b. There is no doubt that, regardless of platform, there is an after sales/service requirement for consumers of driver vehicle licensing and auto insurance. There is also a cost to providing this service. IBAM is open to the possibility of a tiered-system as has been in place in Saskatchewan since 2008. As

⁷ IBAS/SGI Auto Fund Strategic Accord, Page 1.

⁸ 5th Accord: July 1, 2019-January 1, 2027. ICBC/CUIISA/IBABC, Page 1.

⁹ 5th Accord: July 1, 2019-January 1, 2027, ICBC/CUIISA/IBABC, Page 5.

previously stated, we will enter into discussions in this regard in *good faith* with MPI at the upcoming Conciliation.

PUB (IBAM) 1-3

Document:	Pre-Filed Testimony Filed on Behalf of Insurance Brokers of Manitoba	Page No.:	6, 20
PUB Approved Issue No.:	9. Cost of Operations and Cost Containment Measures		
Topic:	Broker Commissions		
Sub-Topic:			

Preamble to IR (If Any):

IBAM states: "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."

Question:

- a) Please provide a full description of the current broker-based models employed in British Columbia and Saskatchewan for the delivery of online services provided to customers, and explain how brokers are currently involved and compensated for on-line transaction(s).

- b) Please file a copy of the current accords in place in both British Columbia and Saskatchewan.

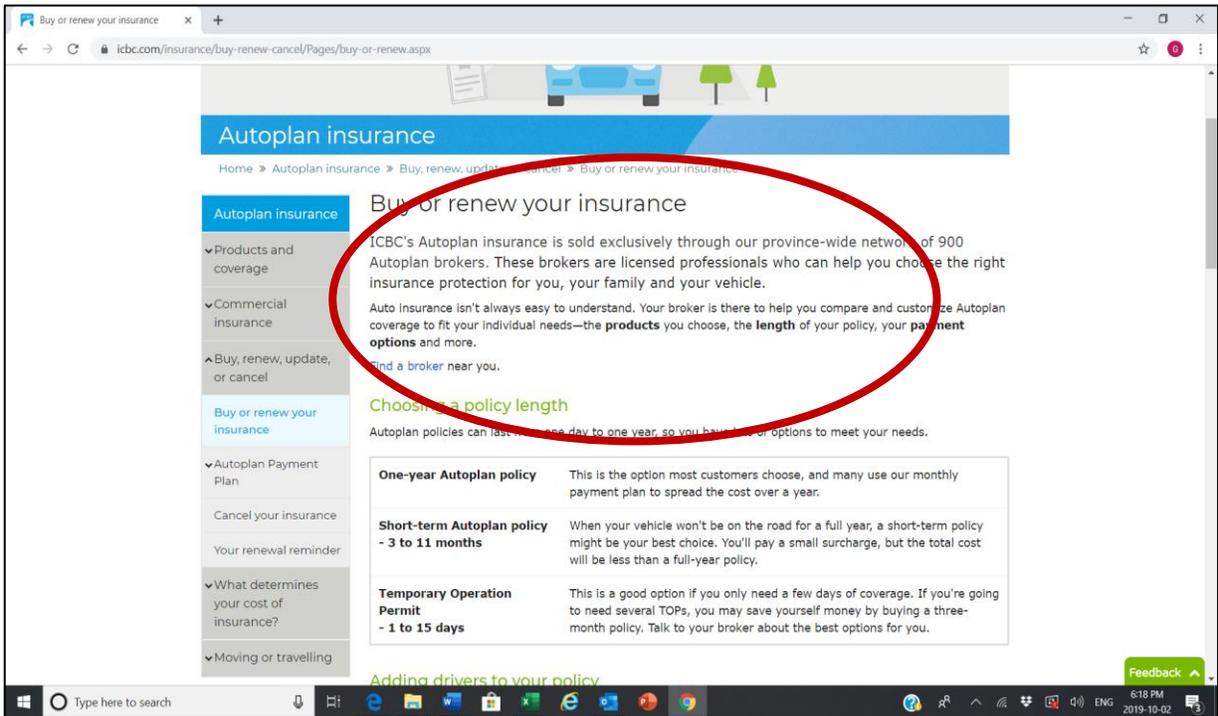
c) If available, please provide a description of proposed changes in the broker distribution channels in British Columbia and Saskatchewan.

Rationale for Question:

To understand broker models in other public automobile insurance jurisdictions.

RESPONSE:

a. In British Columbia, there is not an option to renew or purchase auto insurance through ICBC; it is sold exclusively through its province-wide network of 900 Autoplan brokers. ICBC does not offer any compensable services in an online environment (also please see PUB 1-3 Part C. below):



In Saskatchewan, Autofund/SGI Canada launched *mySGI* in 2008. IT was launched in 2008 as an on-line tool to enable Saskatchewan residents to perform certain auto insurance transactions online. Customers are able to: change their address; change payment information; make payments; renew their insurance policy; make a number of driver and vehicle registration changes; and connect with their broker as required.

However, new insurance policies and most Driver and Vehicle Licensing services remain in-person at an insurance broker in order to verify documentation, identity verification, photo requirements, and print documentation on paper with embedded security features.

Specific transactions conducted online are:

- *Auto Insurance*: Make a payment; Renew annual insurance policy; View auto policy; Change address; Choose communication method; Add/update email address; and Change renewal day;
- *Vehicle Registration*: Renew vehicle registration; Change/replace vehicle registration; Make a payment; View vehicles; View auto insurance policies; Cancel a vehicle; Complete VIN Search; Order Specialty license plates; Add/delete co-owner consent; and Purchase vehicle impound hearing/release receipt;
- *Driver's License*: Change address; Choose communications method; Add/update email address; Pay driver's license installment; Request/access driver's abstract; View driver information; View Safe Driver Recognition rating; Schedule a driver/road exam test; Reprint driver's license with existing photo; and Purchase restricted license receipt/appeal receipt;
- *Claims*: View claims; Submit an auto claim; Find a Claims Centre; Change to Tort injury; and Purchase SDR accident appeals receipt.

