CAC MANITOBA BOOK OF DOCUMENTS: CMP / REBATE / RSR PANEL

MANITOBA PUBLIC INSURANCE
2022/2023 GENERAL RATE APPLICATION

Katrine Dilay / Chris Klassen

Public Interest Law Centre
100-287 Broadway
Winnipeg, MB R3C 0R9

INDEX

1. Manitoba Public Insurance 2020 General Rate Application, October 7, 2019 Transcript.
2. Manitoba Public Insurance 2020 General Rate Application, October 11, 2019 Transcript.
3. Manitoba Public Insurance 2020 General Rate Application, October 15, 2019 Transcript.
4. Manitoba Public Insurance 2020 General Rate Application, Part I – Legal Application.
5. PUB Order 159/18
6. PUB Order 176/19
7. PUB Order 1/21
8. PUB Order 2/21
9. Manitoba Public Insurance, News Release, "Manitoba Public Insurance applies for largest rate decrease in 30 years" (17 June 2020).
10. Manitoba Public Insurance, News Release, "Manitoba Public Insurance Requesting 2.8 Per Cent Decrease and Additional $155M Rebate to Customers" (28 June 2021).
11. Government of Manitoba, News Release, "Customer Service and Efficiency to Result from Merger of MPI and Driver and Vehicle Licensing: Ministers" (20 April 2004).
12. Government of Manitoba, News Release, "Manitoba Government to Lower Vehicle Registration Fees by 10 Per Cent" (12 May 2020).
13. Government of Manitoba, News Release, "Province Commits to Reducing Vehicle Registration Fees" (13 May 2021).
14. Manitoba Public Insurance, "Who We Are" (website), online: https://www.mpi.mb.ca/pages/who-we-are.aspx
15. Government of Manitoba, *Annual Report and Public Accounts for the Year Ended March 31, 2021* (September 2021).
16. Manitoba, Legislative Assembly, *Hansard*, 42nd Leg, 3rd Sess, No. 79 (8 October 2021).
17. Manitoba, Legislative Assembly, *Hansard*, 42nd Leg, 3rd Sess, No. 80b (12 October 2021).
18. Insurance Corporation of British Columbia, "How COVID-19 affects your ICBC services" (website), online: https://www.icbc.com/about-icbc/contact-us/Pages/covid-19.aspx
19. Office of the Superintendent of Financial Institutions Canada, *Guideline: Minimum Capital Test*, No. A (1 January 2019).

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2020/2021 GENERAL RATE APPLICATION

HEARING

Before Board Panel:

Irene Hamilton, QC - Board Chairperson

Robert Gabor, QC - Board Chair

Robert Vandewater - Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

October 7, 2019

Pages 1 to 328

APPEARANCES

Kathleen McCandless	)Board Counsel
Robert Watchman	)
Roger Cathcart	)Consultant
Steven Scarfone	)Manitoba Public
Michael Triggs	)Insurance
Anthony Guerra	)
Byron Williams	)CAC(Manitoba)
Katrine Dilay	)
Charlotte Meek	)CMMG
James Wood	)
Christian Monnin	)Bike Winnipeg
Charles Feaver	)
Curtis Unfried	)IBAM
Jennifer Sokal	)
(Articling student)	

TABLE OF CONTENTS

TABLE OF CONTENTS (Con't)

MR. STEVEN SCARFONE: Exhibit number 44 was simply an update to PUB-2-14, one of the information requests.

--- EXHIBIT NO. MPI-44: Update to Information Request PUB-2-14

MR. STEVEN SCARFONE: Number 45 was the presentation that Mr. Graham will be giving later today.

--- EXHIBIT NO. MPI-45: Mr. Graham's presentation

MR. STEVEN SCARFONE: And at Exhibit 46 is the revenue and expenses investments presentation that will be given by MPIC.

--- EXHIBIT NO. MPI-46: Revenue and expenses investments presentation that will be given by MPIC

THE CHAIRPERSON: Thank you.

MR. STEVEN SCARFONE: As set out in the letters circulated on Friday by Mr. Triggs, MPI's general counsel, and corporate secretary -- and again, that's Exhibit number 42 -- the adjusted rate indication sought by the corporation in this year's general rate application is a negative 0.6 percent representing an overall decrease in insurance premiums for Manitobans.

All the people that register a motor vehicle in this province, of which there are over 807,000, will see their insurance bill go down next year if the amended application's approved by this Board. This is good news for Manitobans we suggest.

But some historical context is important, Madam Chairperson. Two (2) years ago, MPIC was before this Board facing significant financial challenges. Capital transfers from the Extension line of business had become routine, and the accepted actuarial practice or AAP rate indication two (2) years ago was 7.7 percent. With management action, that was later reduced to 2.7 percent.

At that time, MPI said if it could just address its concerns surrounding the capital reserves, it anticipated returning to this Board with little or no rate increases year after year. That was a bold statement to be sure.

The PUB assisted MPI in its vision and approved a 2.6 percent indication two (2) years ago, and it allowed MPIC to retain the investment income on the rate stabilization reserve to help build its capital.

And then last year, Madam Chairperson, MPIC was before this Board with an improved outlook, an AAP rate indication of .1 percent, but with an added 2.1 percent to assist the Corporation in maintaining its capital position.

MPIC said last year that financial stability at MPI appeared promising. MPI again said that so long as the Rate Stabilization Reserve was sufficiently funded, rate payers would soon enjoy the benefits of properly capitalized Basic program. MPI promised last year there would be no rate increases in the 2020 GRA this year, and again in the 2021 GRA next year. The PUB again assisted MPI in its vision, and approved last year's rate indication, adjusted to point -- or, to one point eight (1.8), excuse me, for interest rates having risen.

And so MPI returns this year, I would suggest having made good on those promises, and is now seeking approval of a rate decrease. To be sure, there are still issues to be canvassed, and I will touch upon those shortly, but the bottom line is this, Madam Chairperson, a negative point six (.6) rate indication if approved by this Board.

MPI Exhibit number 42, which was sent and circulated on Friday, shows strong financial performance for Basic, and that, I would suggest, is a relatively recent trend, beginning January 2018. Before that, for at least two (2)years, Basic suffered net income losses of approximately $175 million, largely the result of interest rate forecasting and some bad hailstorms.

But rather than sit idle and perhaps seek large rate increases from its customers, the Corporation took action. It took steps to avoid losses of this magnitude from happening again.

MPIC President and CEO Ben Graham, who you will hear from shortly, will speak to the steps and the strategies taken by MPI, but they include a new asset and liability management program; a new investment portfolio; increased capitalization of Basic; and now, for approval by this Board, the new capital management plan.

But, Madam Chairperson, MPIC can't take all the credit. This Board has also assisted MPIC in its efforts by directing the Corporation to make use of AAP rate making because if its shorter forecast horizon, which the Corporation started doing in the

2018 GRA. And then last year, in the 2019 GRA, against the advice of Intervener expert witnesses, the PUB approved the use of the naive interest rate forecast, a methodology advocated by MPI for the past couple years.

All of these factors, we say, Madam Chairperson, have mitigated the risk of Basic again losing hundreds of millions of dollars due to poor interest rate forecasting.

However, the Corporation is not resting on its laurels. It continues to identify areas of the business that need to be fixed. Over the next three and a half (3 1/2) weeks, the panel will hear from MPI and Interveners on a number of important issues.

This morning, you will hear from Mr. Graham on where MPI is now and where it expects to be in the next few years.

Tomorrow, you will hear from witnesses on expenses and investments. The evidence from MPI's Corporate Controller, Cynthia Campbell, will be that operating expense forecasts will remain steady for the next three (3) years, from this year till 2022 twenty twee -- 23, and that Basic expenses for this year, 2018/19, were 5 percent under budget when compared against the 2019 GRA forecast.

Mr. Bunsten, who is MPI's Manager of Investments, will update the Board on the final stages of the implementation of the investment strategy under the asset liability management study, and he will describe for you the performance of MPI's investment fund.

Following our day off, MPI will present Curtis Wennberg -- he's the Vice President and Chief Operating Officer -- as part of MPI's road safety panel, to speak to new initiatives and an increased road safety budget.

On Friday, you can expect to hear an update from Luke Johnston, MPI's Chief Actuary, and Satvir Jatana, MPI's Vice-President of Corporate Services, on the new driver safety rating models being considered by the Corporation, some of which, you will learn, have already been rejected based in part on feedback from a comprehensive customer survey.

Mr. Johnston will then keep his seat and into next week for the next panel, which is rate making and the capital management plan. The capital management plan, Madam Chairperson, is of course before this Board for approval in this year's GRA, and Mr. Johnston will explain the mechanics of the capital man -- management plan and how Basic policyholders will receive the benefits of MPI's Extension line of business. And you did hear that correctly -- AutoPac will now benefit from the profits made by the Extension line of business.

Extension, you may recall, panel members, is one of MPI's competitive lines of business, which sells the insurance products that don't come with your Basic compulsory insurance, for example, increasing your third-party liability, the loss of use on a vehicle, new vehicle protection, that kind of stuff. Those are the Extension products that for the Extension line of business.

Mr. Johnston will testify that the capital management plan was designed to achieve and maintain capital of 100 percent MCT for Basic as mandated under the reserves regulation, which was enacted back in April. Mr. Johnston will tell you that should the capital reserves in the Extension line of business reach a threshold of 200 percent MCT, there will be an automatic transfer of the excess capital into Basic's rate stabilization reserve. This will keep Basic capitalized to the level required under the new regulation.

And I'm sure it's not lost on this Board that this represents a departure from the

Corporation's position in recent general rate applications, and that is where MPIC had maintained that Basic must operate on a self-sustaining basis and that the Board of Directors had no appetite for making capital transfers from Extension.

The reserve regulation and 100 percent MCT has obviously changed all that. This Board will certainly remember asking MPI if the money in Extension was not for cross-subsidization of Basic, then what was it to be used for? The PUB, we say, now has its answer, and I would suggest that the capital management plan is the answer this Board was looking for.

So that's the capital management plan for which MPIC seeks approval; however, having said that, as Ms. McCandless said, there is a wrinkle. There is more to Issue number 18, and that being the validity of the reserves regulation.

As the Board is aware, the regulation has been challenged by my learned friend, Mr. Williams, on behalf of his client, the Consumers Association of Canada, the Manitoba branch. That particular issue will not require MPIC to adduce any evidence during the course of this hearing, but rather will be dealt with in argument at its conclusion. In addition, because Cabinet and the Government of Manitoba decided upon the amount of capital that should be held in the Corporation's reserves, MPIC will take a back seat on this issue and allow my learned friend from the Attorney General's office, Denis Guenette, to answer the challenge. MPIC will, however, be advancing some argument in a supporting role by way of reply to the CAC's closing arguments.

I've been asked by Mr. Guenette to pass along a few comments. Firstly, Mr. Guenette is in Toronto today and tomorrow and sends his regrets. Secondly, Mr. Guenette has received instructions to raise an underlying issue, and that is whether the Public Utilities Board has jurisdiction to hear the question posed under the Constitutional Questions Act.

He does, of course, still intend to argue more generally on the issue of the validity of the reserves regulation, but he has been instructed to look into the jurisdiction of this Board to hear that particular issue. And lastly, his office also intends to argue the alternative issue under Issue 18, and that is whether the approved rates must comply with the regulation should the regulation be determined valid.

Next week, on Wednesday morning, Mr.

Scarfone, and thank you, panel members. MPI's first witness in this GRA is its President and CEO, Mr. Benjamin Graham. So with that, I will ask Mr. Graham to provide his sworn testimony. However, I believe he'll be sworn in first.

THE CHAIRPERSON: Yes. Would you swear Mr. Graham, please?

MPI PANEL 1:

BENJAMIN WILLIAM GRAHAM, SWORN

EXAMINATION-IN-CHIEF BY MR. ANTHONY GUERRA:

MR. ANTHONY GUERRA: Thank you, Mr. Graham. Just to confirm, you are the President and Chief Executive Officer of MPI, correct?

MR. BENJAMIN GRAHAM: Yes, I am.

MR. ANTHONY GUERRA: And how long have you served in that role for?

MR. BENJAMIN GRAHAM: Nineteen (19) long months.

MR. ANTHONY GUERRA: Thank you. And my -- my friend from the Insurance Brokers Association of Manitoba had referenced the -- the -- the significant, I guess, senior insurance executive roles played by the -- the executives for SGI and ICBC.

MR. BENJAMIN GRAHAM: Yes, I am.

MR. ANTHONY GUERRA: Okay, without further ado, then, can you please present your presentation.

MR. BENJAMIN GRAHAM: Thanks. Good morning to everyone in attendance this morning. I'll -- I'll make two (2) promises before lunch. I will not speak in the same legalese as my -- my counterpart, Steve Scarfone, and I will not read my slides. I promise that I will try to keep everyone awake as possible before the lunch break.

So again, good morning to everyone. I'd like to start this presentation with a -- with a comment around transparency, and I would like to believe that, since I had taken on this role nineteen (19), twenty (20) months ago -- that we have increased our level of transparency not only with our customers and stakeholders, but also with the Public Utilities Board.

I believe that that's clearly evidenced through our written submissions, as well as our IRs, and I also want that transparency to continue today, especially. We are open to questions, we are open to discussion, and we're open to any feedback over the next three (3) weeks on how we can improve the business for the province.

So we'll start with a quick look at the agenda. Really just want to touch on solidifying the financials, so what are the promises we made and the promises that we've kept? We can then focus on our shift from solidifying our financials now to really looking at the needs of the customer. And then I'll talk a little bit about Project NOVA, or as we used to call it, legacy systems modernization.

I'll then talk a little bit around the key issues for this hearing and a lot of our asks, and they will come through in the key requests component of the presentation. And I'll then make a short summary to close.

We're nearly fifty (50) years old as a Corporation. If I look at the original mission of MPIC, I believe we've almost come full circle. Our -- our mission has really come back around to really focussing on core insurance and providing the best level of protection for all of Manitobans. We haven't helped our reputation.

I think there's a -- there's a hand up here to be honest and tell the truth around the fact that I think some perception around MPI's that we're probably a bit slow, a bit bureaucratic, and potentially a bit bloated. Unfortunately, I inherited an organization that in some parts were secretive, and when questions were asked around a black hole of money that sat with Extension, it was difficult for us to defend ourselves because we weren't as transparent as we should have been.

Unfortunately, the insurance industry has moved on pretty quickly. Back to some of my previous experience, three (3) years ago, we were developing a two-question underwriting tool through data mining across Hong Kong and Singapore to provide small to medium enterprises with insurance within sixty (60) seconds, simply with two (2) questions. We still use fax machines, so the insurance industry has moved much quicker than we have, and unfortunately, that can's been kicked down the road for too long. We're not trying to be innovative; we are simply just trying to play catch-up. And we can't leave our customers behind on that change.

MPI has been given an extremely high level of trust by this province, and it's a privilege that we have and we must earn and continue to build on. Trust will continue to be built through activities.

And I'll talk about the level of

transparency that we've provided the Public Utilities Board. But later on, I'll also be showing a slide about the level of transparency we want to give to customers, just through an example that we want to use during the renewal notice period.

We want to clearly demonstrate to every Manitoban where every cent goes. That's reinforced by our capital management plan but also through our renewal notice that will demarcate where every cent goes on expenses, bodily injury claims, and physical damage claims.

I'm talking in that slide about empowering our employees. While some might have held senior positions in other insurance companies globally, I've never been an adjuster. I've never inspected a vehicle at time of claim and been able to say that that is two thousand four hundred dollars ($2,400) worth of damage. So why would I overturn the decisions of those that are trained in that special field?

We have been very clear in making sure that all of our staff are as trained as possible, and we support their decisions. We will make mistakes. Everyone does.

But the ability of someone to call MPI

have risk event coverage, and I don't want to go into the details -- I can talk later 'cause it's one thing that excites me about this job -- is that reinsurance was clunky and did not serve customers well.

So every time there was a hail storm, the reinsurance program would restart. We had to retain all losses up to 15 million, and then we would have a $2 million reinstatement fee.

