

May 1, 2020

MPI Exhibit #8

# 2021 Special Rebate Application

MPI Oral Submissions

May 1, 2020

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# Special Request at an Urgent Time

1. Extraordinary circumstances require extraordinary action
2. COVID-19 is a Global Pandemic, akin to a 1-in-100 year event
3. MPI (and gov't) recognizing the needs of ratepayers and its ability to provide immediate assistance
4. \$58M just a small part of much larger collective effort to overcome COVID-19
5. MPI believes that issuing this rebate will assist in that endeavor
6. MPI believes that issuing this rebate is a reasonable course of action



# Rebating is Responsible and Affordable

## Before the Rebate

1. MPI entered the COVID-19 pandemic on strong financial footing
2. MPI experienced favourable financial performance, because of:
  - lower than anticipated claims experience
  - prudent management of investments and operating expenses



# Rebating is Responsible and Affordable

Transcript page 99, beginning line 17 (Mark Giesbrecht)

*“And I'll just add to that -- that response. One (1) way of looking at our ability to pay the rebate is again looking at the tracking of our capital position and our MCT.*

*And if I just look back at the last number of quarters and go back a couple years, at February 2018, our Basic MCT was 44 percent. That tracked -- at -- at February 2019, to 52 percent for a slight improvement, then into this current fiscal year, it grew to 87 percent after the first quarter, and then it's hovered between eighty (80) and ninety (90), kind of there -- thereon, and now in around to the hundred percent range.*

*So -- and we're not forecasting that to -- that to drop going forward, because the substance of the rebate is based on claims savings assumed to happen between that -- that period. And so we will remain in a strong financial position post rebate.”*



# Rebating is Responsible and Affordable

Transcript page 114, beginning line 8 (Luke Johnston)

*“But one (1) thing when we had kind of the initial call, MPI noted that the Board for the first time would see just how good of a year MPI had in 19/20, just as an example. I believe reported claims were about \$114 million under budget in the year, which is a remarkable result.*

*So we were going to be coming to this [G]RA with a very -- very good results anyways. And the pandemic situation, unfortunately for customers, but not so much for us, has actually resulted in even better results, so we really felt the need to – to act, given the amount of monies we had -- or we're making from this situation.”*



# Rebating is Responsible and Affordable

## After the Rebate

### 1. 2019/20

- Basic Total Earned Revenues projected at \$1.116 billion (Figure 1 – Total Earned Revenues - Basic)
- Essentially equal to the 2020 GRA compliance forecast

### 2. 2020/21 and beyond

- Reduced revenue forecast reflects revised volume and upgrade projections, which will be detailed in the 2021 GRA
- Revised capital amounts are best estimates and subject to change with Audit  
Extension monies going directly to basic ratepayers
- Accelerating it via a direct cheque instead of a future rate decrease



# Rebating is Responsible and Affordable

## Investments

1. The ALM strategy ensures that investment losses in the Basic Claims portfolio are offset by the corresponding reduction of the Basic Claims liabilities, since both are interest rate sensitive and have similar duration and size
2. The performance of the various asset classes in each of the investment portfolios is not impacted by the proposed rebate
3. An added benefit in the context of this rebate Application was the removal of growth assets from the Basic Claims portfolio, with equities having sustained greater losses than bonds during the course of the pandemic
4. MPI has significant cash and premium revenues which it can use to fund the rebate. At the outset of the COVID-19 pandemic,, MPI held back \$85 million in cash that would otherwise have been transferred to the Investment Fund



# The Rebate Aligns with the CMP

1. Proposed rebate is tantamount to a capital release under the CMP
2. Benefits to customers now, not 3 years from now
3. Proposed rebate aligns with spirit of the capital release provisions of the CMP
4. This Application does not need to be changed to comply with the CMP





# Proposed Rebate is Fair and Equitable

1. Proposed rebate is for customers who overpaid because of COVID-19
2. There is no perfect method of determining who gets the rebate
3. Methodology must be simple but fair to greatest number of customers
4. Fair and equitable to issue rebates to those who contributed to the improved situation MPI faces as a result of the pandemic
5. MPI has proposed that rebates go to those with policies in force and earning premium (private passenger vehicles)



# Proposed Rebate is Fair and Equitable

## Motorcycles

1. Motorcycle owners no longer need to put their policies in force before riding
2. Policies in force all year, but only earn premium during riding season
3. Riding season = May 1 to September 30
4. MPI assumes no exposure to risk outside of riding season
5. No exposure to risk = no premium earned = no payment requirement
6. Any payments received by MPI outside riding period cover risk during riding period
7. Number of in force policies earning premium on March 15, 2020 = 0
8. No evidence motorcycle collision frequency will be 60% under budget in May
9. Collision frequency down because less vehicles on road - people work at home
10. 90% of motorcycles registered as pleasure use – unaffected by phenomenon



# Direct the Proposed Rebate Today

1. Grant leave to accept this application outside prescribed timeframes
2. Vary the directives contained in Orders No. 159/18 and No. 13 176/19, to the extent that they do not require the issuance of rebates
3. Direct MPI to issue special rebate to ratepayers
  - percentage of annualized premiums for universal compulsory automobile insurance policies in force and earning premium on March 15, 2020
  - proposed rebate equal to \$58 million (amount is fixed)
  - by May 31, 2020 (or as soon as can be done)
4. Just and reasonable to issue the proposed rebate and methodology
5. Consider approval of rebate today, with reasons to follow