Users of *MySGI* are asked to select their broker and, in turn, on-line transactions link back to the broker for follow-up. The Broker then becomes the point of contact for this customer. The Broker also assumes E&O liability.

Of note is that SGI/Autofund reported a take-up rate of approximately twelve percent (12%) of their customer base, or an adoption rate of roughly one percent (1%) per year since its inception in 2008.

A lower commission rate is paid for *Basic* auto insurance renewals to brokerages for on-line transactions performed by the customer [three point seven five percent (3.75%) vs. four point seven five percent (4.75%)]. Although the customer initiated the online transaction, SGI Auto Fund recognizes the servicing aspects customers require throughout the year and the adoption of E&O.

- b. The British Columbia and Saskatchewan Accords are attached as Appendix "B" and Appendix "C".
- c. As can be seen from the language in the Accords supplied in 1-3 b., both ICBC and SGI have firmly committed to the broker channel as the sole provider of their products. In the case of ICBC they have recently entered into an agreement with Brokers stretching to 2027. With respect to a future services delivery model, it has been stated:

"ICBC and brokers acknowledge customers' demand for even greater convenience. Independent advice and access to insurance information, products and services through brokers will continue to evolve.

The parties agree that customer demand for convenience and broad access to services is changing. ICBC and brokers further acknowledge and respect that ICBC's current business model requires a financial investment from brokers in licensed accessible locations as they serve as the primary point of sale and service.

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 for developing plans to ensure fairness and equal opportunity for all brokers."¹⁰

The approach by ICBC and SGI has been open and consultative. There will no doubt be an evolution of service delivery in both of these regions. Both have committed to working with and through the broker channel.

¹⁰ See ICBC Accord, Appendix "B" preamble.

PUB (IBAM) 1-4

Document:	Pre-Filed Testimony Filed on Behalf of Insurance Brokers of Manitoba	Page No.:	13
PUB Approved Issue No.:	9. Cost of Operations and Cost Containment Measures		
Topic:	Broker Commissions		
Sub-Topic:			

Preamble to IR (If Any):

IBAM states: "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."

Question:

- a) Please describe the processes currently available to brokers to offer Extension insurance from competitors when processing Basic insurance policies and annual renewals.

- b) Please provide any suggested changes to proposed online service delivery to enhance competition.

Rationale for Question:

To understand how extension insurance competitive products are broker supported and proposed changes to the broker delivery model to enhance competition.

RESPONSE:

- a. When a broker completes a *Basic* policy annual renewal they have the ability to evaluate other insurer's *Extension* products and match the customer with an *Extension* product that may be more suitable for them for either price or coverage reasons. If a competing *Extension* product is sold, the current *Extension* coverage (if any) for the customer's vehicle would be removed from MPI's IWS system while completing the renewal, and an application for *Extension* coverage with the competing insurer would be completed and submitted to that insurer.

Competing insurers in Manitoba offer customers options for lower deductibles, increased liability insurance, family protection endorsement, loss of use, waiver of depreciation, etc.. Some of these coverages are not currently offered in the same way by MPI, which leaves a coverage gap for customers in certain situations.

- b. IBAM does not have a full understanding of the proposed online service delivery model. Presumably, this will be discussed at the upcoming Conciliation.

IBAM does not think it reasonable to expect that MPI will position competitive products to consumers. Employees of insurance companies are beholden to their companies, whereas brokers are beholden to their customers. Given MPI's forecasted take up rate of fifty percent (50%) online, this would materially impact the competitive landscape.

The *Extension* market is envisioned to be competitive. MPI currently enjoys a ninety-five percent (95%) market share on *Extension* coverage in the Province of Manitoba. Again, it is unreasonable to expect MPI call centre employees to inform customers of *Extension* coverage options outside of their

own organization. Currently the MPI website under "Optional Coverage"¹¹ does *not* mention the existence of options outside of MPI for consumers to consider (at least that IBAM could find). This is natural and to be expected. Similarly, the websites of Belair Direct and Sonnet do not provide information to consumers about products available from competing insurers and enhanced competition.

In addition, consumers may not be aware of alternative coverages such as umbrella liability and it is not reasonable to expect MPI call centre employees to inform consumers of their availability. Insurance products are evolving quickly and it is likely other alternative and all perils coverages will be introduced in the future. The broker channel has - and will continue to have - an obligation to inform their customers of all of the choices before them; MPI employees will have no such obligation. This clearly empowers customers and balances the power disparity between MPI and consumers.

See also: PUB (IBAM) 1-2.

¹¹ See: <https://www.mpi.mb.ca/Pages/Insurance.aspx?sct=Optional%20Coverage>

PUB (IBAM) 1-5

Document:	Pre-Filed Testimony Filed on Behalf of Insurance Brokers of Manitoba	Page No.:	14-15
PUB Approved Issue No.:	9. Cost of Operations and Cost Containment Measures		
Topic:	Broker Commissions		
Sub-Topic:	Trailing Commissions		

Preamble to IR (If Any):

IBAM states: "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."

"...the vast majority of consumers pay their reassessment notices in person and... brokers provide consultation and advice in reassessment years."

"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... A "clean reassessment" should therefore be expected 94% of the time."

"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."

Question:

- a) Does IBAM collect or maintain statistics as to the percentage of reassessments done in person with a broker that are "clean" (i.e., no changes to coverage, payment method, etc.)? If so, please provide. If not,

please provide the basis for the estimate that close to 90% of reassessments are done in person at a broker.

- b) Please describe the consultation and advice that brokers provide to customers in reassessment years.
- c) Please indicate the specific services in (b) where no direct compensation is paid.
- d) If renewals are processed online, please identify which services in (b) would no longer be provided by brokers.

Rationale for Question:

To understand value for money related to the payment of trailing commissions.

RESPONSE:

- a. IBAM/brokers do not collect statistics on clean reassessments.