I believe three (3) years ago or four (4) years ago, we lost $53 million in hail, and we recovered zero. That makes budgeting for hail extremely difficult.

So we now have a single aggregate tower, the first of its kind in Canada of which our broker now Aon is saying a number of other insurance companies are exploring. It allows us to budget for hail. If we go above it, it is recovered from reinsurance. If we do not, we are under budget, and under the new capital management plan, that money will flow back directly into the pockets of consumers.

The second achievement was that we were able to get the one hundred (100) MCT target put into regulation. I understand that we spoke about this last year there was some questions around what would that mean for rates if that was the case?

Understandably so, considering how MCT was not at an appropriate level.

We are now at a hundred MCT. We are now modeling very much break-even scenarios for our Basic product moving forward.

We also have a capital management plan that is extremely transparent. I don't -- I can't see any areas where considering there is a compulsory transfer of excess capital and Extension to basis that there are any questions about the level of capital that we currently hold or any questions about the amount that could be potentially transferred over to Basic. Everyone will see everything.

So those were two (2) very large achievements for the corporation.

We've made significant progress in relation to some of our strategic partnerships. We were able to renegotiate a number of agreements, all except one (1), and that has been rolled over the next two (2) years.

It would be remiss of us as a Crown corporation to not explore the value that we get from those partnerships. And what do I mean by that is that MPI continues to offer Manitobans extremely low rates, but that doesn't mean that we shouldn't pull the covers back and have a look at the underlying assumptions that sit behind it.

So all of our key strategic relationships, we should look at the value that they provide to customers and can continue to provide to customers into the future. We can't rely on the fact that we have low rates to not pull the blankets back and have a good look.

We'll continue to look at modernizing our products and services. You will hear a little bit from me about NOVA, and that's the way that we deliver these services.

We are not planning on excluding anyone from anything. We will simply be augmenting our current distribution network with online functionality. I won't talk about what that future service deliver model will look like, but if brokers were able to sell online and we were able to sell online, you've already got two (2) new channels for us to do business with customers.

I was at a meeting a couple of weeks ago at the NICC, and they were talking about what the ideal model would look like for an insurance company -- an auto insurance company in Canada. And the learned gentleman -- I believe his name is for us to continue to do business, our ability to provide online will grow, and hence the augmentation of our current channels will go on.

(BRIEF PAUSE)

MR. BENJAMIN GRAHAM: All right, I know what's happening with the...

(BRIEF PAUSE)

MR. BENJAMIN GRAHAM: Who's in charge of IT?

(BRIEF PAUSE)

MR. BENJAMIN GRAHAM: One (1) second, see if I can go back. No.

(BRIEF PAUSE)

MR. BENJAMIN GRAHAM: I'll just see if I can...

(BRIEF PAUSE)

MR. BENJAMIN GRAHAM: Yeah, I'm just trying to -- to change it here, and I can't.

(BRIEF PAUSE)

MR. BENJAMIN GRAHAM: I do -- no. I'm after slide 12, please.

(BRIEF PAUSE)

MR. BENJAMIN GRAHAM: Okay. No, that's fine. It's not your fault.

(BRIEF PAUSE)

MR. BENJAMIN GRAHAM: I'm glad I just spent five (5) minutes talking about replacing old IT systems.

So let's talk about where we are at in -- for this hearing. We are performing well. There's no hiding from the fact. If I look at our budgeted numbers against how we're performing this year, towards the end -- towards the end of Q2, PIPP we're managing to 20 percent better than budget. And when it comes to physical damage, we're managing it to 14 percent better than budget, and our expenses are down 6 percent on budget.

So when I came here last year, and I spoke about really focusing on claims management, and focusing on our core, they are the results that we wanted. So with every part of the business that was -- is within our care, custody, and control, we are managing this Corporation better.

Unfortunately, I'm not mother nature, so hail can still happen, but she was kind to us this year, and we didn't have many hailstones, and that would have been -- that adverse impact would have been prevented anyway through the structure of our new rain insurance program.

Basic is making swift progress towards a one hundred (100) MCT. As of the end of Q2 we are at a one hundred (100) MCT, and if you look at -- the picture on the right, there, you can truly see the impact on a new ALM strategy, where the changes in investment income and claims incurred due to changes in interest rate have effectively been offset against each other.

So again, I would like -- yeah. I'm going to the next slide, am I? Okay.

Next slide. So what is our ask? We

have updated our ask according to the new naive interest rate, one point three-six (1.36). The last time that MPI came to the Public Utilities Board and asked for a decrease was eight (8) years ago.

It would be remiss of us as a Corporation to be posting the profits that we are based on management action and ask ratepayers to pay for more. It is -- it is unfair. Based on that, we have removed the net capital maintenance provision. We understand that last year, it was granted to us on a one (1) year basis, and we will not be reapplying for that provision in this year's application.

If you look at the amended rate request, whilst there is a overall rating of point six (.6) of a percent, that doesn't spread out evenly across all of the vehicle classes.

We are pricing this as break-even, so unfortunately, as we manage our claims better on passenger vehicles, et cetera, you will see a reduction now that we are at the appropriate level of capital. For motorcycles, unfortunately, the loss experience does not reflect well, and therefore an increase is required. Again, these are break-even numbers. We have a break-even mandate.

When I speak about transparency, we --

we have created the scepticism. I said that in some of my opening slides. Whilst Extension is a competitive line, and the Public Utilities Board does not have the jurisdiction to set Extension rights, there was a clear transfer of capital from Extension to Basic in the past. A mysterious number that would come, we don't know how, we don't know when, but it was there.

If approved, this Capital Management Plan will provide everyone in this Province very clear lens on what the amount is, and when it will be transferred, and what it means for Basic. I can't -- personally, I can't grant the PUB jurisdiction over the rate setting for Extension, but I can definitely be transparent in showing you the amount that comes over at year-end year on year, and that will flow directly back into the pockets of Manitobans on the Basic program.

We talk about MCT, and we talk about other Crown corporations across Canada. Of course, BC has abandoned their hundred MCT model. I think we're very well aware of what's happening in BC in the environment. So obviously, they have, because that would have meant billions of dollars of capital injection from the provincial government to get them back to the hundred (100).

SGI has a revised MCT target, 140 percent on their Basic auto fund, and they're currently sitting at one forty-seven (147). So whilst we are moving the needle on having more reserves than in the past, we are at the minimum of the minimum capital test, not a dollar more, not a dollar less, and through management action, we are already there.

(BRIEF PAUSE)

MR. BENJAMIN GRAHAM: What we will be able to show, as I spoke about earlier in this presentation, every year we will be able to show ratepayers the compulsory transfer of excess Extension reserves into Basic. So there will be no -- and I'll -- I'll put it in the -- the quotes, there's no black hole of money. There isn't, and we'll be as transparent as we can be in making sure that everyone sees that dollars.

(BRIEF PAUSE)

MR. BENJAMIN GRAHAM: Sorry, I'm just -- I've lost my tunnel of -- of nodding to get the --

TAB 2

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2020/2021 GENERAL RATE APPLICATION

HEARING

Before Board Panel:

Irene Hamilton, QC - Board Chairperson

Robert Gabor, QC - Board Chair

Carol Hainsworth - Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

October 11, 2019

Pages 842 to 1056

APPEARANCES

Kathleen McCandless	)Board Counsel
Robert Watchman	)
Roger Cathcart	)Consultant
Steven Scarfone	)Manitoba Public
Michael Triggs (np)	)Insurance
Anthony Guerra	)
Byron Williams	)CAC(Manitoba)
Katrine Dilay	)
Charlotte Meek (np)	)CMMG
James Wood (np)	)
Christian Monnin	)Bike Winnipeg
Charles Feaver	)
Curtis Unfried (np)	)IBAM
Jennifer Sokal (np)	)
(Articling student)	

TABLE OF CONTENTS

TABLE OF CONTENTS

premiums slightly.

MR. STEVE SCARFONE: Okay, so that I guess the -- the upshot of that is the natural growth that we normally expect wasn't enough this year to exceed the required rate indication?

MR. LUKE JOHNSTON: It was -- I wouldn't really say it was less than we -- than we baked into the rates last year. And since we didn't bake that amount into the rates we -- we don't have it, so it has to be adjusted for in this years, yes.

MR. STEVE SCARFONE: I see. Okay, thank you, those are all the questions I had on -- on the rate making presentation.

MR. LUKE JOHNSTON: Just moving ahead, hoping not to freeze the screen.

Okay, the capital management plan. We'll start with purpose of the rate stabilization reserve. I think everyone's familiar with this definition.

What we've introduced with the capital management plan is that we are now essentially always managing rate volatility by constantly moving towards our target.

So what I mean by that is we don't wait until things get really bad or really good to ask for surcharges or release large sums of money. We always will be moving to the target in a structured, predetermined manner that's acceptable in terms of rate volatility and -- and such, and we won't allow bubbles to occur. That's the objective.

We -- the target itself is, I think, a separate discussion. The manner in which we move to the target is really important for these Hearings because that really defines how, you know, quickly or much we -- we're moving or -- or releasing.

So, as it says here, we've made a choice to cap any surcharge at any time at 5 percent. Even in the most dire circumstances, we're saying cap it at 5 percent, but that's open to debate.

We wanted our plan to be used in all situations. We didn't want, like, an ICBC-type plan where things got really bad and they just abandoned the whole plan.

Like, so, we said internally, if things really did get -- would we follow this plan. And the belief is that we've set it up so that -- that we would.

(BRIEF PAUSE)

MR. LUKE JOHNSTON: This is basically just a slide talking about the reserves regulation. As everyone knows, that's in place and up for some debate later in the Hearings, but our -- our -- we're working off a target of 100 percent MCT for the purposes of this capital management plan proposal.

(BRIEF PAUSE)

MR. LUKE JOHNSTON: Okay. So, two (2) kind of objectives to the capital management plan. Obviously, we want to achieve the purpose of the RSR, or the rate stabilization reserve.

And we always -- like I mentioned, we always want to move towards our capital target in a structured and consistent manner from year to year.

Why I -- we say one (1) simple methodology? When we originally met with our board on this topic, right away it was, like, what are all these different factors that go into this -- this capital management plan.

Like, we're talking -- we have investment kind of on the RSR. We got the capital maintenance provision. We got surcharges, rebates, like, all these. And the message we got was, like,

(BRIEF PAUSE)

MR. LUKE JOHNSTON: Okay. Moving on to capital transfers. So, this is another -- again, another form of essentially a capital adjustment. This is -- capital transfers from Extension was never part of the -- the basic rate.

It's coming in a year-end and adjusting MPI's capital position in the form of the MCT ratio. As the Board's aware, we've had many discussions here, what are you doing with the Extension money.

Like, obviously, we can see our consolidated financial statements. We've had years where we've had hundreds of millions of dollars in Extension, and what -- what's MPI doing with it.

So, the -- the capital management plan prescribes that, based on the -- this capital target for Extension of 200 percent, when there are funds beyond that amount, what we're doing with it is sending it to Basic.

The -- an Extension rebate or something like that would be very difficult to administer, we're not going to call someone up and give them a 10 percent refund cheque on their rental car insurance that they bought.

So for the most part, Basic and Extension are the same people, the same customers. We'll transfer these funds over. If they're required to build capital, to meet our build targets, great, that means we don't have to ask Basic ratepayers for those funds.

If it means it push -- this amount pushes Basic MCT over 100 percent, then that will provide a means for releasing or rebating Extension funds back to policyholders, which we didn't really have on the -- on the Extension side.

Just to be clear, I -- I say "rebate", but we don't intend to actually, under this plan, have any rebates. We intend to incorporate it through rate decreases.

Okay. The next component, Capital Build or Release Provision. So again, simple calculation, are we getting to 100 percent MCT, we're suggesting five (5) years for a build. We're really close to the 100 percent MCT right now, so five (5) years for build in that context sounds kind of unnecessary, I get that.

But there will be times when we're farther away and we think five (5) years is appropriate, it also allows for, you know, good luck and other things to happen, you know, there's ups and downs in the insurance cycle.

And if that five (5) year period means that we have to charge a surcharge more than 5 percent, we would cap it at 5, in that case that -- it would be -- we wouldn't get there in five (5) years, but in all other circumstances we're shooting for five (5) years.

On the release side, we have 100 -- we have more than 100 percent MCT, you know, there's no -- not nearly as big of a concern with -- with negative rate decreases as there is with increases, I think everybody would agree to that.

There's still market cycles, so maybe we just have a really great year on the stock market, you know, it pushes us through the 100 percent MCT, do we want to just liquidate all those funds, like immediately, I would suggest no. Three (3) years gives, you know, a little bit of -- slows that release a little bit just in case there are market cycles.

The description below I think is self-explanatory. Take off forecast calculate, you know, where the target MCT ratio would be over the forecast based on where you are today.

If we are not meeting the expectation

TAB 3

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2020/2021 GENERAL RATE APPLICATION

HEARING

Before Board Panel:

Irene Hamilton, QC	- Board Chairperson
Robert Gabor, QC	- Board Chair
Carol Hainsworth	- Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

October 15, 2019

Pages 1057 to 1300

APPEARANCES

Kathleen McCandless	)Board Counsel
Robert Watchman	)
Roger Cathcart	)Consultant
Brian Pelly	)Advisor
Blair Manktelow	)Advisor
Steven Scarfone	)Manitoba Public
Michael Triggs (np)	)Insurance
Anthony Guerra	)
Byron Williams	)CAC(Manitoba)
Katrine Dilay	)
Charlotte Meek (np)	)CMMG
James Wood	)
Christian Monnin (np)	)Bike Winnipeg
Charles Feaver (np)	)
Curtis Unfried (np)	)IBAM
Jennifer Sokal (np)	)
(Articling student)	

APPEARANCES (Con't)

Denis Guenette)Attorney General
Tamara Edkins)of Manitoba
(Articling Student)

TABLE OF CONTENTS

rebate, or delay small builds and -- and wait until you know you're in really bad shape to ask for a really big surcharge.

So that's -- that's why we think this is more stable.

MS. KATHLEEN MCCANDLESS: Okay. So just to understand your response, then, Mr. Johnston, I gather it's that -- not that the single target promotes rate stability, but it's the Proposed Capital Management Plan that would ameliorate the extent to which a single target is less than fully compatible with the objective of promoting rate stability?

MR. LUKE JOHNSTON: That's true. The -- the -- this -- without some mechanism to move towards that target, the -- it wouldn't make a lot of sense to have just a single target.

It's the -- it's the Capital Management Plan that rules around it that create this -- the rate stability.

MS. KATHLEEN MCCANDLESS: Was any risk-driven, experience-based analysis prepared in support of the 100 percent MCT Basic target capital level that's reflected in the reserves regulation?

MR. LUKE JOHNSTON: Well, we've been conducting the -- the DCAT -- the dynamic capital adequacy test analysis for -- for many years now. There's also been many iterations of that test with and without management action. We've had technical conferences on how scenarios should be modeled, et cetera.

The -- if we take a version of that test without any management action, just so you know what's the worst that could happen to MPI, my recollection is we do get in kind of the 80 to 90 percent MCT range, depending on whether you're talking about 1:100 year events, or -- or 1:40 year events.

Our -- our push on -- on using the MCT was that our -- our DCAT modeling is only so good. It's -- it's based -- you know, when -- for claims, we're using MPI data. We think that the MCT test incorporates the more broad picture of risk, and does -- you know, does a better job in terms of assessing the -- the actual capital requirements of the industry. And -- and so we like that our DCAT is close to that number being predicted in the -- from 100 percent MCT, but we think using the industry standard is a better approach.

MS. KATHLEEN MCCANDLESS: Thank you. Madam Chair, I have maybe forty-five (45) minutes more of questioning. I'm just noting the time. I can carry on for another ten (10) minutes or so to 10:30, or we can break at this time.

THE CHAIRPERSON: Thank you. Why don't we break now and come back at twenty-five (25) to 11:00?

MS. KATHLEEN MCCANDLESS: Thank you.

THE CHAIRPERSON: Thank you.

--- Upon recessing at 10:20 a.m.
--- Upon resuming at 10:37 a.m.