Three (3) factors contribute to this estimate of reassessments done by a broker:

1. First, we have learned through this process that only nine percent (9%) of consumers pay their Autopac through MPI online;
2. Second, brokers anecdotally report that they process the vast majority of reassessments; and
3. Third, during negotiations in 2018, the now-former CAO of MPI confirmed this to IBAM after investigating the comments of a broker representative on the IBAM's negotiating committee.

b. The actions and activities taken by or on behalf of brokers include:

i.) At renewal (Note - this list is non exhaustive):

- Verify and update address, email address and phone number, if required;
- Verify and update height and eye colour, if required;
- Review use of every vehicle insured to ensure proper registration and coverage;
- Review coverage and advise on coverage options, matching customer need and risk tolerance to product purchased;
- Advise consumer on any competing extension auto products which may be beneficial for him or her;
- Document conversation with customer, coverages reviewed and declined, and any other relevant information;
- Discuss payment options and select payment method desired by the client;
- Collect payment, or complete and explain monthly payment contract to the client;
- Answer customer questions about other MPI products such as Rental Car Insurance, MPI claims process, or their home / business insurance, providing efficiency for the consumer in dealing with multiple insurance products and inquiries in one (1) visit;
- Document / comment the file with any information provided to the customer that is not specific to a vehicle;
- Obtain signature on all paperwork;
- Scan copies of all signed paperwork and supporting documents to MPI;
- Take new driver's license photo, crop and check such photos for quality, and submit such photos to MPI digitally;
- Capture signature and submit to MPI digitally;

- Advise consumer on process they can expect to receive new driver's license and in what timeframe to contact their broker if the new license has not arrived;and
- Ask for consent for MPI to contact the customer about products or services, if customer has not already consented.

The amount of time spent as renewal varies greatly by consumer, the number of vehicles, vehicle use, performance and/or the speed of MPI's IWS computer system.

Brokers also verify the correct registered owner based on either legal ownership or exclusive/primary use. As the Board is aware, Manitoba currently does not have a primary driver rating system. Brokers asking questions to confirm eligibility to register based on current (and any future) rules is therefore important.

ii) At reassessment (Note - this list is non exhaustive):

- Verify and update address, email address and phone number, if required;
- Verify and update height and eye colour, if required;
- Review use of every vehicle insured to ensure proper registration and coverage;
- Review coverage and advise on coverage options, matching consumer need and risk tolerance to product purchased;
- Advise consumer on any competing extension auto products which may be beneficial for them;
- Document conversation with customer, coverages reviewed and declined, any other relevant information;
- Discuss payment options and select payment method desired by consumer;

- Collect payment, or explain the continued monthly payments to consumer;
- Answer consumer questions about other MPI products such as Rental Car Insurance, MPI claims process, or their home / business insurance, providing efficiency for the consumer of dealing with multiple insurance products and inquiries in one (1) visit;
- Document / comment the file with any information provided to the consumer that is not specific to a vehicle;
- Obtain signatures on any paperwork generated; and
- Scan copies of all signed paperwork and supporting documents to MPI if any documents generated.

The amount of time spent at reassessment varies greatly by consumer, number of vehicles, vehicle use, performance and/or speed of MPI's IWS computer system.

As indicated, brokers also verify the correct registered owner based on either legal ownership or exclusive/primary use. As the Board is aware, Manitoba currently does not have a primary driver rating system. Brokers asking questions to confirm eligibility to register based on current (and any future) rules is therefore important.

iii) Driver License Picture taken (Note - this list is non exhaustive):

- Take new driver's license photo, crop and check photo for quality, and submit to MPI digitally;
- Capture signature is and submit to MPI digitally;
- Advise consumer on process they can expect to receive new driver's license and in what timeframe to contact their broker if the new license has not arrived; and

- The amount of time would average five (5) minutes. A new picture is required at renewal as well as any time a consumer has an address change.

In addition, brokers are held accountable for taking photos that meet stringent standards set by the *American Association of Motor Vehicle Administrators* ("**AAMVA**"), the *Canadian Council of Motor Transport Administrators* ("**CCMTA**") and the *International Civil Aviation Organization* ("**ICAO**"). In other words, taking a photo for the purposes of a driver's license is not as simple as taking a "selfie"; there are certain standards and qualities that must be met.

c. Moreover, a recent survey commissioned by IBAM¹² that involved several Manitoba-based brokerages revealed that Autopac clients called or visited an insurance brokerage to simply ask questions about auto insurance and driver and vehicle registrations. Those brokerages that were surveyed were selected based on size and location (thereby presenting findings from very small rural offices to regional and urban offices) to provide balanced feedback and results. The kinds and types of interactions obtained from these brokerages included (this list is not exhaustive):

- Changes to address, email information, and banking/credit card information;
- Payments for renewals, arrears, NSF's, re-assessments;
- Changes to frequency of payments;
- Road test bookings and re-bookings, questions related to failed road test and re-testing;
- Cancelling and/or adding coverages;
- Questions related to the sale/purchase/lease of vehicles;
- Questions related to gifting of vehicles;

¹² IBAM expects to obtain additional research in the coming weeks. It may provide any additional research that is relevant to the matters at hand.

- Quotes for Storage and changes from Storage to Road and visa versa;
- Quotes for Short Term policies, comparison to Annual policies;
- Explanations for changing from All Purpose to Pleasure use;
- Calling Brokers Enquiries at MPI for Overrides;
- Department of Justice ("**DOJ**") holds, Administrative holds, and the investigations required to help customers renew Driver's Licenses, and often calls to Brokers Enquiries to receive an access code to unlock file;
- Questions about Identity requirements, review of identity documentation, and provision of forms for Guarantors;
- Issuing of Permits, reprinting documentation
- Questions pertaining to existing deductibles;
- Questions pertaining to acceptable Bill of Sales, or dealing with incorrect Bill of Sales
- Questions related to change in License Class;
- Ordering specialty plates and delivery of same;
- Questions related to Retail Sales Tax, exemptions;
- Answering inquiries in regard to vehicle values, Gold Book;
- Questions about Driver Safety Ratings, changes to same over time;
- Resolving missed payment situations;
- Resolving Notification Tasks;
- Responding to and providing insurance premium estimates;
- Clients asking to review insurance and vehicle coverages;
- Insurance Workstation ("**IWS**") not responding or down, customers have to re-visit offices;
- Claims inquiries and re-directing customers to MPI directly;
- Questions related to moving into/out of Manitoba;
- Questions related to rental car coverages;
- Ordering and completing forms for Driver's Abstracts; and

- Significant occurrences of time on hold when calling Brokers Enquiries at MPI.

In addition to the knowledge and expertise provided by brokers for the purposes of insurance transactions, please consider the following table of services provided by or on behalf of brokers (Note - this document continues to be refined, but has been tabled here for the purposes of review by the PUB and other interested parties):

TRANSACTIONS - DESCRIPTIONS (NON-EXHAUSTIVE)
Payments/Financing
Acceptance of Payments (MPI Premiums)
Acceptance of Payments (Registration Fees)
Acceptance of Payments (Fees)
Acceptance of Payments (Sales Tax)
Acceptance of Payments (MPI Claims Subrogation)
Acceptance of Payments (Paying out Financing Agreements)
Setup Monthly Pay Plan
Make changes to Monthly Pay Plan
Explain Monthly Pay Plan History to Client - per customers enquiry
Accept payment for Monthly PAC - Customer advises payment will go NSF - have to check IWS every day till amount is returned on IWS and then apply to account
If Customers cheque is returned (ie. NSF)
Prepare Deposit Slip to Bank
Funds Balancing
Reconcile Bank Accounts Monthly
Entering New Credit Card or banking Information for Client
Customer enquiries about when payment is due/how much is due or when PAC withdrawal will be or how much PAC withdrawal will be
Breakdown of all insurance costs for all vehicles for the customer - usually requested when people are filing personal or corporate income tax
Breakdown of insurance for each vehicle on pre-authorized payment plan
Setup Sales Tax Financing Agreement
DOJ Hold - Explaining and sending client to Department of Justice (educating could be unpaid speeding ticket, family maintenance payment enforcement, other)
Winter Tire Program - Contact Tire Installer for updated or missing information on Bill of Sale or missing signatures or missing invoices
Winter Tire Program - Contact client for banking information

Notification Tasks
Contact Customer if Monthly Payment doesn't go through
Contact Customer if Monthly Credit Card needs new expiry date
Driver Test Reminders - Call and remind customer about test date
Driver Test Reminders - Call and remind customer about test date
Contact every client who was on monthly credit card pay when MPI removed this option
Inventory
Ordering Inventory
Reviewing and Accepting Received Inventory
Inventory Balance Report - Monthly to MPI
Inventory Check - weekly
Sales Tax
Lookup Gold Book Value of Vehicle
Review sales tax exemption rules and discuss with customer and confirm exemption applies
If Status Indian, confirm that the proper steps were taken and if not refuse to provide exemption
Completion of RST Refund on IWS at time of registration
Sales Tax Forms
Retail Sales Tax - Application for Refund (Vehicles or Off Road Vehicles) - Provide and explain Form
Assist Customer in Completing Form
Motor Vehicle or Off-Road Vehicle Appraisal Report - Provide & explain Form
Assist Customer in Completing Form
Drivers License
Offer and Explain Organ Donation Card
Ask Medical Questions when customer is in office (Non-Renewal)
Provide customer with a driver in force letter from IWS and scan copy to MPI
Photo rejects - call customer if photo is rejected incorrectly and work with BE to have photo pushed thru system. Example religious wear or disability
Client asking for Driver Safety Rating Letter - printout from IWS of
Entering Driver History into IWS
Completing Driver History (affidavit) Form from IWS
Explain repercussions of convictions, at fault claims
Driver's License Surcharges
Drivers License Forms
Customer Unavailable - Declaration of Residency - Provide & Explain Form
Autopac/Coverage - Reassessment years
Offer and Explain Lower Deductible Option
Offer and Explain Higher Liability Option
Offer and Explain Loss of Use

Explain Maximum Insured Value
Offer and Explain New Car Protection
Offer and Explain Leased Vehicle Protection
Offer and Explain Income Replacement Indemnity
Explain advantages and disadvantages of putting vehicle in spouses name
Brochures - Provide Customer Copy of Various MPI Brochures
Explain and answer any questions regarding topics covered by the brochures
Add Comments to Customer File
Specialty Plates
Call Customers when specialty plates arrive in inventory) to pick up plates
Plate Replacement to Specialty Plates
Complete Off Road Vehicle Inspection
Appts - Changes and Cancelations and 'Just Checking'
Change knowledge Test/Driver Test Appointments
Cancel Knowledge Test/Driver Test Appointments
Moving appointment from one customer to another
Providing Quotes to new and existing vehicles
Answer general inquiries
Forced Calls to MPI
Forced Call- Call Broker Enquiries
Forced Call - wait time while on hold
Forced Call - Time spent talking to or waiting for Broker Enquiry Rep.
Forced Call - Time spent calling and getting a second opinion - if we know or suspect the Broker Enquiry Rep. has provided wrong information
Forced Call - IPRES is required - If IPRES system is down, have to tell customer to come back another day.
Client Visits - No transaction / No access to file / Q&A Sessions
Information - Customer attends office or calls to ask questions
Advice - Customer attends office or calls to ask for advice
Review documents (ie. bill of sale, safety) and have to send client away as they do not have the correct documentation
Escalations
If customer issue needs escalation, fax documents to MPI, wait with customer for broker services to approve and get back to us
If customer issue needs escalation beyond broker enquiries, await and follow up with Broker Enquiries
All Statutory Declarations must be signed by Commission for Oaths - MPI is not paying for this service that we provide
Autopac/Coverage Forms
Customer Document Retrieval Request - Provide & Explain Form
Assist Customer in Completing Form