THE CHAIRPERSON: Okay. Thank you, everyone. Ms. McCandless, please continue.

(BRIEF PAUSE)

CONTINUED BY MS. KATHLEEN MCCANDLESS:

MS. KATHLEEN MCCANDLESS: If we could go to MPI Exhibit number 45, and this is -- and slide 12. This is Mr. Graham's presentation from last week.

So if we look to the Basic MCT ratios as at February 28, 2019, I gather it was 51.5 percent. And sorry perhaps a better reference for you, Mr. Johnston, would be MPI Exhibit 42, Appendix 1, that equivalent type of requirement in Manitoba.

MS. KATHLEEN MCCANDLESS: Right. And are you aware that similar wording is codified in the standards of practice of the Canadian Institute of Actuaries?

MR. LUKE JOHNSTON: That's my understanding. Yeah.

MS. KATHLEEN MCCANDLESS: So then with all of that in mind, it appears that in the private sector the requirement for DCAT satisfactory financial condition is not relaxed for an insurer remedying a temporary shortcoming in its MCT ratio, correct?

MR. LUKE JOHNSTON: That's correct. Yeah.

MS. KATHLEEN MCCANDLESS: As the signing actuary for the Basic DCAT, did you seek guidance from the appropriate CIA professional practice committee as to how to interpret the Canadian Institute of Actuaries standards of practice in the context of the reserves regulation?

MR. LUKE JOHNSTON: I did not.

MS. KATHLEEN MCCANDLESS: And why did you not?

MR. LUKE JOHNSTON: In this case, I thought the reserved regulation was clear and that --

that I had to follow it. So I didn't -- didn't see need to seek out any guidance.

MS. KATHLEEN MCCANDLESS: Thank you. Kristen, can we please go to RSR.6, so it's just further up in this section of the application. I believe it's page 6. And this is with respect to the capital management plan.

So the capital management plan is the corporation's proposal for the means and pathway to achieve 100 percent MCT for the Basic RSR as codified in the reserves regulation? That's before you at lines 15 and 16?

MR. LUKE JOHNSTON: Correct.

MS. KATHLEEN MCCANDLESS: And the corporation is seeking the Board's approval of the proposed capital management plan?

MR. LUKE JOHNSTON: We are.

MS. KATHLEEN MCCANDLESS: And as we earlier discussed today, the capital management plan commits the corporation to transferring any excess capital as defined by an MCT ratio of 200 percent from Extension to Basic?

MR. LUKE JOHNSTON: Yes, that is part of the -- the plan.

MS. KATHLEEN MCCANDLESS: And any such

capital transfers from Extension to Basic will be made regardless of the Basic MCT ratio at the time?

MR. LUKE JOHNSTON: That is part of the plan, yes. Yeah.

MS. KATHLEEN MCCANDLESS: Now if we turn to page 8 of the RSR section of the filing, this is with respect to capital build or release provisions. The possible need for a capital build or release provision is determined after incorporating the financial forecast for the indicated Basic rate level adjustment and the projected capital transfers from Extension to Basic over the forecast period, yes?

MR. LUKE JOHNSTON: That's right. We're -- we're including the projected transfers in the forecast to ensure that we're understanding our capital build release needs after transfers. Yeah.

MS. KATHLEEN MCCANDLESS: Can the corporation provide any analysis or modeling to demonstrate the adoption of the proposed capital management plan will improve rate stability for Basic ratepayers compared to the status quo? So, for example, working within a Basic target capital range based on basics risk profile?

MR. LUKE JOHNSTON: My view is that you don't need an analysis for that. We can do what we can, but the capital management stability, to me, is -- is somewhat self-evident.

If we were in a range, for example, and we fell below the bottom of that range, we essentially just gradually watched ourself deteriorate into a position on, I guess, the adverse side of the range, and then at that time, we would decide to react in some way.

Similarly for a buildup of capital when we're in an excess position, the Board has to make a decision on when to rebate those funds in the old environment. That's also a -- like a buildup and a delay.

This model is -- is again constantly moving towards a target in a -- in a structured way. So rather than say needing a 10 percent surcharge five (5) years from now, this model would hopefully push us towards 1 to 2 percent surcharges over a five (5) or six (6) or seven (7) year period and, to me, by definition create more stability in rates.

MS. KATHLEEN MCCANDLESS: So I take it then, the corporation does not have any analysis or modeling to demonstrate that the adoption of the proposed capital management plan would be consistent with the stated purpose of the rate stabilization

(BRIEF PAUSE)

MR. LUKE JOHNSTON: Motorcycles and ORVs use different as-of dates, because that's -- we're trying to maximize where the most vehicles are insured, but snowmobiles are modeled on January 1st, and motorhomes, motorcycles, mopeds, trailers on August 1st.

DR. BYRON WILLIAMS: Thank you for that. If we go again to MPI Exhibit number 42, Pro Forma 3, statement of changes in equity.

(BRIEF PAUSE)

DR. BYRON WILLIAMS: And down to line 17 and 18. Thank you.

(BRIEF PAUSE)

DR. BYRON WILLIAMS: Mr. Johnston, for the 2021 year, would it be correct to suggest that the minimum capital required, as per the 100 percent MCT, would be three hundred and sixty-seven million nine hundred and -- and sixty-five thousand (367,965,000)?

MR. LUKE JOHNSTON: That's -- that's

right.

DR. BYRON WILLIAMS: Okay. And Mr. Johnston, if we go up one (1) line and see the capital available for that year, that is 363.261 million, sir?

MR. LUKE JOHNSTON: Correct.

DR. BYRON WILLIAMS: And would it be far too simplistic, Mr. Johnston, to suggest that to bring the capitable -- capital available to a level consistent with a minimum of 100 percent MCT, that would be about a 4.7 per -- $4.7 million increase?

MR. LUKE JOHNSTON: It's -- it's not completely one-to-one, but in -- in general, it would be pretty close to that, yeah.

(BRIEF PAUSE)

DR. BYRON WILLIAMS: Mr. Johnston, we've probably gone over this point too often this hearing, but I'll ask you to confirm that you're aware that those customers choosing to purchase Extension insurance, about 95 percent of them choose MPI Extension insurance, correct?

MR. LUKE JOHNSTON: Correct.

DR. BYRON WILLIAMS: And that market dominance in the extension market dates back at least to 2008, sir?

MR. LUKE JOHNSTON: Correct.

DR. BYRON WILLIAMS: And would it be fair to suggest that over 80 percent of Basic customers take Extension insurance, sir?

MR. LUKE JOHNSTON: I believe the number is around 86 percent. Obviously, the -- some customers purchase more Extension than others, but I believe it's around eighty-six (86).

DR. BYRON WILLIAMS: Mr. Johnston, your history with MPI and with the pea -- Public Utilities Board rate-setting process dates back to the 1990s, agreed?

MR. LUKE JOHNSTON: Yeah. I was the young guy for a while, but yes, those days are over, I guess.

DR. BYRON WILLIAMS: So was I, Mr. Johnston, even before you. As a participant in many regulatory hearings, you're generally familiar with the rate-setting process of the Public Utilities Board?

MR. LUKE JOHNSTON: I am.

DR. BYRON WILLIAMS: And you have assisted in the preparation of general rate applications, including on issues such as appropriate rate setting and appropriate targets for the rate stabilization reserves, sir?

MR. LUKE JOHNSTON: I have.

DR. BYRON WILLIAMS: And you have participated, sir, in technical conferences with Interveners and PUB staff regarding appropriate considerations in establishing the rate stabilization reserve?

MR. LUKE JOHNSTON: Yes, I have.

DR. BYRON WILLIAMS: And that, of course, has included discussions of risk tolerance, sir?

MR. LUKE JOHNSTON: Correct.

DR. BYRON WILLIAMS: And you have been a witness for many years before the Public Utilities Board, including on issues related to the rate stabilization reserve, sir?

MR. LUKE JOHNSTON: I have.

DR. BYRON WILLIAMS: And you have super -- supervised dynamic capital adequacy testing and minimum capital test analysis, which has become evidence in certain hearings, agreed?

MR. LUKE JOHNSTON: Agreed.

DR. BYRON WILLIAMS: And of course, Mr. Johnston, you've also had occasion to review the over 200 percent MCT, that the amount above the 200 percent would be transferred to Basic.

Is that correct?

MR. STEVEN SCARFONE: Yes. So one (1) way of looking at it is -- is the Extension line of business is really backing --

BOARD MEMBER GABOR: Correct.

MR. STEVEN SCARFONE: -- the Basic program.

BOARD MEMBER GABOR: Right. So -- but -- so the MCT is not intended to be above 200 percent to correct -- collect this pool of money. Anything above the 200 percent will go towards the -- will go towards the Basic coverage, will be transferred to Basic coverage?

MR. STEVEN SCARFONE: Automatically --

BOARD MEMBER GABOR: Automatically.

MR. STEVEN SCARFONE: -- even without board of director approval.

BOARD MEMBER GABOR: Right.

MR. LUKE JOHNSTON: Just -- just to add to that, sorry, and -- and the logic being they're the same customers, and -- and we also don't know how -- know how to give a rebate to Extension customers.

So, like, you know, if we sent it to

Basic, it can be released through the normal means there, whereas you can't -- like, some of these Extension policies are really small. You're not going to mail someone a dollar or something like that.

BOARD MEMBER GABOR: Right. And that I assume, in part, was intended to satisfy the Board's previous concerns that you -- that there was nothing requiring Extension funds beyond a certain point to be transferred to Basic; it was simply a discretionary decision of the board of MPI?

MR. STEVEN SCARFONE: I -- I think that's fair. I don't want to jump in too much on Luke's answers, but I think that's fair, Mr. Gabor, that those transfers now, as I've said, will happen -- will happen automatically.

BOARD MEMBER GABOR: Yeah. I just want to confirm there's nothing in the regulation that addresses the issue of transfers from Extension to Basic?

MR. STEVEN SCARFONE: No. It's only in the Capital Management Plan. So essentially, what Mr. Johnston will tell you, and again, I'm -- I shouldn't be speaking out of turn, but the regulation serves as the anchor to the Capital Management Plan. And so the Capital Management Plan looks to the regulation for a -- a fixed capital target, and then the mechanics of -- of the plan work under the -- under the CMP, obviously.

BOARD MEMBER GABOR: Okay. Mr. Johnston, did MPI suggest to the government what the numbers should be for the regulation, that MPI wanted 100 percent for Basic, 200 percent for Extension, and 300 percent for SRE?

(BRIEF PAUSE)

MR. LUKE JOHNSTON: I'm trying to remember the -- the steps, but these -- these definitely align with MPI's recommendations. We've come here before with 100 percent Basic.

As I mentioned earlier today, in order to be a truly competitive line on Extension, it -- we think it's appropriate to have a capital target that other competitors would have to have, and -- and target a -- a profitability level that would be appropriate, that people can actually compete.

And then in the Special Risk Extension line, which isn't up for discussion here, it is a very high risk line. And we believe it needs that -- that threshold just to meet the risk tolerance of the

Board.

BOARD MEMBER GABOR: Yeah, and I'm not suggesting anything improper or whatever. I just -- in relation to coming up with the same levels, I assumed the government and MPI discussed, and the proposal was here -- here are the levels that would -- which would satisfy us in terms of -- of Basic, Extension, and SRE.

MR. LUKE JOHNSTON: Yeah. Where I'm struggling is it's not necessarily me having those conversations.

BOARD MEMBER GABOR: Right.

MR. LUKE JOHNSTON: Right? So Mr. Graham could probably provide better insight.

BOARD MEMBER GABOR: Under the proposal, if you have a fabulous year, and you're over 200 percent in Extension, and you're over 100 percent in Basic, is the Extension money still going to go to MCT -- to -- sorry, to Basic?

MR. LUKE JOHNSTON: It -- it does on -- in that -- like, as a purposeful part of the plan for the reasons as, how do you rebate the money. So you send it over.

And again, the -- the forecast will say how much do we think is -- is coming in, and use that

MR. LUKE JOHNSTON: Sorry, can you repeat that, sir?

MR. STEVEN SCARFONE: Yes. So what -- what date is the annual report rep -- prepared to? The end date.

MR. LUKE JOHNSTON: Our annual report? Like the --

MR. STEVEN SCARFONE: Yes.

MR. LUKE JOHNSTON: -- February 28th?

MR. STEVEN SCARFONE: Yes. Okay, and so when that discussion was being had by the board of directors, had the reserves regulation yet been implemented? Are you aware?

MR. LUKE JOHNSTON: I can't -- I can't recall the exact date. So the -- yeah, I can't. I'm sorry.

MR. STEVEN SCARFONE: Okay. So I'm going to suggest to you, and do you have any reason to disagree, that the reserves regulation came in in April, which would have been about two (2) months after the annual report was prepared?

MR. LUKE JOHNSTON: That sounds reasonable, yeah.

MR. STEVEN SCARFONE: Okay. And then one other one, Kristen, if you don't mind. It was --

Mr. Williams had put to Mr. Johnston PUB-CAC-1-1. Yes, thank you. And at the footnote there, number 3, Mr. Johnston had indicated or had brought to your attention that the Ernst & Young report had concluded that Crown corporations such as ICBC and SGI are not required to adhere to the OSFI guidelines. Do you see that there, sir?

MR. LUKE JOHNSTON: I do. Right, I do.

MR. STEVEN SCARFONE: And the question to you -- is MPIC, in its capital management plan -- is it adhering to the OSFI guidelines, or is it adhering to the reserves regulation that was enacted in April of 2019?

MR. LUKE JOHNSTON: We're adhering to our reserves regulation. We're using this industry standard test as a basis for calculating the capital -- the capital ratio to be consistent with all other insurers in the -- in the country, but we're not binding ourselves to the -- OSFI's minimum regulatory or supervisory capital targets.

MR. STEVEN SCARFONE: And then one last question, just following up on Mr. Gabor's questions to you. The Board asked, with the automatic transfer of capital from the Extension line of business into Basic, if that automatic transfer was to consistently push the MCT score of Basic above 100 percent, what would that mean on an ongoing basis, if -- if the Corporation was to see Basic operating at above 100 percent year after year?

MR. LUKE JOHNSTON: The -- those funds would perpetually be rebated as long as we continued to operate at or above a hundred percent and the -- and the funds continued to transfer.

MR. STEVEN SCARFONE: And -- and could that mean if -- if the Corporation was consistently seeing release provisions being engaged or perhaps even rebates, would the Corporation or could the Corporation change its approach to retaining investment income on the RSR, for example?

MR. LUKE JOHNSTON: I would suggest that we -- we shouldn't do that, again because whatever reason capital is -- is growing, whether it's transfers or investment income or rebuilding fee or whatever, if it's more than a hundred percent, we should bring it towards a hundred percent based on our three (3) year plan.

So we shouldn't, you know -- that's really what we're getting at. Like, should we just put some money over here for this and a maintenance

TAB 4

LEGAL APPLICATION

2021 GENERAL RATE APPLICATION

June 17, 2020

MANITOBA PUBLIC INSURANCE

Table of Contents

Legal Application

LA.1 Application

Manitoba Public Insurance (MPI) hereby applies to the Manitoba Public Utilities Board (PUB, or the Board) for approval of an overall 10.5% decrease of the premiums charged with respect to compulsory driver and vehicle insurance (rates for service), pursuant to Section 25(1) of *The Crown Corporations Governance and Accountability Act*, C.C.S.M. c. C336.

The overall rate decrease of **10.5%** results from:

1. a **3.0%** decrease resulting from changes to the *Automobile Insurance Coverage Regulation*, M.R. 290/88R (*Basic Autopac Coverage*);
2. a **2.5%** decrease (*provisional*) in the break-even cost of Basic vehicle premiums, which are:
    a) calculated in accordance with Accepted Actuarial Practice (AAP);
    b) grounded on naïve interest rate forecast as at March 31, 2020, as ordered by PUB in *Order No. 176/19, Directive 13.4*; and
3. a **5.0%** Capital Release (*provisional*), in accordance with the Capital Management Plan, as approved by the PUB in *Order No. 176/19, Directive 13.6*.