MPI Statutory Declaration (Deceased) - Provide & Explain Form
Assist Customer in Completing Form
Authorization for another person to sign documents on customers behalf - Provide & Explain Form
Assist Customer in Completing Form
Statutory declaration for Signature Confirmation - Provide & Explain Form
Assist Customer in Completing Form
Bill of Sale - Provide & Explain Form
Assist Customer in Completing Form
Letter of Gift - Provide & Explain Form
Assist Customer in Completing Form
Exclusive Use Agreement - Provide & Explain Form
Assist Customer in Completing Form
Statutory Declaration - No bill of sale - Provide & Explain Form
Assist Customer in Completing Form
Request Claims History - Provide & Explain Form
Assist Customer in Completing Form
Statutory Declaration - Homemade Trailers Provide & Explain Form
Assist Customer in Completing Form
Collector Vehicle Qualification - Provide & Explain Form
Assist Customer in Completing Form
Personalized Plate Application (Personalized plate, collector vehicle, amateur radio, firefighter, paramedic, veteran) Provide & Explain Form
Assist Customer in Completing Form
Specialty Plates (UofW, Curling, Troops, Goldeyes, Bombers, Jets, Humane Society, Snoman, Fisheries, etc.) order - Provide & Explain Form
Assist Customer in Completing Form
New Manitoban/Setup New Customer
Determine if from reciprocal or non-reciprocal jurisdiction
Advise Steps to getting license based on jurisdiction
Explain Documents needed to setup new customer in IWS (clients often come back 2-3 times without correct documents)
Escalation if customer cannot get correct documents
Declaration of Guarantor - Provide Form
Explain Form
Assist Customer in Completing Form
Statutory Declaration - Signature (ie. Translate signature from foreign jurisdiction).
Explain Form
Assist Customer in Completing Form
Out of Province Request Claims History from Preious Jurisdiction - Provide Form
Explain Form
Assist Customer in Completing Form

Computer/IT
Computer Hardware
Computers
Printers
Kodak Scanners
Office Supplies (Paper, Staples, staplers, paper clips, plastic folders, etc.)
IT Support Services
Install new versions of software, apply updates to software
Troubleshoot connection problems
Troubleshoot camera problems
Troubleshoot computer hardware or software problems
Staffing/Training
Costs of courses for staff training
Costs of paying staff for time spent at training required for licensing
Costs of paying staff for time spent at required MPI training
Costs of Senior staff and Junior Staff for one on one shadowing and training time
Costs of training a staff person and lost opportunity cost when the staff person is then hired directly by MPI
Hiring Staff
Staffing Issues
Management
Oversee staffing at location
Meet with MPI Representatives
Escalate issues with MPI Broker Enquiries
Deal with complaints from Customers or ones made to MPI
Staff Meetings
Claims
Answering questions about coverage as it relates to a claim
Provide advice to clients about how to handle small claims and explain option to buyout claim
Provide customer with contact information to report claim
Allow client to report claim by calling while in office
Explain Loss of use to a customer as it relates to their claim
Explain repercussions of reporting claim
After Hours Claims enquiries

- d. This is entirely dependent on how renewals are processed online. IBAM contends that the best model moving forward for all stakeholders is to keep the broker central in online transactions, including renewals [please see PUB (IBAM) 1-2 above for supporting rationale]. Presumably, the details of this will be discussed at the upcoming Conciliation.

PUB (IBAM) 1-6

Document:	Pre-Filed Testimony Filed on Behalf of Insurance Brokers of Manitoba	Page No.:	24
PUB Approved Issue No.:	9. Cost of Operations and Cost Containment Measures		
Topic:	Broker Commissions		
Sub-Topic:	Economic Contribution of Brokers		

Preamble to IR (If Any):

Question:

Please file a copy of the Deloitte Report commissioned by the Insurance Brokers Association of Canada referenced in footnote 32.

Rationale for Question:

To understand economic contributions of brokers in Manitoba.

RESPONSE:

A copy of the Deloitte Report is attached hereto as *Appendix "A"* and is also available online.¹²

¹² The Deloitte Report can be found at:
<http://www.ibac.ca/getattachment/563bfb30-04c4-4ba8-bd20-e4c189b6b9f2/April-23-2019-IBAC-Economic-Contribution-Study.aspx>

PUB (IBAM) 1-7

Document:	Pre-Filed Testimony Filed on Behalf of Insurance Brokers of Manitoba	Page No.:	29
PUB Approved Issue No.:	9. Cost of Operations and Cost Containment Measures		
Topic:	Broker Commissions		
Sub-Topic:	Commission Trends		

Preamble to IR (If Any):

Question:

- a) Please explain what led to the reduction in Basic, Drivers and Extension Commission from 2011 to 2012.
- b) Please provide the compound annual growth trend since 2012, and explain the reasons for the increases since 2012.
- c) Please file the most recent report and associated correspondence filed with IBAM on broker commissions referenced in the report.

Rationale for Question:

To understand broker commission trends in Manitoba.

RESPONSE:

- a.) The current Executive of IBAM were not involved in negotiations relevant to the material reduction in 2011. For this reason, we cannot provide a specific answer at this time.
- b.) Increases in commission paid on Basic and Extension are tied to the amount of revenue delivered to MPI by brokers. Revenue is a function of both price

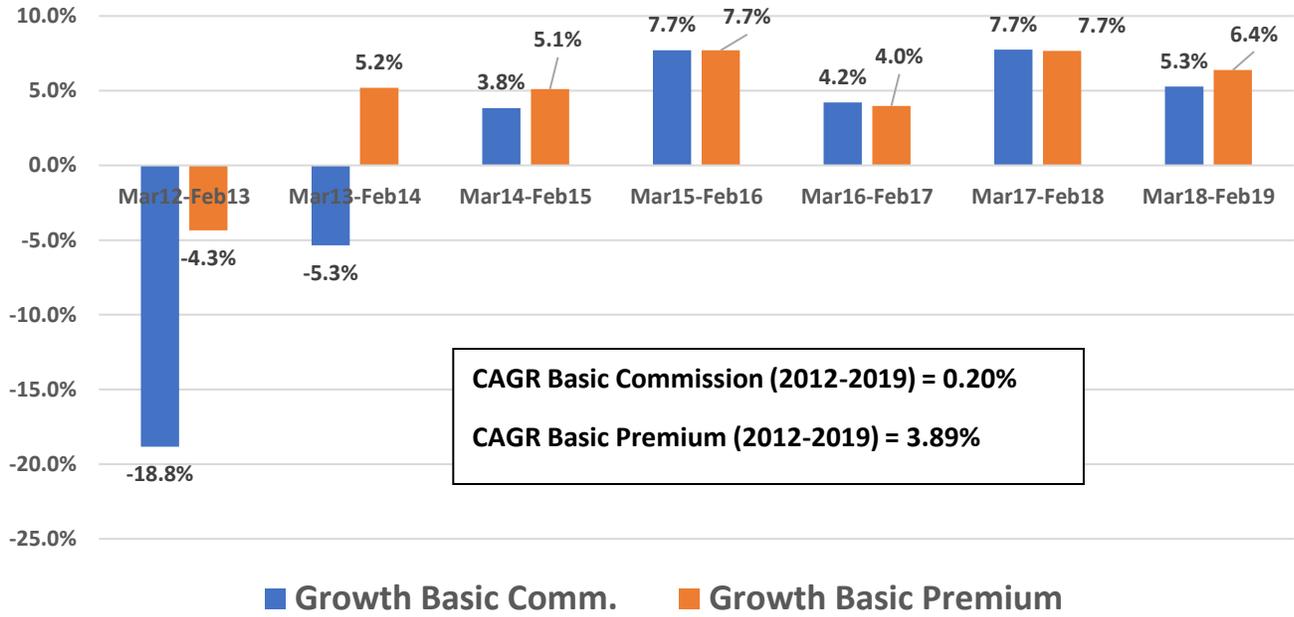
and quantity and increases in both help explain any annual increases. Three (3) trends are noteworthy and can be seen in the chart below:

1. First, MPI is growing *Basic + Extension* premiums at a much faster rate than associated broker commissions;
2. Second, in recent years, the percent paid to brokers against premium has been in decline for both Basic and Extension;
3. Third, growth rates in broker compensation commonly fall short of the rate of inflation / the Consumer Price Index ("**CPI**"). Brokerages are independently run small businesses who need to pay expenses to operate their businesses.

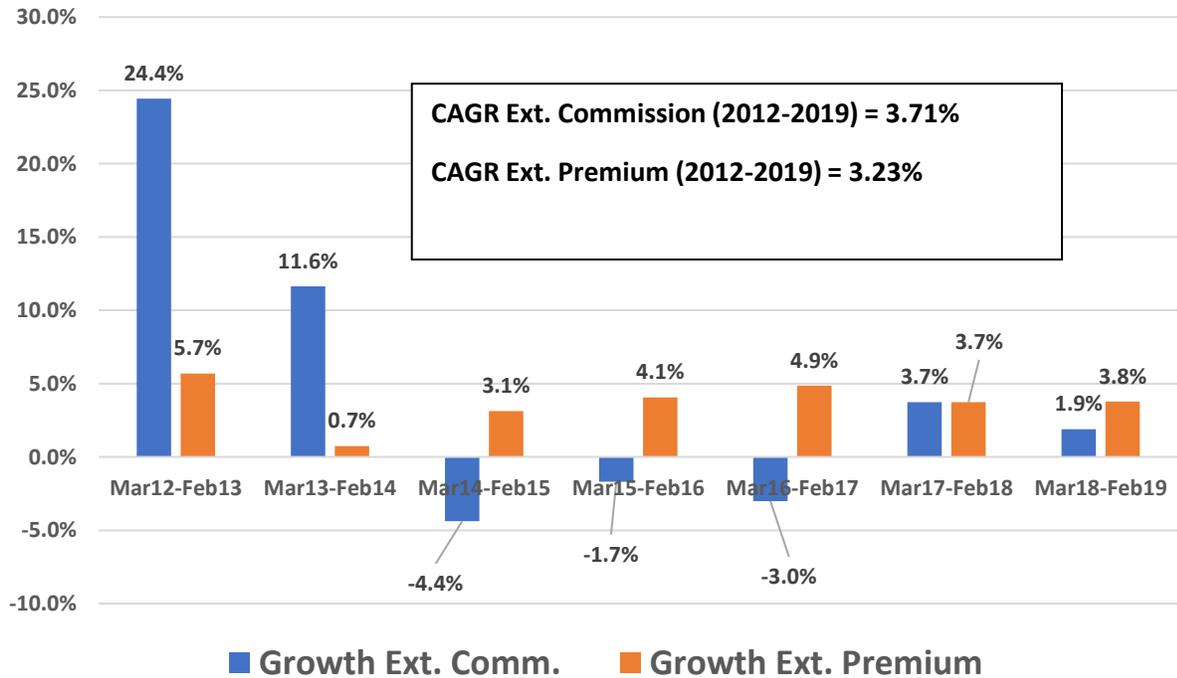
These expenses rise, on average, at the rate of inflation (CPI). The numbers illustrate that brokers have experienced negative real growth in four (4) of the last eight (8) years.

Increases in dollar values may relate to an increase in commissions paid on Extension. Although the current Executive/Board at IBAM has changed since then, commission rates on Extension were increased in 2012. This was done, in part, to soften the impact of moving Basic commissions from five percent (5%) to three percent (3%) as part of the introduction of five (5)-year-renewal program to help ensure the viability and continuance of the broker channel. However, as stated elsewhere, brokers have found that there has been no material change in consumer habits as many still attend to brokers for advice in non-renewal years. For more information on historical commission percentages please see: <http://web2.gov.mb.ca/laws/regs/current/pdf-regs.php?reg=93/2009> .