In this Application, MPI requests approval of rates for service for the 12-month period April 1, 2021, through March 31, 2022, with no changes to:

1. Miscellaneous Permits and Certificates;
2. Driver premiums or Vehicle Premium Discounts, as determined through the Driver Safety Rating system;
3. Basic Autopac Service and Transaction Fees; and

4. Fleet Rebates and Surcharges.

LA.2 Discussion

Application Rate Tables presents tables detailing the requested rates and fees. *Ratemaking Appendix 3* contains experience-based rate adjustments, ranging from -15% to +15%, based on adjustment rules outlined in *Ratemaking RM.5*. *Ratemaking Appendix 2* contains combined classification offsets made for all vehicles (except off-road vehicles) to ensure revenue neutrality in the implementation of rate group, rate line and classification changes for 2020/21.

LA.2.1 Provisional Rate Request

The rate MPI requests at the time of the filing of its Application is based on fiscal-year end results and uses the naïve interest rate forecast methodology as at March 31, 2020.

Prior to the hearing of its Application, MPI will update its expense, revenue, investment, and claims forecasts and assess whether an amendment to its rate request is needed. MPI will also update its position on capital and any changes to the provisional capital release (5.0%) under the Capital Management Plan. On or about October 6, 2020, MPI will file the following schedules in furtherance of this initiative:

1. **PF-1, 2, 3**: Pro Formas Statements;
2. **EPF-1, 3**: Extension Pro Formas 1 & 3;
3. **RM-1**: Indicated Rate Change;
4. **RM-12/13**: Overall and Major Class Required Rate Changes (with and without capital provisions);
5. **RM-14**: Major Class Summary Report; and
6. **INV-13**: Updates based on the naïve interest rate forecast.

MPI will update these schedules based on the naïve forecast, and include a narrative of the material impacts of same on its *pro forma* financial statements and in its responses to information requests. MPI anticipates that this new material, and its

TAB 5

Public Utilities Board
Régie des services publics

Order No. 159/18

MANITOBA PUBLIC INSURANCE CORPORATION (MPI OR THE CORPORATION): COMPULSORY 2019/2020 DRIVER AND VEHICLE INSURANCE PREMIUMS AND OTHER MATTERS

December 3, 2018

BEFORE: Robert Gabor, Q.C., Chair
Irene Hamilton, Member
Robert Vandewater, Member
Carol Hainsworth, Member

Public Utilities Board | Régie des services publics

Table of Contents

8.5. Interveners' Positions

CAC

Dr. Simpson and Ms. Sherry's report, *The Role of the DCAT and Interest Rate Forecasting* (DCAT/IRF Report), addressed the role of DCAT in determining the Basic Total Equity target capital range.

The DCAT/IRF Report reviewed the chronology of various proposals for setting target capital, which ultimately resulted in the current modified DCAT analysis. Of particular note, was the initial establishment of an RSR Range based on a range of Percentage of Premiums (PoP), and later reliance on the MCT ratio. The major shortcoming of those methodologies, according to Dr. Simpson and Ms. Sherry, was that they are not directly linked to the actual risks facing the Corporation. The benefit of the DCAT methodology is that it has a direct connection between specific and justifiable risks posed as adverse events grounded in historical evidence, and the future financial condition of the Corporation.

Dr. Simpson and Ms. Sherry expressed concern that MPI is using an MCT approach to set the lower and upper threshold. Dr. Simpson's criticism of the approach requested by the Corporation was that it is difficult to attach meaning to any specific MCT level in terms of specific risks and associated tolerance levels. The DCAT methodology, on the other hand, captures specific financial risks as they evolve based on analysis of historical evidence and using established risk assessment practices.

The DCAT/IRF Report recommended that the setting of the RSR continue to be informed by the DCAT methodology and PoP. Although the PoP methodology has not been referred to in any recent Board Orders, Dr. Simpson and Ms. Sherry were of the view that they are not aware of any Board Order that explicitly asserts that PoP would no longer be used to set the RSR Range.

Dr. Simpson and Ms. Sherry recommended that the 50/50 interest rate forecast be used to determine the DCAT analysis to establish the RSR Range, as well as the break-even rate indication.

CAC suggested that a distinction needs to be made between rate volatility and rate shock, and argued that the purpose of the RSR is to prevent rate shock, adding that the Corporation agreed that moderate RSR rebuilding fees do not constitute rate shock. CAC also reminded the Board of its earlier conclusion that the RSR should not provide protection against variances on matters within the control of management, such as certain categories of operating expenses.

CAC ultimately recommended approval of a Basic Total Equity target capital range of $122 million to $250 million, based on the previously Board-approved iterative methodology using a 50/50 interest rate forecast updated to the end of September 2018, as reflected in MPI Exhibit #26.

CMMG

CMMG reminded the Board of the significant growth in Basic's target capital range since 2005, a period over which the Corporation confirmed that there were no significant drawdowns of the RSR as a result of insurance issues. CMMG argued that the RSR is already in excess of $200 million, a level far larger than what is needed, given the history of the Corporation in meeting its mandate to Manitobans.

8.6. Board Findings

The Board hereby approves a Basic Total Equity target capital range for 2018/19 fiscal year of $140 million to $315 million, based on the Corporation's target capital analysis updated to reflect market interest rates as of the end of September 2018 (again using the Naïve interest rate forecast). The Board also directs that, for the next GRA, the DCAT base scenario forecast, also used in the Basic target capital analysis, must fully reflect any expected capital adjustments arising from the thorough capital management plan which the Board will also direct to be proposed in the next GRA.

With this decision, the Board recognizes that is has departed from Order 130/17 with respect to the Basic target capital modeling approach. In that GRA, MPI requested a lower target capital threshold of $201 million and an upper threshold of $438 million. The Board approved a Basic Total Equity target capital range of $180 million to $325 million based on an iterative modeling approach designed to test specific target capital levels. The Board acknowledges the concerns again raised by the Corporation with respect to this approach, including:

- That the resulting lower threshold to the Basic target capital range is below the level it believes is required for Basic to have a satisfactory financial condition;
- That the upper threshold to the Basic target capital range should be modeled before routine management / regulatory actions;
- That inclusion of the Net Capital Maintenance Provision in the base scenario financial forecast is not appropriate for Basic target capital purposes; and
- That the assumed capital transfers from the Extension line of business are problematic because they represent amounts that the MPI Board of Directors may be unable, or unwilling to transfer, and assume a subsidization of Basic that is inconsistent with the principle that Basic should be self-supporting.

All other things being equal, the lower the Basic Total Equity target capital lower threshold, the more likely that the need for an RSR rebuilding fee will be deferred. This is because Basic Total Equity needs to fall farther before triggering that outcome. In a similar manner, the lower the upper threshold is set for the Basic Total Equity target capital range, the more likely that the need for an RSR rebate will come sooner, as Basic Total Equity does not need to rise as far before triggering that outcome.

TAB 6

Order No. 176/19

MANITOBA PUBLIC INSURANCE CORPORATION (MPI OR THE CORPORATION): COMPULSORY 2020/2021 DRIVER AND VEHICLE INSURANCE PREMIUMS AND OTHER MATTERS

December 3, 2019

BEFORE: Irene A. Hamilton, Q.C., Panel Chair
Robert Gabor, Q.C., Board Chair
Carol Hainsworth, Member

Table of Contents

Public Utilities Board / Régie des services publics

Public Utilities Board — Régie des services publics

- Evolving the basis of estimating Basic's Net Capital Maintenance Provision in a manner consistent with the objective of promoting stability over time in this estimate.

The Corporation's proposed Capital Management Plan was designed prior to the challenge to the validity of the Reserves Regulation and therefore was based on the presumption that the Regulation is valid. As described above, the Regulation set a single Basic target capital level, reflecting a 100% MCT ratio. The Corporation's proposed Capital Management Plan reflected its interpretation of the Regulation, as the means and pathway to achieve 100% MCT for the Basic RSR.

From the Corporation's perspective, the requirements of the Regulation effectively severed the tie that previously existed between the Basic DCAT investigation and the setting of Basic target capital levels. Given this position, the Corporation indicated that starting with this Application and going forward, the Basic DCAT would no longer reflect assumptions determined based on the earlier collaborative discussions with Board stakeholders, and would instead reflect assumptions more closely aligned with the risk appetite of the Corporation's Board of Directors. The first evidence of this was the adoption of DCAT scenario testing at the 99th percentile outcome level (1-in-100-year event) rather than the 97.5th percentile outcome level (1-in-40-year event) adopted previously.

The Corporation indicated that it interpreted that it would be in compliance with the Regulation if the Basic MCT ratio is in excess of 100%, or the Corporation has an established plan to bring the Basic MCT ratio to at least 100% within a period of five years or less. Coincidentally, the Corporation reported that Basic had substantially achieved its 100% MCT ratio target as of the end of the second quarter of the 2019/20 fiscal year, for reasons unrelated to the Capital Management Plan.

The Corporation sought the Board's approval of the proposed Capital Management Plan, which incorporates:

- A single Basic target capital level based on a 100% MCT ratio (based on the Reserves Regulation);
- A commitment to transfer excess Retained Earnings from the Extension line to Basic, where excess is determined relative to the single Extension target capital level of a 200% Minimum Capital Test ratio as set by the Regulation;
- A phase-in approach to move towards the Basic target capital level over a number of years through Capital Build or Capital Release provisions;
- Determination of the need for any Capital Build or Capital Release provisions in each GRA after consideration of the Basic rate level change indication and the expected capital transfers from Extension;
- Use of judgmentally selected five-year and three-year phase-in periods for Capital Build and Capital Release provisions, respectively;
- Imposition of a judgmentally selected 5% cap on the combination of the overall Basic rate indication and any Capital Build provision; and
- Imposition of a judgmentally selected 5% cap on any Capital Release provision.

In its evidence, the Corporation conceded that there is no analytical foundation to demonstrate that the Capital Management Plan, as proposed, will improve rate stability. The Corporation indicated that the proposed phase-in periods and capping levels were selected judgmentally to limit rate changes in a manner broadly consistent with past decisions of the Board and the modelling assumptions for management / regulatory actions used previously in the Basic DCAT investigations. While the Corporation acknowledged that there are possible rate stability benefits that come from a target capital range rather than a single target capital level, the Corporation argued that it is the workings of the Capital Management Plan that promotes rate stability in gradually working towards the single target capital level set out in the Regulation.

The Corporation committed to transferring excess retained earnings over 200% MCT from Extension to Basic, regardless of the Basic MCT ratio at the time.

Based on the October 4, 2019 update, the Corporation has forecasted transferring $75.1 million in 2019/20, $42.5 million in 2020/21, and $44.5 million in 2021/22 from Extension to Basic RSR. The forecast of Extension equity and the transfers of excess retained earnings to maintain a 200% MCT for Extension is as follows:

Extension Statement of Changes in Equity

	2020P	2021F	2022F	2023F	2024F
EXTENSION					
(C$ 000s,rounding may affect totals)					
Retained Earnings					
Beginning Balance	99,213	79,787	82,468	85,546	87,514
Net Income / (Loss)	55,707	45,182	47,560	50,905	52,771
Premium Rebate	-	-	-	-	-
Transfer (to) / from Basic Retained Earnings	(75,133)	(42,501)	(44,482)	(48,937)	(48,444)
Total Retained Earnings	79,787	82,468	85,546	87,514	91,841
Total Accumulated Other Comprehensive Income					
Beginning Balance	(4,511)	(9,679)	(8,967)	(8,147)	(7,183)
Other Comprehensive Income for the Year	(1,866)	804	880	1,027	1,342
Total Accumulated Other Comprehensive Income	(6,377)	(8,875)	(8,087)	(7,120)	(5,841)
Total Equity Balance	**70,108**	**73,501**	**77,399**	**80,332**	**85,914**
MINIMUM CAPITAL TEST (C$ 000s)					
Total Equity Balance	70,108	73,501	77,399	80,332	85,914
Less: Assets Requiring 100% Capital	4,091	5,739	7,355	8,079	7,574
Capital Available	66,017	67,762	70,044	72,253	78,340
Minimum Capital Required (100% MCT)	33,004	33,903	35,024	36,129	39,169
MCT Ratio %	**200.0%**	**200.0%**	**200.0%**	**200.0%**	**200.0%**

Recognizing that the MCT is periodically changed by OSFI and that the Regulation referred to the MCT, the Corporation indicated that it would not incorporate a revision to the MCT in its Capital Management Plan or when testing compliance with the Regulation until the MCT revision officially becomes effective for property-casualty insurance companies subject to OSFI's regulation.

5.1. *INTERVENERS' POSITIONS*

CAC

Ms. Sherry and Dr. Wayne Simpson co-authored a report entitled "Protecting Consumers Against Risk: How Far Should It Go?". Dr. Simpson is a Professor of Economics at the University of Manitoba and was qualified by the Board in Order 92/19 as an expert in applied econometrics, applied microeconomics, and quantitative methods.

In their report, Ms. Sherry and Dr. Simpson submitted that:

- The Basic target capital range should continue to be set as an adaptation of the DCAT investigation, in line with the latest efforts of the collaborative review process;
- Holding capital at the 100% MCT level has no basis in the DCAT modelling completed by the Corporation and would lead to excessive levels of capital being held;
- Reverting to a target capital level (rather than a range) invites rate instability as premiums are driven by the inevitable deviations from that level; and
- In this Application, the risk appetite of motorists has been replaced with the risk appetite of the Corporation's Board of Directors.

Public Utilities Board — Régie des services publics

- that excess reserves should be reflected as rebates to consumers (as opposed to reducing the rate indication) and that reserve deficiencies should be reflected as surcharges to consumers (as opposed to increasing the rate indication).

5.2. BOARD FINDINGS

As the Board has found that the Regulation is invalid, it is therefore not binding on the Board in its assessment of the merits of the Capital Management Plan. Nevertheless, the Board finds the proposed Capital Management Plan, and the proposed Basic target capital level reflecting a 100% MCT ratio, to be just and reasonable in the circumstances. The Board is approving the 100% MCT Basic target capital level for this two-year trial period in large part because Basic has substantially achieved this target without the necessity of any extra burden being placed on Basic ratepayers. As noted in Section 4.1 above, in last year's GRA, the upper target level for the Basic RSR using the DCAT methodology, which the Board approved, equated to 88% MCT and, as such, the difference in the target capital levels under the two methodologies has narrowed.

The Board therefore approves the Capital Management Plan as presented by MPI for a two-year trial period. This will allow the Board to fully assess the performance of the plan, and the Basic target capital level over the trial period, after which the Board will reassess its position. Should the Board then revert to a scenario-driven Basic target capital range or level (which the latest evidence from the prior GRA suggests is below 100% MCT), the Board acknowledges the practical impact of the current decision on the Basic target capital level would be to defer the otherwise appropriate Capital Release, given the current level of the Basic MCT ratio.

The Board recognizes the need for judgment in setting the proposed phase-in periods for Capital Build and Capital Release provisions, and the proposed capping levels related to these provisions, and it is satisfied that these are just and reasonable in the circumstances. The Board finds that the Capital Management Plan is consistent with the stated purpose of the Basic RSR, noting that the phase-in periods and capping levels effectively work to change the single target capital level into a target capital range, promoting rate stability.

Despite severing the tie between the Basic DCAT investigation and the setting of Basic target capital levels, the Board encourages the Corporation to continue to annually undertake, and file with the GRA, the Basic DCAT investigation as a part of its prudent risk management and good governance processes.

The Board notes the Corporation's efforts to provide details in support of the Extension financial forecasts to allow the Board to assess the reasonableness of forecasted transfers from Extension to Basic, a key determinant of a need for any Capital Build or Capital Release provision. As no Capital Build or Capital Release provision is being proposed in this Application, the Board is satisfied it has sufficient information to make this decision at this time. The Board anticipates that the Minimum Filing Requirements for the 2021 GRA will be expanded to include additional information requirements related to the Extension forecasts, building on the information provided in this regard through the current GRA process.

While the Board recognizes that it does not have jurisdiction over Extension, given the anticipated transfers from Extension to Basic contemplated by the Capital Management Plan, the magnitude of Extension's reserves is of concern to the Board. The evidence is that MPI holds approximately 95% of the market share for non-compulsory insurance products. The transfers from Extension to Basic will be automatic under the Capital Management Plan for any amounts over 200% MCT held by Extension in its reserves.

Lastly, given the Board's finding on the validity of the Regulation, the Board is not required to determine whether the Corporation's interpretation of the Regulation is consistent with its wording. However, the Board would comment that the wording of the Regulation is very clear:

> **2** For the purpose of section 18 of the Act, the minimum amount the corporation **must maintain**
>
> **(a)** in its rate stabilization reserve is the amount determined using a MCT ratio of 100%...**[emphasis added]**

The Board finds that there is no reasonable interpretation of the Regulation that would contemplate compliance where MPI has a plan to reach 100% MCT within a period of five years. On its face, the words "must maintain" can only be interpreted to mean that MPI must keep the Basic RSR at a minimum of 100% MCT at all times, not that it must achieve 100% MCT once every five years. The wording of section 2 of the Regulation contains a reference to section 18 of the MPIC Act, which states:

> **Reserves**
>
> **18** The corporation shall establish and maintain reserves in such amounts that, **at all times**, it has sufficient funds to meet all the payments as may become payable under this Act and regulations. **[emphasis added]**

Under MPI's interpretation, it may never achieve 100% MCT because the MCT ratio changes constantly. This is inconsistent with the words "must maintain" in the Regulation, and "at all times" in section 18 of the MPIC Act.

6. DRIVER SAFETY RATING (DSR)

In Order 130/17, following the 2018 GRA, the Board directed that a Technical Conference take place on the availability and practicality of other analytical tools and ratemaking methodologies to better determine DSR rates and vehicle premium discounts based on principal driver rating rather than registered driver rating. The Board also directed the Corporation to file proposed driver premium rates more statistically consistent with the estimated average claims cost per driver for each level on the demerit side of the DSR scale in this Application, and, in the 2021 GRA, file proposed vehicle premium discounts that are actuarially indicated based on principal driver performance evaluation.

TAB 7

Public Utilities Board

Régie des services publics

Order No. 1/21

MANITOBA PUBLIC INSURANCE (MPI OR THE CORPORATION): COMPULSORY 2021/2022 DRIVER AND VEHICLE INSURANCE PREMIUMS AND OTHER MATTERS

January 5, 2021

BEFORE: Irene A. Hamilton, Q.C., Panel Chair
Robert Gabor, Q.C., Chair
Carol Hainsworth, Member

Room 400 – 330 Portage Avenue
Winnipeg, MB R3C 0C4
www.pubmanitoba.ca

330, avenue Portage, pièce 400
Winnipeg (Manitoba) Canada R3C 0C4
www.pubmanitoba.ca

Public Utilities Board — Régie des services publics

TABLE OF CONTENTS

Public Utilities Board | Régie des services publics

Public Utilities Board   Régie des services publics for the Basic, Extension and Special Risk Extension lines of business for the purposes of *The Manitoba Public Insurance Corporation Act*. The Regulation also restricted the use of any surplus reserve funds in the Basic RSR, requiring that any amounts in excess of the amount required by the Regulation be used only for the purpose of reducing the Basic rate indication in a subsequent year. The effect of the Regulation was to set the Basic RSR at a minimum level of the amount determined using a Minimum Capital Test (MCT) ratio of 100%, rather than having the Basic RSR set by the Board through the GRA process. Upon hearing a motion filed by Consumers' Association of Canada (Manitoba) Inc., in Order 176/19, the Board found that the Regulation was invalid and therefore not binding on the Board for the purposes of setting Basic's target capital level, or in its assessment of the merits of the CMP. The Board found, however, that the CMP and the proposed Basic target capital level reflecting a 100% MCT ratio were just and reasonable in the circumstances and approved the Corporation's CMP for a two-year trial period, allowing the Board to fully assess the performance of the CMP and the Basic target capital level.

Following the conclusion of the public hearings and the issuance of this Order, MPI filed Special Rebate Application II (SRA II) with the Board. Contrary to the position MPI took in this Application, in SRA II it sought an order to issue to ratepayers a percentage of their Basic premiums earned between March 16, 2020 and November 21, 2020, for all vehicle classes, through a special rebate, in an amount equal to the approximate sum of $69 million, by December 23, 2020 or as soon thereafter as reasonably practicable. The Board approved the rebate in Order 145/20, issued on December 14, 2020.

Accordingly, to the extent that MPI and Interveners raised the issue of the appropriateness of a rebate in the context of this Application, the Board finds that that issue is largely moot. That said, the CMP as approved by the Board in Order 176/19 did not contemplate the issuance of rebates. In Special Rebate Applications I and II, MPI was required to seek a review and variance of prior Board orders, in part, so it could issue rebates. It was the exceptional COVID-19 pandemic and the resulting excess capital that justified a deviation from the CMP in those applications, but the Board does not anticipate that this will be an ongoing feature of the CMP and indeed, if that were to be the case, an amendment to the CMP would be required.

The Board accepts the Corporation's proposed 5% Capital Release provision, in line with the provisions of the CMP. The Board will continue to assess the performance of the CMP and the Basic target capital level over the trial period, after which the Board will undertake a detailed review of the CMP. The Board has directed that in the 2022 GRA, MPI file material to assist in its review of the CMP. This shall include an analysis supporting the level of the Basic target capital level (100% MCT) or the use of a single target capital level (vs. a range) to promote rate stability, consistent with the purpose of the RSR. Should the Board revert to a scenario-driven Basic target capital range or level (which the latest evidence from the 2019 GRA suggests is below 100% MCT), the Board acknowledges the practical impact of the current decision on the Basic target capital level would be to defer the otherwise appropriate Capital Release, given the current level of the Basic MCT ratio.

The CMP contains a commitment from MPI to transfer Extension retained earnings over 200% MCT to Basic. The evidence in this Application shows that MPI did not follow this commitment in the past year and instead issued a rebate to ratepayers. MPI also gave evidence in the public hearings indicating that while there were no current plans to do so, it is possible that Extension retained earnings could be used for purposes other than transfers to Basic during the fiscal year. It is of concern to the Board that within the first year of this two-year trial period MPI has already departed from its commitment to Extension transfers and is acknowledging the possibility this could happen again.

Driver Safety Rating

In the 2018 GRA, the Corporation applied for an increase to the premiums on the demerit side of the Driver Safety Rating (DSR) system. The Board approved the Corporation's application in that regard, however it directed the Corporation to undertake further work toward the implementation of more actuarially sound DSR premiums and vehicle premium discounts. In the 2020 GRA, the Corporation provided an update on its public consultation efforts and analysis of the cost of data collection for alternative rating models. In Order 176/19, the Board directed that in this GRA the Corporation provide its analysis of pricing, including the financial impact on premium revenue and the cost of modifying the system, and that MPI provide an update on which vehicle premium discount model it intends to implement. The Corporation applied to vary the latter directive, and in Order 6/20 the Board granted MPI's application. As a result, in this GRA, rather than reporting on which model it intends to implement, MPI was required to provide information as to the timeline and major milestones for a change to the DSR system. MPI also filed a pricing examination of its current DSR model.

Since the 2018 GRA, the Board has expressed concern with the evidence that the DSR scale does not accurately reflect risk. In Order 130/17, the Board approved an increase to rates on the demerit side of the DSR scale, however it made clear that MPI should strengthen its analytical tools in the determination of driver premiums.

The pricing examination in this Application confirmed that further refinement is required in order for rates to accurately reflect risk. In addition, using the Registered Owner rather than Primary Driver DSR model means that good drivers who are registered owners of vehicles are subsidizing bad drivers who are not. Given the history outlined above, the Board finds that sufficient time and examination has taken place in order for MPI to move towards more actuarially sound driver premiums and vehicle premium discounts by the 2022 GRA.

Further, given the evidence that the Primary Driver model would more accurately reflect risk, in the 2022 GRA the Corporation must bring forward a plan, including timelines, major milestones and implementation date, for any changes to the DSR model, including a date by which MPI file an application for any such changes with the Board The timeline for MPI's major Information Technology initiative, Project Nova, requires that MPI move forward on DSR changes without delay. The Board has also directed that in the 2022

TAB 8

Public Utilities Board

Régie des services publics

Order No. 2/21

MANITOBA PUBLIC INSURANCE CORPORATION (MPI OR THE CORPORATION): 2021 SPECIAL REBATE APPLICATION II

REASONS FOR DECISION IN ORDER 145/20

January 5 , 2021

BEFORE: Irene A. Hamilton, Q.C., Panel Chair
Robert Gabor, Q.C., Chair
Carol Hainsworth, Member

Public Utilities Board — Régie des services publics

TABLE OF CONTENTS

Public Utilities Board

Régie des services publics

3.0 APPLICATION

The Board's jurisdiction applies to rate-setting for MPI's universal compulsory automobile (Basic) insurance line of business, and not to MPI's optional lines of business, namely, Extension and Special Risk Extension (SRE).

MPI stated that the Application resulted from the announcement on November 30, 2020 by the Minister of Crown Services that, subject to the approval of the Board, MPI would provide economic relief to ratepayers of $69 million, in addition to the $110 million provided in the Spring of 2020 (which was comprised of $52 million from Extension and $58 million from Basic).

MPI requested that the Board issue a directive requiring it to issue to ratepayers a percentage of their Basic premiums earned between March 16, 2020 and November 21, 2020, for all vehicle classes, through a special rebate, in an amount equal to the approximate sum of $69 million, by December 23, 2020 or as soon thereafter as reasonably practicable.

MPI argued that the increased severity of the COVID-19 pandemic in Manitoba and, in particular, the Province-wide move to the Critical Level (Red) on the Pandemic Response System on November 12, 2020, could not have been reasonably anticipated within 30 days of the issuance of Board Orders 159/18 and 176/19, nor could it have been reasonably anticipated before May 1, 2020, the date on which the Board issued Order No. 67/20. MPI could therefore not have included the relief sought in SRA II, through SRA I filed on April 27, 2020.

MPI also argued that, as a result of the COVID-19 pandemic, its financial position continued to improve at a time when the financial position of many of its ratepayers may have substantially declined, creating again an urgent need for support.

MPI noted that this was not a request to issue an additional rebate to ratepayers for savings generated between March 15, 2020 and May 15, 2020 (the 2021 SRA I rebate period). SRA II requested a rebate amount calculated using actual and projected savings in the subsequent period, May 16, 2020 to March 31, 2021.

MPI also conceded that by virtue of its request for a rebate, it had departed from position it advanced during the course of the 2021 GRA, which concluded on November 5, 2020. In the GRA, MPI had taken the position that allowing the CMP to work as intended (by applying a release of excess capital to decrease the indicated rate) was preferred over issuing another rebate.

Based on the financial information in evidence at the 2021 GRA hearing (MPI's actual financial results to August 31, 2020), CAC had proposed that the Board order a second rebate in the amount of $70 million. CAC's position was premised on an assumption that MPI's financial position would continue to be affected by COVID-19 until March 31, 2021. MPI opposed that position, advocating an approach that did not assume any further COVID-19 impacts. MPI also stated that if there were a desire to rebate further funds beyond its applied-for capital release of 5%, it should be by a credit to ratepayers, citing the significant cost of issuing cheques of over $900,000. However, MPI opposed any further release of excess capital.

MPI explained that, since the close of the GRA hearing, the adverse effects of the COVID-19 pandemic increased to such a degree as to warrant providing additional financial relief to Manitobans immediately.

3.1 MPI Financial Position

Based on results to the end of September 30, 2020, MPI estimated that Basic would retain capital in excess of $69 million by March 31, 2021. MPI built in to this forecast an assumption that the Board would approve the 8.8% Basic rate reduction that MPI requested in the 2021 GRA.

MPI reported that as of September 30, 2020 the Basic Rate Stabilization Reserve (RSR) was at a Minimum Capital Test (MCT) ratio of approximately 107%, and forecasted to grow to 132% by the end of March 31, 2021 excluding the proposed $69 million rebate.

MPI reported that the substantial increase in excess capital was primarily the result of a favourable claims experience brought on by public health orders, coupled with better than expected operating expenses. The proposed $69 million rebate was comprised primarily of claims savings, but also included expected operating expense savings.

A $69 million rebate would place the Basic RSR MCT ratio at 116.5% at the end of the fiscal year (March 31, 2021). MPI stated that the ratio of 116.5% would be the minimum level necessary to permit the 5% capital release for the 2021/2022 rating year, which MPI requested in the 2021 GRA. If the rebate were to exceed $69 million, MPI stated that it would need to amend its 2021 GRA. MPI did not have any expectation that Basic's capital position would deteriorate significantly.

MPI characterized the requested rebate as an acceleration of the distribution of excess funds to policyholders in the form of a one-time payment, rather than by applying a capital release to decrease rates in future years.

TAB 9

About Us > Newsroom

Manitoba Public Insurance applies for largest rate decrease in 30 years

Date published: 6/17/2020

Manitoba Public Insurance filed its General Rate Application with the Public Utilities Board (PUB) today, requesting an overall rate decrease of 10.5 per cent. If approved, this will be the largest rate decrease in three decades.

The average passenger vehicle owner will pay about $130 less in premiums per year. This will be the second year in a row Manitobans have received a rate decrease from its public auto insurer.

"This historic rate decrease reflects the strong recent performance and financial position of our Corporation," said Ben Graham, President and CEO, Manitoba Public Insurance. "While many private auto insurers across Canada are asking for double-digit rate increases, Manitobans are receiving the benefits of a well-executed public auto insurance model.

"This decrease was made possible with our multi-pronged strategy focusing on insurance fundamentals such as fiscal prudence of managing claims and MPI expenses, changes made to our product suite, implementation of a better reinsurance strategy aimed at reducing volatility, enhanced investment management strategy and building an industry acceptable level of reserves to absorb rate shocks."

In May 2020, MPI customers benefited from a $110 million rebate: $58 million of which is directly attributed to fewer claims during this COVID period and $52 million was through prudent company management from year-end financial results.

This year, MPI is modernizing its products to provide greater customer choice and protection through new coverage levels for Third Party Liability, Maximum Insured Value, and changes to the Basic Autopac deductible. Customers will have the option of reducing their premium by increasing their deductible.

"Our customers will have greater choice in selecting the coverage that best suits their needs," said Graham. "These are all things that really demonstrate the strength, adaptability and customer-centric nature of public auto insurance in Manitoba.

"MPI will continue to execute its strategy aimed at maintaining stable and predictable rates which remain among the most affordable in Canada while providing exceptional coverage to Manitobans."

The PUB hearings typically begin in October, concluding later in the month. The board typically issues its order in December.

The proposed rates would be effective April 1, 2021, but because renewal dates are staggered, some vehicle owners won't pay their new rates until March 31, 2022.

Requested Rate Changes by Class

Major Use	**Applied for Rate Changes**

Public	-6.1%
Motorcycles	1.8%
Trailers	-11.4%
Off-road vehicles	0%
Overall (applied for)	-10.5%

TAB 10

About Us > Newsroom

Manitoba Public Insurance Requesting 2.8 Per Cent Decrease and Additional $155M Rebate to Customers

Date published: 6/28/2021

Manitoba Public Insurance filed its provisional 2022/23 General Rate Application with the Public Utilities Board (PUB) today, requesting an average rate decrease of 2.8 per cent. As part of this application, MPI will be removing the Capital Release provision which previously has translated into a discount of five per cent as part of the overall rate.

To offset this adjustment and return surplus capital to Manitobans, MPI is planning on filing a separate application with the PUB later this year with a rebate request currently estimated at $155 million. If approved, the rebate would be equivalent to a rate reduction of approximately 15 per cent and it would be returned to its customers through a one-time rebate cheque in early 2022.

"MPI informed us of their intention to rebate its excess capital from the Basic line of business this spring and apply to PUB for the distribution of the special rebate later this year," Crown Services Minister Jeff Wharton announced today.

"Manitobans have been financially impacted by the pandemic," said Wharton. "We are pleased that this rebate will be welcome news for our community as we all work together in getting through this challenging time in our province."