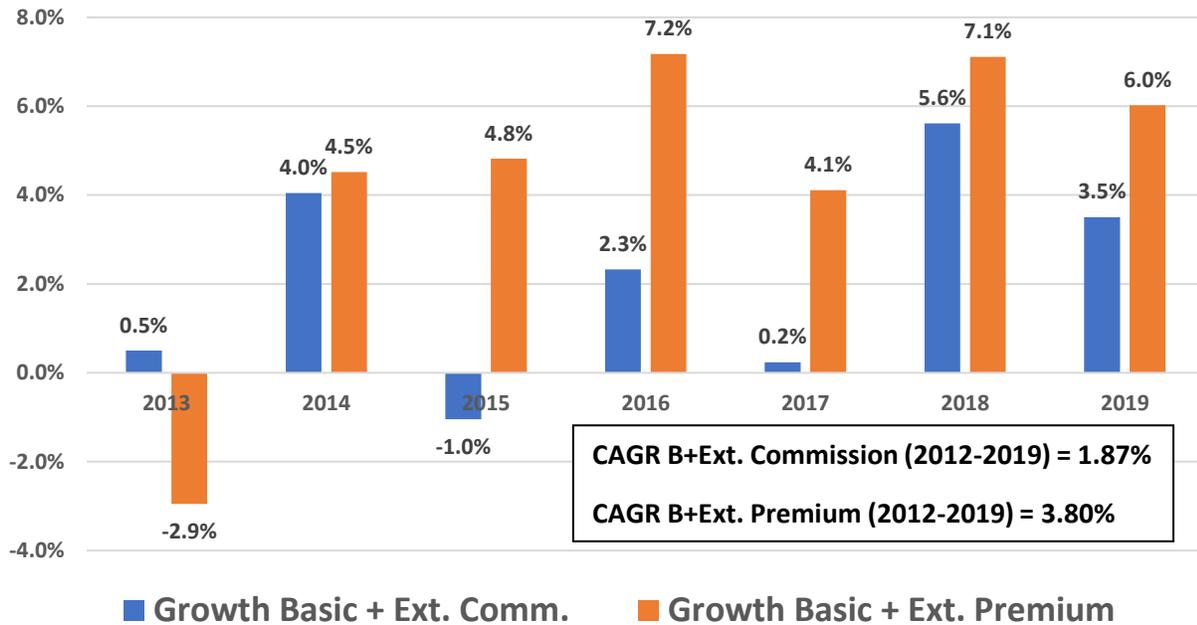
Annual Growth since 2012: Basic Commission vs Basic Premium



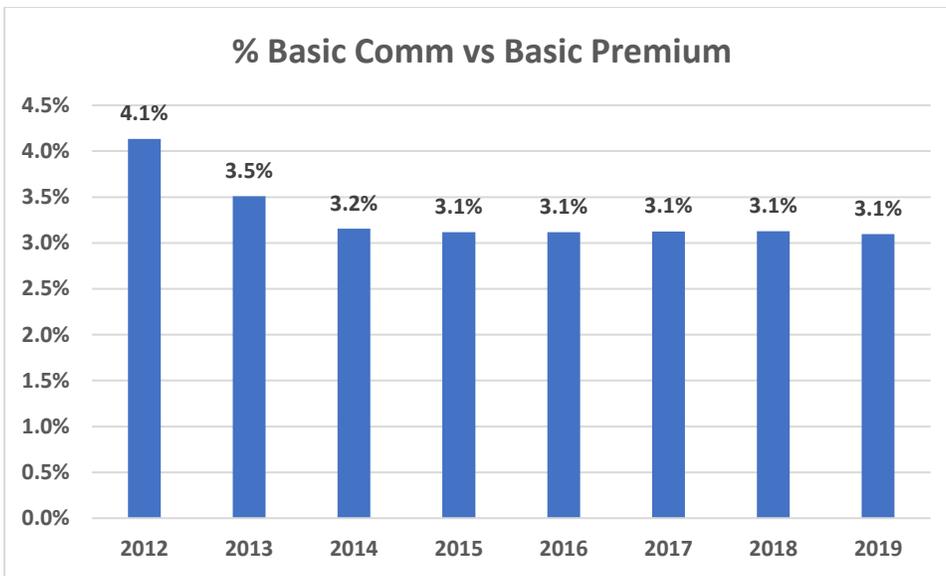
Annual Growth since 2012: Ext. Commission vs Ext. Premium



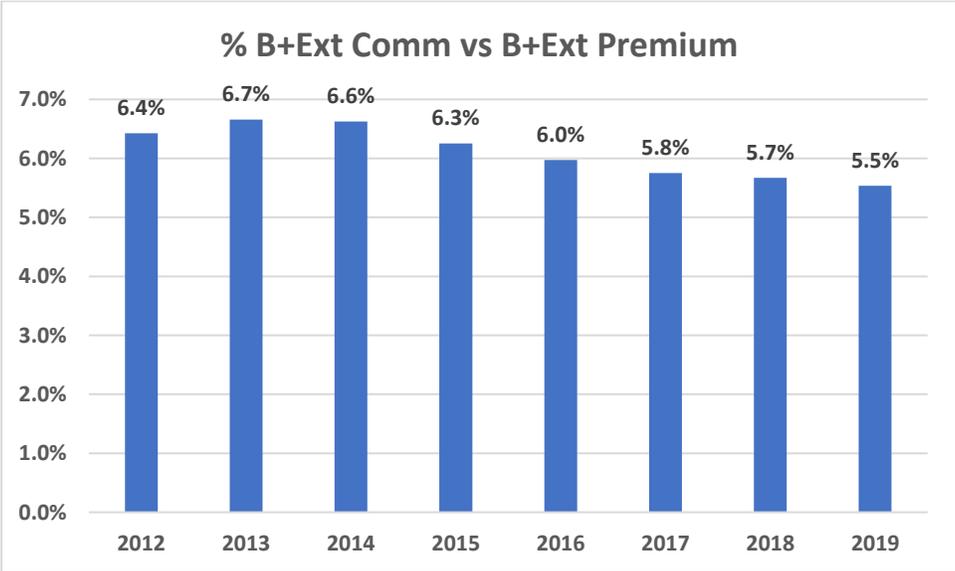
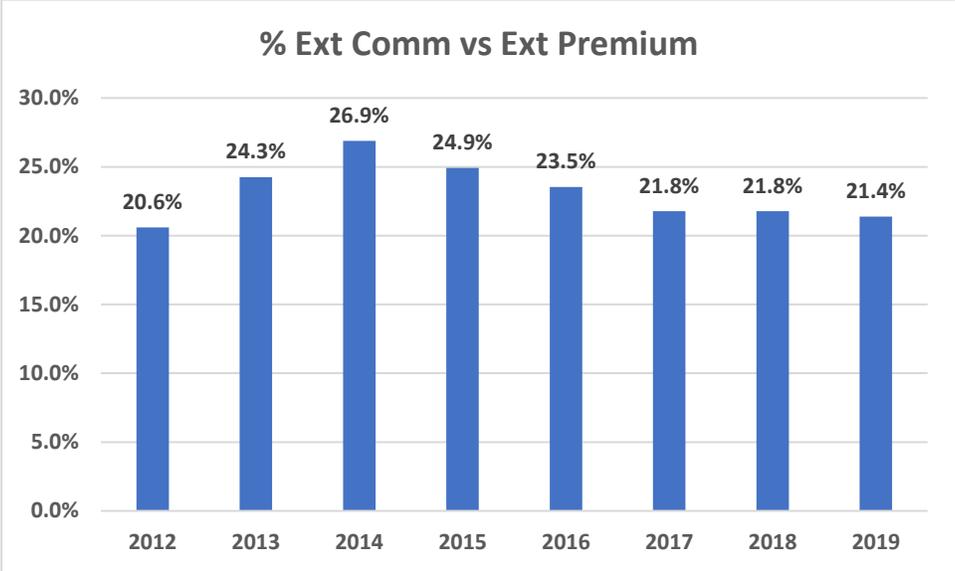
Annual Growth since 2012: B+Ext Commission vs. B+Ext Premium



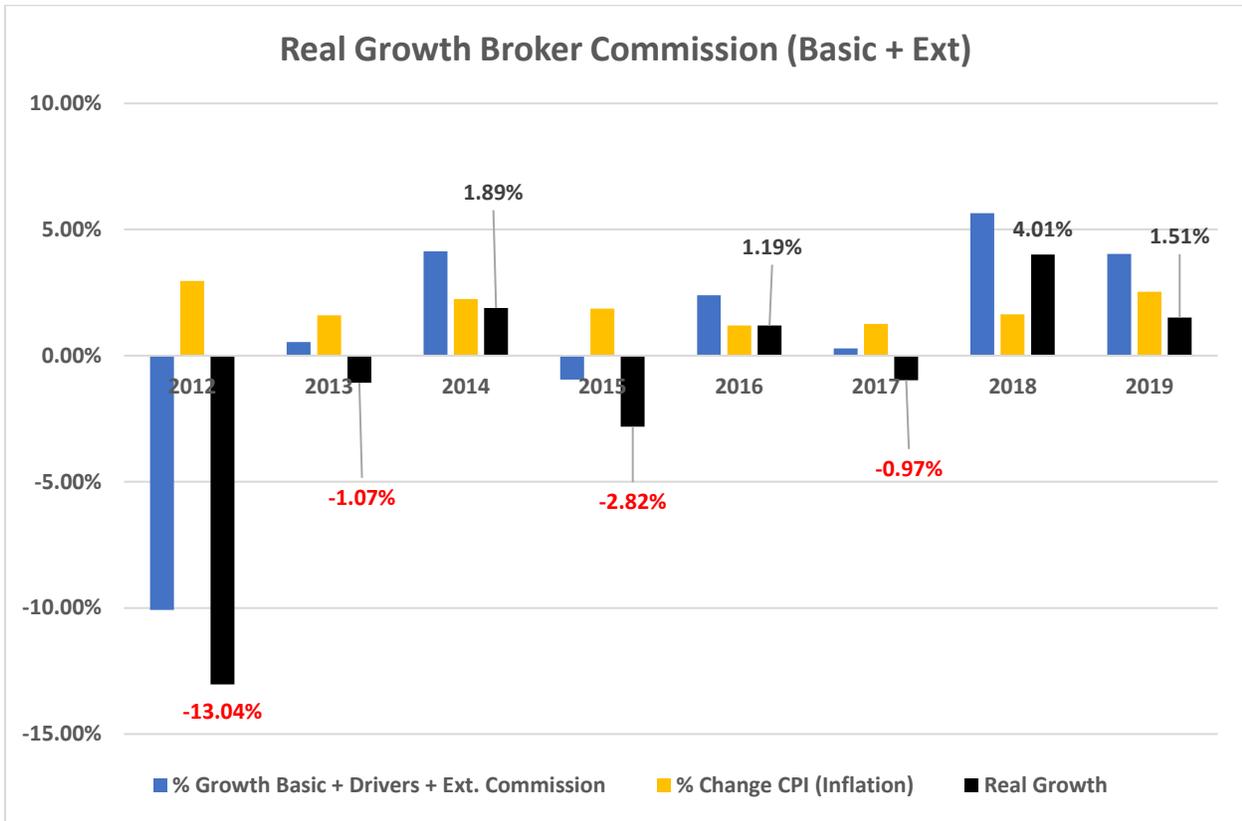
% Basic Comm vs Basic Premium



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.



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



c) See attached Xcel Spreadsheet marked as Appendix "D"

ATTACHED APPENDICES

APPENDIX A – DELOITTE REPORT

APPENDIX B – British Columbia (ICBC) Accord

APPENDIX C – Saskatchewan (SGI) Accord

APPENDIX D – Excel Spreadsheet with Broker Commissions