This will be the third year in a row MPI has requested a rate decrease in its annual General Rate Application and third rebate in little more than a year. To date, customers have received a total of $179 million in rebates.

"I am pleased that our team continues to focus on putting the interest of Manitobans at the forefront and we are able to deliver on our promise of maintaining stable and predictable rates which remain among the most affordable in Canada while providing exceptional coverage and service to Manitobans," explained Eric Herbelin, President & CEO, Manitoba Public Insurance.

If both requests are approved by the PUB, MPI customers will benefit from receiving a rebate cheque of between approximately $150 to $200 per average policyholder. If approved, the average premium for a passenger vehicle will be about $1,130.

"Combining the 2.8 per cent decrease in cost of break-even policies, in addition to other financial adjustments, the average net impact on customer premium for the 2022/23 insurance year would equal a total approximate average of 13 per cent reduction in Autopac premium," said Herbelin.

MPI's request at the time of the filing is provisional, based on its fiscal-year end financials, current interest rates, and estimated COVID-based claims savings in 2021/22. The PUB hearings will begin in October, concluding later in the month. The PUB normally issues its order in December.

"The financial strength of MPI has allowed us to make a request to give back to our customers in the form of a one-time rebate," said Herbelin. "The benefit to customers is reflective of the strength of the public auto insurance model."

Manitoba Public Insurance

Media Relations Unit

204-985-7300

TAB 11

News Release - Manitoba

April 20, 2004

CUSTOMER SERVICE AND EFFICIENCY TO RESULT FROM MERGER OF MPI AND DRIVER AND VEHICLE LICENSING: MINISTERS

Gord Mackintosh, minister responsible for Manitoba Public Insurance (MPI), and Ron Lemieux, minister of transportation and government services, announced today the Manitoba government will improve customer service and reduce overlap and duplication by merging driver and vehicle licensing with MPI.

The merger of the Crown corporation and the Driver and Vehicle Licensing Division, announced in yesterday's budget, has been recommended for more than a decade. A number of reports have concluded a merged organization would:

- produce savings through operating and technological efficiency;
- improve customer service;
- increase accountability;
- create opportunities to better package products and services; and
- enhance road safety in Manitoba.

Lemieux noted that, in Saskatchewan and British Columbia, the amalgamation of insurance, registration and licensing functions has shown that customer service is improved, duplication eliminated and costs reduced.

"This is about improving customer focus while providing Manitobans with the best value for their tax dollar," said Lemieux. "Now Manitobans will be able to turn to one organization to meet all their vehicle licensing, registration and insurance needs."

The Driver and Vehicle Licensing Division will become a separate department under the Manitoba Public Insurance umbrella. It will include all aspects of driver and vehicle licensing from issuing licences and keeping records to managing driver examinations and maintaining driver extracts. The government will continue to provide Manitoba Public Insurance with funds equal to the current division's operating costs, said Lemieux.

Mackintosh said the merger will have clear benefits for Manitobans including:

- more options in customer service;
- reduced overlap and duplication of costs through integration of systems;
- cost avoidance by enhancing existing information systems rather than rebuilding them; and
- better co-ordination of road safety.

"With two separate organizations, change is difficult," Mackintosh said. "As one organization, there is a better opportunity to look at doing things differently from a business and customer standpoint. We know Manitobans want clarity and simplicity and to know who to go to for service."

Jack Zacharias, MPI president and CEO, said all 300 employees of the Driver and Vehicle Licensing Division will be offered jobs. He said the public will see no immediate change but that, over time, cost reductions will be achieved through greater efficiency, automation and attrition.

"We all have jobs to do and customers to serve," he said. "That is the top priority. Any changes in the future will be business driven with our customers in mind and will be made only after careful consideration."

Zacharias said Manitoba Public Insurance will create a number of transition teams to review issues and pave the way for full integration which could take more than a year to complete.

- 30 -

For more information:

- Public information, contact Manitoba Government Inquiry: 1-866-626-4862 or 204-945-3744.
- Media requests for general information, contact Communications Services Manitoba: 204-945-3765.
- Media requests for ministerial comment, contact Communications and Stakeholder Relations: 204-290-5374.

Quick Links

TAB 12

Manitoba

Printer Friendly Français Site Map Contact Government

Search for programs and online services

MENU

RESIDENT AND ONLINE SERVICES BUSINESS GOVERNMENT VISITORS

News Releases

Manitoba.ca > News

Get Started

Today's releases (2)
This week's releases (18)
This month's releases (11)
News Releases
May 2020

Archived News Releases
Subscribe for Email Alerts
Subscribe for RSS Alerts

Need More Info?

Public information, contact Manitoba Government Inquiry: 1-866-626-4862 or 204-945-3744.

Media requests for general information, contact Communications Services Manitoba: 204-945-3765.

Media requests for ministerial comment, contact Communications and Stakeholder Relations: 204-290-5374.

Twitter Feed

News Release - Manitoba

May 12, 2020

MANITOBA GOVERNMENT TO LOWER VEHICLE REGISTRATION FEES BY 10 PER CENT

\- - -

$11-Million Program Will Save Manitobans Money: Wharton

The Manitoba government is continuing to support Manitoba families with an $11-million program that will reduce vehicle registration fees by 10 per cent beginning July 1, Crown Services Minister Jeff Wharton announced today.

"After your home, your car is likely your next biggest expense, and reducing these fees is another step toward making life more affordable for Manitobans," said Wharton. "As a result of COVID-19, we're working hard across government and with our partners to find ways to provide relief to Manitobans who need it now more than ever."

Most Manitobans will benefit from a $15 decrease to the existing $154 vehicle registration fee as a first step to reverse a 30 per cent increase in these fees in 2012 by the previous administration, the minister noted. The registration fee applies to non-commercial vehicles and trucks, resulting in an annual registration fee of $139. Non-commercial vehicles include passenger cars, sport utility vehicles, light trucks, farm vehicles, motorcycles/mopeds and personal-use trailers and trucks. The existing fee for the registration of government and municipal vehicles will continue.

Manitoba Public Insurance (MPI) administers and collects vehicle registration fees on behalf of the provincial government.

"These savings are in addition to the up to $110 million in rebate cheques that MPI is returning to its policyholders at the end of May to early June," said Wharton. "With a healthy reserve fund and fewer claims during this COVID-19 period, MPI is in a strong financial situation to move forward with these rebate cheques to support Manitobans."

Rebates are based on what policyholders paid last year and is expected to be around 11 per cent, or between $140 to $160, per average policyholder.

For more information about COVID-19 in Manitoba, visit www.manitoba.ca/covid19 and a comprehensive list of Manitoba government COVID-19 measures can be found at https://manitoba.ca/bg/2020/04/covid19.html.

\- 30 -

For more information:

Connect now / Connexion directe

Tweets by @MBGovNews

Manitoba Gov News
@MBGovNews

Province Invests in Supports for Missing and Murdered Indigenous Women and Girls Families and Survivors bit.ly/2YdznPV

23m

Manitoba Gov News
@MBGovNews

Statement from Indigenous Reconciliation and Northern Relations Minister Alan Lagimodiere and Minister Responsible For Status of Women Cathy Cox on MMIWG Awareness Day bit.ly/3D1udpo

Embed View on Twitter

- Public information, contact Manitoba Government Inquiry: 1-866-626-4862 or 204-945-3744.
- Media requests for general information, contact Communications Services Manitoba: 204-945-3765.
- Media requests for ministerial comment, contact Communications and Stakeholder Relations: 204-290-5374.

Quick Links

Manitoba Ombudsman

Manitoba Auditor General

Manitoba Advocate for Children and Youth

Manitoba Public Insurance

Manitoba Hydro

Manitoba Liquor and Lotteries

Elections Manitoba

Accessibility Disclaimer Copyright Privacy

Twitter Facebook YouTube Flickr

Connect now / Connexion directe

TAB 13

News Releases

Get Started

Today's releases (1)
This week's releases (18)
This month's releases (10)
News Releases
May 2021

Archived News Releases
Subscribe for Email Alerts
Subscribe for RSS Alerts

News Release - Manitoba

May 13, 2021

PROVINCE COMMITS TO REDUCING VEHICLE REGISTRATION FEES

\- - -

Protecting Manitobans Income by Reducing Fees: Schuler

Watch news conference

Vehicle registration fee reductions - May 13, 2021

The Manitoba government will be reducing vehicle registration fees on July 1, for the second year in a row, Infrastructure Minister Ron Schuler announced today.

"As part of our government's Budget 2021 announcement, we've committed to protecting Manitobans' income by reducing vehicle registration fees by a further 10 per cent," said Schuler. "Reducing these fees is a step toward making life more affordable for Manitobans."

Vehicle registration fees will be reduced by an additional 10 per cent starting in July, keeping $15 million in the pockets of Manitoba drivers. Combined with last year's 10 per cent reduction, the province has reduced fees by 20 per cent in two years.

The registration fee decrease applies to non-commercial vehicles, resulting in an annual registration fee of $129 for most cars, sport utility vehicles and light trucks. Owners of other non-commercial vehicles including motorcycles/mopeds, farm and personal-use trucks and trailers will also benefit from reduced registration fees.

Manitobans will benefit from a $10 decrease to the existing $139 vehicle registration fee as a continued step to reverse the 30 per cent increase in 2012 implemented by the previous administration, noted Schuler.

Need More Info?

Public information, contact Manitoba Government Inquiry: 1-866-626-4862 or 204-945-3744.

Media requests for general information, contact Communications Services Manitoba: 204-945-3765.

Media requests for ministerial comment, contact Communications and Stakeholder Relations: 204-290-5374.

Twitter Feed

Manitoba Public Insurance (MPI) administers and collects vehicle registration fees on behalf of the provincial government.

- 30 -

For more information:

- Public information, contact Manitoba Government Inquiry: 1-866-626-4862 or 204-945-3744.
- Media requests for general information, contact Communications Services Manitoba: 204-945-3765.
- Media requests for ministerial comment, contact Communications and Stakeholder Relations: 204-290-5374.

TAB 14

Who we are

Manitoba Public Insurance is a Crown corporation that delivers insurance, registration and licensing services to Manitoba drivers. We're available through claim and service centres in 12 communities across the province, and services are also available at more than 300 Autopac agents across Manitoba.

We're accountable to you. Through our board of directors, we report to the Minister of Crown Services and Cabinet. We also report to the Standing committee of Legislature on Public Utilities, the Public Utilities Board, and the Crown Corporations Council.

Our history

Public insurance was introduced in Manitoba after extensive public hearings that found the existing private system to be expensive, inadequate and confusing. The Manitoba Public Insurance Corporation officially opened for business on Nov. 1, 1971, to provide Basic compulsory, universally-available auto insurance coverage.

The Manitoba Automobile Insurance Committee Report set out the general objectives of a public auto insurance system as follows:

- Universally available, mandatory insurance protection against the cost of automobile accidents.
- Rates lower than those charged by private insurance companies for comparable coverage.
- Financial self-sufficiency, with no subsidies or other assistance from general government revenues.
- Return 85 per cent of premium revenue in the form of claims benefits.
- Operate at a financial break-even level over the long term.
- Minimize public inconvenience in insurance claim procedures.
- Pursue traffic safety and loss prevention programs.
- Encourage investment of insurance capital in Manitoba.

In 2004, the government merged the operations of the former Division of Driver and Vehicle Licensing into Manitoba Public Insurance, and the Corporation became responsible for the administration of The Drivers and Vehicles Act (DVA).

This led to a complete integration of driver licensing, vehicle registration, driver insurance and vehicle insurance. Driver licensing and vehicle registration are inextricably linked to insurance, providing one of the major advantages of our public insurance system: significantly reducing the likelihood of uninsured drivers on the roadway by ensuring that all licensed drivers are insured drivers and all registered vehicles are insured vehicles.

Today, Manitoba Public Insurance serves Manitobans at service and claim centres in 12 communities, and provides services through more than 300 Autopac agents across the province.

Mission

Exceptional coverage and service, affordable rates and safer roads through public auto insurance.

Vision

The trusted auto insurance and driver services provider for every Manitoban.

Values

As a public auto insurer, we hold ourselves accountable to all Manitobans to deliver value by fostering a culture of excellence. We achieve this through our four core values:

Striving for Excellence

We provide exceptional coverage and service. We adapt to meet evolving customer and industry needs, focusing on continuous improvement.

Providing Value to Manitobans

We maintain affordable rates and ensure accessible coverage. As a public auto insurer, fiscal responsibility is at the forefront of everything we do.

Doing What's Right

We act with integrity and accountability. We strive to be open and transparent.

Investing in People

We empower our employees to provide excellent service. We work together with business, community and road safety partners to fulfil our mission.

The Minister

Minister of Crown Services, Jeff Wharton
(MLA for Gimli)

More information about Minister Wharton is available at Manitoba Cabinet Ministers.

The Board of Directors

Manitoba Public Insurance's Board of Directors consists of the following members:

Dr. Mike Sullivan, Chairperson

Richard Chale

Domenic Grestoni

Carolyn Halbert

Kevin Klippenstein

Greg Leipsic

Kenneth Munroe

Jim Robson

Grant Stefanson

Eric Herbelin (Ex-Officio)

The Executive

Eric Herbelin
President & Chief Executive Officer

Lisa Gendreau
Vice President & Chief People Officer

Mark Giesbrecht
Vice President & Chief Financial Officer

Satvir Jatana
Vice President & Chief Customer Officer

Marnie Kacher
Vice President & Chief Operations Officer

Cara Low
Vice President & Chief Actuary

Shayon Mitra
Vice President & Chief Transformation Officer

Siddhartha (Sid) Parti
Vice President & Chief Information & Technology Officer

Mike Triggs
General Counsel and Corporate Secretary

TAB 15

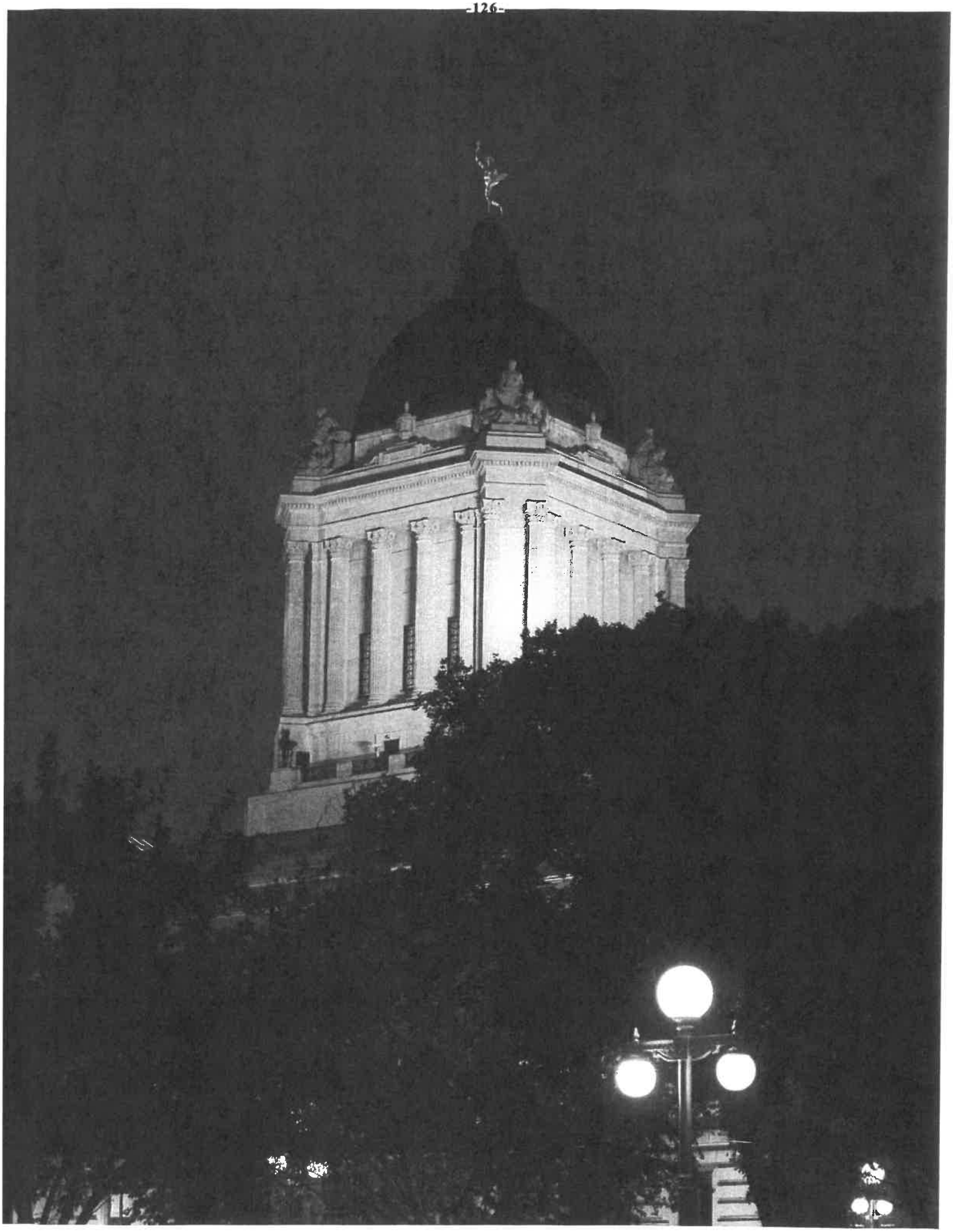
PROVINCE OF MANITOBA

Annual Report and Public Accounts

FOR THE YEAR ENDED MARCH 31, 2021

21

Manitoba



PROVINCE OF MANITOBA ANNUAL REPORT AND PUBLIC ACCOUNTS MARCH 31, 2021

Manitoba

MINISTER OF
FINANCE

Legislative Building
Winnipeg, Manitoba R3C 0V8
CANADA

Her Honour the Honourable Janice C. Filmon, C.M., O.M.
Lieutenant-Governor of the Province of Manitoba

May It Please Your Honour:

I have the privilege of presenting, for the information of Your Honour, the Annual Report of the Province of Manitoba for the year ended March 31, 2021. This document completes the government's accountability reporting for the year. The Report includes a review of the year's results relative to the government's budget. It also contains statistics and indicators of the financial health of the Province.

Included in this Annual Report are the year-end review, management's financial statement discussion and analysis, the summary financial statements and the statutory reporting required in the Public Accounts.

Original signed by Scott Fielding

Honourable Scott Fielding
Minister of Finance

Office of the Minister of Finance
September 2021

TABLE OF CONTENTS

11. Risk Management and the Use of Derivative Financial Instruments (continued)

DERIVATIVE PORTFOLIO

The following table presents the fair value of derivative financial instruments with contractual or notional principal amounts outstanding at March 31:

	($ millions)			
	2021 Actual		**2020 Actual**	
	Notional Value	Fair Value	Notional Value	Fair Value
Interest rate and cross currency swaps	48,629	(64)	50,969	(1,289)

Notional amounts of derivatives contracts represent the contractual amounts to which a rate or price is applied for computing the cash flows to be exchanged. The notional amounts are used to determine the gains/losses and fair value of the contracts and is generally a measure of the exposure to the asset class to which the contract relates. They are not recorded as assets or liabilities on the statement of financial position. Notional amounts do not represent the potential gain or loss associated with the market risk or credit risk associated with the derivative contract.

Fair values of the swap agreements are the estimated amount that the Government would receive or pay, based on market factors, if the agreements were terminated on March 31. They are established by discounting the expected cash flows of the swap agreements using year-end market interest and exchange rates. A positive (negative) fair value indicates that the government would receive (make) a payment if the agreements were terminated.

12. SIGNIFICANT TRANSACTIONS WITH GOVERNMENT BUSINESS ENTERPRISES

Transactions with GBEs are not eliminated for purposes of summary reporting because they are reported in these summary financial statements using the modified equity method of accounting. These financial statements include the following transactions between the Government and GBEs, which have not been eliminated:

A. ACCOUNTS RECEIVABLE AND LOANS AND ADVANCES

Amounts receivable includes receivables from GBEs as reported in Schedule 1 to the summary financial statements. Loans and advances to GBEs are reflected in Schedule 2 to the summary financial statements.

B. INVESTMENTS

MPIC holds $567 million (2020 - $611 million) of Provincial bonds and debentures with maturities dates ranging from 2021 to 2052 and interest rates ranging from 3.0% to 7.0%.

C. WATER POWER RENTALS

Water power rental fees charged to Manitoba Hydro, for $117 million (2020 - $115 million), are included in the Consolidated Statement of Revenue and Expense under the fees and other revenue category. Water power rental rates are authorized by Regulation 25/88 and 197/2001 under The Water Power Act. Rentals are paid to the Government for the use of water resources in the operation of Manitoba Hydro's hydroelectric generating stations.

12. Significant Transactions with Government Business Enterprises (continued)

D. FEES ON GOVERNMENT GUARANTEES

Manitoba Hydro remitted $222 million (2020 - $207 million) to the Government based on the amount of their debt that is guaranteed by the Government. The fees are included in the Consolidated Statement of Revenue and Expense under the sinking funds and other investment earnings category.

E. DRIVER LICENSING OPERATIONS

The Government, by agreement, paid $30 million (2020 - $30 million) to MPIC for the management and administration of driver licensing. MPIC, on behalf of the Government, collected driver licensing fees totalling $25 million (2020 - $26 million) and motor vehicle registration fees totalling $187 million (2020 - $192 million).

The fees received by the Government are included in the Consolidated Statement of Revenue and Expense under the fees and other revenue category.

F. OTHER REVENUE

Manitoba Liquor and Lotteries Corporation provided $5 million in funding to the Addictions Foundation of Manitoba for the year ended March 31, 2021 (2020 - $5 million) for addictions and problem gambling services programs. In addition, the Corporation provided $5 million (2020 - $5 million) in funding to the Liquor, Gaming and Cannabis Authority of Manitoba and the Ministry of Crown Services through the payment of annual licence fees and levies.

Manitoba Hydro paid the Government $117 million (2020 - $112 million) for corporation capital tax. MPIC paid the Government $32 million (2020 - $44 million) for insurance premium tax. GBEs paid the Government a combined total of $18 million (2020 - $18 million) for Levy for Health and Education.

MPIC paid the Manitoba Health Services Insurance Fund $30 million (2020 - $30 million) to cover non-insured medical expenses.

These amounts are included in the Consolidated Statement of Revenue and Expense under the fees and other revenue and other taxes categories.

13. EMPLOYEE FUTURE BENEFITS

	($ millions)	
	2021 Actual	**2020 Actual**
Severance	468	463
Long term disability income plan	41	40
Workers compensation claims	58	49
	567	552

The severance liability is valued using discount rates that range from 2.60% to 5.75% and salary increase rates that range from 1.82% to 3.75%. Unamortized actuarial gains and losses are amortized over the estimated average remaining service life (EARSL). Periods range from 7.8 to 15 years. As of March 31, 2021, net unamortized losses were $40 million (March 31, 2020 - $26 million).

The long term disability income plan is valued using a discount rate of 3.30%. Actuarial gains and losses are recognized as income as they occur. Workers compensation claims are recognized based on an actuarial valuation prepared for the Workers Compensation Board. The December 31, 2020 valuation was prepared using a discount rate of 5.75% and a salary increase rate of 3.25%. Actuarial gains and losses are recognized as income as they occur.

14. EXPENSES IN EXCESS OF LEGISLATIVE AUTHORITY

The budget estimates presented on the Consolidated Statement of Revenue and Expense, excludes $1,977 million in supplementary estimates related to the departments. The original budget estimate amounts plus the $1,977 million in supplementary estimates becomes the revised estimates, against which expenses in excess of legislative authority are determined. Based upon the revised estimates, the following departments were over-expended at March 31, 2021:

PART A – OPERATING EXPENSE:

	($ millions)
Central Services	91
Conservation and Climate	177
Employee Pensions and Other Costs	5
Emergency and Other Appropriations	31

15. LIABILITY FOR CONTAMINATED SITES

The Province reports environmental liabilities related to the management and remediation of contaminated sites where the Province is obligated to incur such costs. A contaminated sites liability of $379 million (2020 - $265 million) has been recorded based on environmental assessments or estimations for those sites where an assessment has not been conducted.

As of March 31, 2021 the Province has identified 556 sites which require remediation from contamination.

The Province is responsible for the risk management and potential remediation of certain orphaned and abandoned mine sites that exist on Crown land. For most of these mine sites, the companies that caused the contamination no longer exist. The mining operations were primarily comprised of gold and other metals. The risk of contamination at these sites primarily comes from mine tailings and other possible contaminants that were left on site. The liability also includes sites associated with highway maintenance, airports, marines, landfills, sewage treatment facilities, commercial and industrial operations, parks and other protected areas.

The nature of contamination includes petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, toxic heavy metals, polychlorinated biphenyl and other organic contaminants. The sources of contamination include above ground and underground fuel storage tanks, fuel handling, pipelines, chemical storage, by-product waste, metal based paint, and the leaching of materials deposited in landfills. Sites often have multiple sources of contamination.

Where sites require ongoing remediation, monitoring, or maintenance all estimated future costs are discounted using the province's weighted average cost of capital. Remediation at three sites requires the operation of water treatment systems for the next 40 years. Expenditures of $198 million for the future operation of the water treatment plants have been discounted at 3.2% over the next 40 years. The assumed rate of inflation is 2.0%.

Manitoba Hydro will incur future costs associated with the assessment and remediation of contaminated lands and facilities for the phase-out and destruction of polychlorinated biphenyl contaminated mineral oil from electrical equipment. A reasonable estimate of the associated costs, not already recognized as asset retirement obligations, cannot be made at this time. No provision has been included for these items as of March 31, 2021.

TAB 16

Third Session – Forty-Second Legislature

of the

Legislative Assembly of Manitoba

DEBATES
and
PROCEEDINGS

Official Report
(Hansard)

Published under the
authority of
The Honourable Myrna Driedger
Speaker

Vol. LXXV No. 79 - 10 a.m., Friday, October 8, 2021

ISSN 0542-5492

Will the interim PC leader simply admit that it's wrong and apologize to Manitoba Hydro workers?

Mr. Goertzen: I'm not accepting any of the premise of the question, Madam Speaker.

The NDP and the Leader of the Official Opposition wasted $18 million on Hydro before breakfast every day, Madam Speaker. Billions of dollars were wasted on putting a transmission line on the wrong side of the province of Manitoba. They ploughed through hundreds of thousands of trees, went on the wrong side. They ignored all the experts. They ignored the experts at Manitoba Hydro, Madam Speaker–*[interjection]*

Madam Speaker: Order.

Mr. Goertzen: –they wouldn't–*[interjection]*

Madam Speaker: Order.

Mr. Goertzen: He can yell as loud as wants, Madam Speaker, it doesn't make any difference to me because I'll continue to remind Manitobans of the billions of dollars that were wasted. And because of that, they added onto the debt of Manitoba Hydro, they put it in jeopardy in terms of the rates for those who–ratepayers to Manitoba Hydro.

We're committed to fixing the finances, both in the province of Manitoba as well as Manitoba Hydro. Where they destroyed it, we will fix it, Madam Speaker.

Madam Speaker: The honourable Leader of the Official Opposition, on a new question.

Manitoba Public Insurance Autopac Premiums and Rebate

Mr. Wab Kinew (Leader of the Official Opposition): Cut through the bluster and this much is true: when Brian Pallister and the PC MLAs interfere with Crown corporations in Manitoba, it always costs you money.

We've now become aware of a scheme to take more than $100 million from Manitobans very–some–via some very shady tactics at Manitoba Public Insurance. It's a lot of money; we're talking about $113 million. That would work out to a 10 per cent rate reduction for everybody who has to pay an Autopac premium.

Did Brian Pallister and the PCs tell Manitobans about this scheme? Did they reveal it at committee? Did they publish a directive to Manitoba Public Insurance? No, no, no.

Now that this scheme has been revealed, will they simply admit that it was wrong?

Hon. Kelvin Goertzen (Premier): Well, the member opposite wrote the book on shady activity, so I'm not going to question him on his knowledge of that, Madam Speaker.

But I would say, if he were to look at Crown corporations–in fact, I think that he was there. On June 10th, he asked a question of the president and the CEO of MPI about the driver's licence branch. And the president responded specifically, we're looking at the possibility of the extension line of business to cover these costs, as the extension line provide certain excesses of money.

So disclosed at public committee, in response to a question by the Leader of the Official Opposition. It was then filed with the PUB on June 24th. It'll go to the PUB on Monday.

Boy, this is the worst cover-up in Manitoba history, if he considers this a cover-up, Madam Speaker. Good grief.

Madam Speaker: The honourable Leader of the Official Opposition, on a supplementary question.

Mr. Kinew: Yes, they really are missing Brian Pallister on that side of the House when their leader stands up and says, yes, it was a cover-up and we did a terrible job at this cover-up, and that passes for an applause line these days with the failing Progressive Conservatives.

The issue at hand, Madam Speaker, is that this party developed a scheme to take $113 million away from the good, hard-working people of Manitoba. Did they put out a press release on this? Did they make an announcement? Did they tell the people of Manitoba, you know what, you could be paying 10 per cent less on your Autopac premiums next year? No, absolutely not.

As with Hydro, so goes MPI. It's always cover-up, it's always schemes and it always costs you money.

Will the failing interim PC leader simply admit that it's wrong?

Mr. Goertzen: I know that the Leader of the Official Opposition had written his questions and he doesn't want to veer from the script that he had, Madam Speaker.

I'll try to remind him again, because clearly he forgot about the question that he asked at committee.

He asked a question on June 10th at Crown Corporations Committee, and the president and the CEO of MPI indicated that they were looking to take some of the fund from the extension line to cover some of the costs for the driver's licence side for the technology increase–for the enhancement of technology, Madam Speaker. It's in Hansard.

Now, to remind him, Hansard isn't written in disappearing ink. It stays there forever, Madam Speaker. It's still there.

And then they went and they took the application and brought it to the Public Utilities Board, Madam Speaker. And now it's going to the Public Utilities Board on Monday. Public in June, public in July, public on Monday. The member doesn't know what he's talking about. *[interjection]*

Madam Speaker: Order. Order.

The honourable Leader of the Official Opposition, on a final supplementary.

Mr. Kinew: You know, Madam Speaker, I don't know who signed off on the legislative strategy of if we just admit the scheme in question period maybe it will go away, but the bottom line is this: it cost Manitobans $113 million.

And what we've seen so far in question period today confirms everything that Manitobans don't like about the PC Party. First, $18 million at Manitoba Hydro wasn't worth the leader getting out of bed for, and now $113 million in additional Autopac premiums that you have to pay for, Madam Speaker, well, apparently that's not worth their time either. It's absolutely shameful and it shows just how much they are out of touch with the average Manitoban, who is struggling to get by during these difficult times.

Will they simply admit that it was wrong and commit that they will never interfere in a Crown corporation again?

Mr. Goertzen: He could speak to the member of Concordia, who would remind him of how the NDP tried to lift $20 million out of MPI and drop it into the universities–out of the Crown corporation.

In response to a question, Madam Speaker, the president of MPI indicated to the Leader of the Opposition, who now has selective memory or has amnesia, that they were looking to keep the money within the corporation; that they would bring this to the public in matter–they would bring it to the PUB so that they could have a determination–*[interjection]*

Madam Speaker: Order.

Mr. Goertzen: –of it. Now they don't like the PUB.

It was disclosed in June. It was submitted in July. It'll go to the PUB on Monday, Madam Speaker. That is the way the process is supposed to work.

Manitoba Hydro
Cost of Labour Dispute

Mr. Adrien Sala (St. James): Eighteen million dollars. Eighteen million dollars is the bill that Brian Pallister left Manitobans for his unnecessary Hydro strike. That's money that every single person who turns on a light or heats their home will have to pay. That's the cost of Brian Pallister interfering in Manitoba Hydro. But the bill isn't being paid by Pallister or this PC government. Instead, it's being paid for by Manitobans.

Will the PCs do what's right and will they send the bill for Pallister's Hydro strike to Brian Pallister himself instead of passing it on to Manitobans?

Hon. Ron Schuler (Acting Minister of Crown Services): And the fact that there is an outstanding bill from Manitoba Hydro in the tune of billions of dollars for a Hydro line that goes the wrong way, for overruns at all kinds of projects–including Keeyask, Madam Speaker.

* (10:40)

The question, then, is should that overrun, should those bills all go to the Leader of the Opposition and the NDP, who got us into this mess? Should they be paying for that as well?

Madam Speaker: The honourable member for St. James, on a supplementary question.

Mr. Sala: Eighteen million dollars is what Brian Pallister's Hydro strike cost Manitobans. He forced a strike with thousands of front-line Hydro workers, made them go without pay and walk the line because of his illegal wage-freeze mandates. And now he's left Manitobans to foot the bill for his failures.

That's wrong. Manitobans shouldn't have to pay. It should be the PC government.

The question is simple: Why are they making Manitobans pay millions of dollars for their interference?

Mr. Schuler: Madam Speaker, it was the Leader of the Opposition and it was the NDP who forced Manitoba Hydro to put a hydro long-line on the wrong side of the province. They forced Manitoba

Hydro to build projects that ran over by billions of dollars. That's going to cost Manitobans in interest costs for generations to come.

The question is will the Leader of the Opposition get up and apologize and will he offer to pay for all those cost overruns for forcing Hydro to put a line on the wrong side of the province? Will the Leader of the Opposition stand up and do the right thing and apologize?

Madam Speaker: The honourable member for St. James, on a final supplementary.

Mr. Sala: You know, the responses we've heard from the interim Premier (Mr. Goertzen) and this minister just highlight how absolutely disconnected the PC Party is from regular–*[interjection]*

Madam Speaker: Order.

Mr. Sala: –Manitobans.

We know what Brian Pallister's interference in Hydro does. It makes life more expensive for regular Manitobans and it means millions more in costs to heat our homes and turn on the lights–over $18 million more.

That's wrong, and the PCs should be doing what's right and they should stop interfering. And the PCs and Brian Pallister should be paying the bill, not Manitobans.

Are they going to send that $18-million bill to Manitobans, yes or no?

Mr. Schuler: Well, Madam Speaker, you can see an NDP party that is absolutely disconnected from Manitobans when they drove up the costs of Keeyask, of Bipole III and everything else to do with that project.

The question is–*[interjection]*

Madam Speaker: Order.

Mr. Schuler: –who's going to pay, who's going to actually pay for that boondoggle of a mess that the NDP got–*[interjection]*

Madam Speaker: Order.

Mr. Schuler: –Manitoba Hydro in? Will it be the Leader of the Opposition? He won't even recognize that he is–

Some Honourable Members: Oh, oh.

Madam Speaker: Order. I cannot hear.

Just a reminder to members, please. This is getting a little ridiculous, the commentary that is happening right now and the heckling. I'm having trouble hearing, and especially when we have somebody remote, it's almost impossible to hear what they're saying. So I'm going to please ask members to stop with the conversations that are going on and the heckling that is happening when members are trying to respectfully answer or ask questions.

I'll allow the minister to conclude his statement.

Mr. Schuler: The fact that the Leader of the Opposition is angry about this information, we understand. Can you imagine how angry Manitobans are that they are stuck with billions of dollars of debt because of his actions? *[interjection]*

Madam Speaker: Was I not just understood in my comments?

I am going to ask members–and if you want to start me to name you, I will, and that can go down in Hansard for history–so I'm going to ask members to show some respect in here.

This is a democratic institution and I think showing some level of respect towards democracy would be a very good thing today.

Manitoba Public Insurance
Autopac Premiums and Rebate

Mr. Mintu Sandhu (The Maples): Madam Speaker, the FIPPA document, which I table, shows Manitoba Public Insurance transferred $60 million in March of this year from ratepayers to the governmental costs. There was no press release, no transparency. There will be another transfer next March too.

That's–the money should go back to ratepayers, not Brian Pallister's government.

Will the minister give the money to the people it belongs to: Manitobans?

Hon. Ron Schuler (Acting Minister of Crown Services): That question is very telling because, at committee, Manitoba Public Insurance Corporation indicated that they are coming up with a new program. They're going to get Manitoba Public Insurance Corporation up to the standard of every other insurance corporation in North America. That costs money. It is a program for all of MPI.

And, Madam Speaker, we now have the NDP, who one day say everything should go to the PUB–now we have the NDP saying that it should go out on a press release. They're nothing more than a pickerel on a dock, flip-flopping every day, depending on what's happening is–depending where they are on this issue.

Madam Speaker: The honourable member for The Maples, on a supplementary question.

Mr. Sandhu: Madam Speaker, over $113 million was taken from ratepayers. This translates to a 10 per cent rate reduction for every driver in Manitoba. Or you can put it another way: this translates to a $100-million tax on Manitobans. That's wrong.

This interference in MPI is costing Manitobans money.

Will the minister stop interfering and make sure Manitoba drivers get the rebate they deserve?

Mr. Schuler: Well, this must be pickerel-on-a-dock day for the NDP. They flip-flop on absolutely every issue.

This is a program that gets Manitoba Public Insurance Corporation up to a international standard. What the NDP is saying is that we should let MPI become derelict and give a refund to the public, which they opposed the last time a refund went out. Madam Speaker, we get incredibly inconsistent messaging out of the NDP.

This was put in front of the committee. The Leader of the Opposition asked the question. He got the answer: it's going to the Public Utilities Board. It's going to be a public conversation.

You know, the NDP is never happy. Just like a pickerel on the dick–on a dock, and they just flip-flop back and forth.

Madam Speaker: The honourable member for The Maples, on a final supplementary.

Mr. Sandhu: Madam Speaker, Manitobans should know what is going on at MPI–*[interjection]*

Madam Speaker: Order.

Mr. Sandhu: –what secret decisions are being kept from them. That's wrong, and those decisions are costing Manitobans millions of dollars.

Our request is simple: Will the minister make sure Manitobans get the money that belongs to them? Yes or no?

Mr. Schuler: Answered June 10th, 2021, page 9.

The CEO and president Eric Haberlin *[phonetic]* makes it very clear: we're looking at the possibility of the extension line of business to cover for these costs, as the extension line provides certain excesses of money.

It was made public. It was made public on June the 10th. It's going to be discussed on Monday at the Public Utilities Board. I would suggest to members of the opposition they allow the process to continue.

We respect the Public Utilities Board–something that they never did when they were in.

Menstrual Product Availability Request to Supply Schools

MLA Malaya Marcelino (Notre Dame): Madam Speaker, earlier today the Ontario government announced that it will offer free menstrual products at schools. They will be distributing 6 million free menstrual products each year to all 72 school boards in Ontario starting this current school year.

On this side of the House, we believe that pads and tampons should be free for students. In fact, in the last election even some members opposite said that they would consider it, but two years later and nothing has changed.

Will the minister commit today to making menstrual products free and accessible in all Manitoba schools?

Hon. Cliff Cullen (Minister of Education): I do appreciate the member's question and I certainly want to congratulate the province of Ontario–the arrangement they have made with Shoppers Drug Mart. Quite frankly it's been a–a private company come to the table to support female students. We'll certainly appreciate that offer that Shoppers has made to the government of Ontario and to the students there.

* (10:50)

Certainly, we're committed on this side to look further and see what else we can do to assist our female students here in Manitoba.

Madam Speaker: The honourable member for Notre Dame, on a supplementary question.

MLA Marcelino: Madam Speaker, quote: We know that a lot of girls can't afford to have supplies on hand and that this can lead them to missing school. Unquote.

Who said that? It was the Minister of Families (Ms. Squires), Madam Speaker, two years ago. Members opposite are clearly aware of these issues facing students in Manitoba but they still have not done the important work to address period inequity.

TAB 17

Third Session – Forty-Second Legislature

of the

Legislative Assembly of Manitoba

DEBATES
and
PROCEEDINGS

Official Report
(Hansard)

Published under the
authority of
The Honourable Myrna Driedger
Speaker

Vol. LXXV No. 80B - 1:30 p.m., Tuesday, October 12, 2021

ISSN 0542-5492

to–they don't want to take the action that would actually help Manitobans.

So they may have announced a figure in their budget, but we've got a document here that says, of that $50 million that the interim PC leader–the amount that he just referred to, how much has been spent halfway through this year? Less than 2 and a half million, Madam Speaker. That's less than 5 per cent of what was supposed to be going to help the average Manitoban out there who needs a surgery to have their health-care needs met.

This PC government would rather cut money than spend it on life-saving health care.

Why has this government refused to spend this money to help Manitobans, money they themselves promised?

Mr. Goertzen: The member opposite will know, though I suppose he opposes it, that this government has been working with a number of providers, both inside government and outside of government, to ensure that we can deal with the backlog as best as possible.

Now, every province in Canada is dealing with this challenge, of course. It's being dealt with as well in British Columbia–in NDP British Columbia. Perhaps he's suggesting that his friend John Horgan is cutting surgical support in NDP British Columbia.

I doubt it, Madam Speaker. I suspect that it has to do with the fact that it is a global pandemic and everybody is dealing with this challenge. We, of course, have the funding in place, we're dealing with partners and we're going to work to ensure that we deal with the backlog.

Madam Speaker: The honourable Leader of the Official Opposition, on a final supplementary.

Mr. Kinew: Madam Speaker, you know, months ago, doctors urged the Brian Pallister government to take action to address the surgical backlog. The only thing this government did was hold a press conference and claim that they would spend $50 million to help these folks waiting for surgeries in Manitoba.

Here we are half a year later, what has happened? I'll table the document that shows the First Minister that less than 5 per cent of the allocated funds have actually been spent. At this rate, that means it'll be less than 10 per cent by the end of the year.

Tens of thousands of Manitobans in constituencies like Kirkfield Park and Riel are urgently waiting for surgeries. In constituencies like Steinbach, people are waiting for surgeries.

Why has this government insisted on breaking its promises to Manitobans who need these surgeries?

Mr. Goertzen: This is a government that has invested in every way to deal with the pandemic, of course, not only in vaccine distribution, to ensure that we had among the most robust vaccine distribution in the entire caucus, Madam Speaker, but also ensuring that we're dealing with surgeries that can be done in a safe and appropriate way–of course, determined by clinicians–ensuring that we're trying to blunt the fourth wave by having public health orders that are not only in place when there's a challenge but even proactively. *[interjection]*

I know why members opposite are trying to shout me down, Madam Speaker, because they are seeing what's happening in other provinces; they're not seeing that happen here. I'm not saying that they're upset about that but, of course, when they're trying to find things that are negative, they're having a difficult time to find them in Manitoba at this time.

Madam Speaker: The honourable Leader of the Official Opposition, on a new question.

Manitoba Public Insurance
Diversion of Autopac Revenue

Mr. Wab Kinew (Leader of the Official Opposition): One of the other many negative things going on in the province right now is that when this Brian Pallister government interferes with Crown corporations, we know that it costs you money.

We know that that's what's happening with MPI–that this year the PCs' MPI board took $60 million away from drivers in this province. I will table the minutes of the MPI board meeting from March for the interim PC leader. That's when the scheme was approved, but did this Brian Pallister government issue a press release? Did they make comments about it in the media? No. In fact, the PCs wouldn't say anything about it until last Friday in question period.

So the question remains: When did this government find out about this scheme to take money from Autopac and to raise rates on Manitobans?

Hon. Kelvin Goertzen (Premier): I was hoping that the long weekend might have allowed the opportunity for the Official Opposition Leader to crawl out of the grassy knoll, Madam Speaker, but it didn't happen. He's still there, thinking that there is a conspiracy, even though it was disclosed at Crown Corporations

Committee–not to him, of course, it was disclosed. There was public vetting. There was a Public Utilities Board process.

I was glad to hear today that Manitoba Public Insurance Corporation is applying for a rebate, Madam Speaker, so that Manitobans can get more of the money that they put into the corporation back. That is the good news that is happening in Manitoba, as much as he might try to turn it into bad news.

The nattering nabob of negativity on that side can continue on, Madam Speaker, but there's lots of good news, and more coming, in Manitoba.

Madam Speaker: Just a caution to members to be careful with their language, and references to members should be according to their portfolios. So just a caution before we proceed.

The honourable Leader of the Official Opposition, on a supplementary question.

Mr. Kinew: Did Brian Pallister tell Manitobans that his interference at MPI was going to cost them millions of dollars? No. Did Brian Pallister tell Manitobans that their MPI rates were millions of dollars higher? 'Dis' the MPI application that the First Minister refers to tell Manitobans that their rebate cheques could be hundreds of dollars more had this interference not taken place? The answer is no, no, no and no.

And will any of these PC MLAs level with the people of Manitoba about this deception? The answer, again, is no, Madam Speaker.

The PC government needs to be open and transparent.

When did they first find out about this scheme to take money away from Autopac and to raise rates?

Mr. Goertzen: Never once, Madam Speaker, did any member of the NDP government ever tell Manitobans that it would cost billions of dollars more to run a hydro line on the wrong side of the province of Manitoba.

In fact, it was actually the opposite, Madam Speaker. They went out into a press conference and they said it would not cost an additional cent–not one penny more–to run a hydro line on the wrong side of the province, almost touching Saskatchewan. And, of course, it cost tens of billions of dollars more. Manitobans will be paying for those tens of billions of dollars for many, many years–many, many generations.

They spent more. We have a rebate coming. That's the difference between them and us, Madam Speaker.

Madam Speaker: The honourable Leader of the Official Opposition, on a final supplementary.

Mr. Kinew: You know, there's so many PC cover-ups with our Crown corporations the First Minister can't keep them straight. He's trying to talk about the billions in revenue they concealed at Manitoba Hydro. I'm trying to fight for cheaper Autopac rates for everybody in this province.

We know that they failed to disclose this to the people of Manitoba. We know that this was approved back in March, and we know that it's costing the people of Manitoba money. It could have been 10 per cent cheaper rates for people in this coming year. It could have meant hundreds of dollars more on rebate cheques.

* (14:00)

But the question that remains to be answered is this: When did the First Minister, when did the Cabinet first become aware of the scheme to take money from Autopac and raise rates in Manitoba?

Mr. Goertzen: I will grant to the member opposite he is much better at concealing things than I am, Madam Speaker. He has concealed many things in his life.

But in this Legislature, Madam Speaker, there have been public debates. There have been public debates–hundreds of debates–regarding Bipole III, and never once did the NDP government disclose the true costs of Bipole III. There were years and years of debates and they hid it, they covered it up, they swept it under the rug. They didn't let anybody know what those true costs were.

We did something a little bit different–or the Crown corporation and MPI did. They decided to send something to the PUB after disclosing it in committee and putting it on Hansard, Madam Speaker. Manitobans can judge for themselves: years of covering things up, or in committee, with Hansard, and the Public Utilities Board. I think our approach is the right approach, Madam Speaker.

Newborns with Congenital Syphilis Prevention Initiatives Needed

Mrs. Bernadette Smith (Point Douglas): The addictions crisis has taken a toll in Manitoba. Last year, we revealed the rates of blood-borne illnesses that are exploding here in our province.

TAB 18

How COVID-19 affects your ICBC services

(updated August 25, 2021)

As the COVID-19 pandemic continues, we're reviewing and adjusting the steps we're taking to support the health and safety of our employees, customers and partners. We will continue to follow all public health orders.

Masks are required when visiting an ICBC location.

Second COVID-19 customer rebate

ICBC customers will receive a second rebate averaging $120 this summer – their part of approximately $350 million saved due to a decrease in crashes and costs as the COVID-19 pandemic continued. It's the choices that our customers made during an unprecedented time that helped our bottom line, and the vast majority of them will now share in that success, through one of the largest COVID-19 rebates by any insurer in Canada.

Since the beginning of the 2020-21 fiscal year, ICBC saw fewer reported crashes and lower claims costs, resulting in higher-than-expected income. That gain was partly offset by lower premium revenue due to lapsed and cancelled insurance policies.

After careful considerations, we're returning net savings of about $350 million directly to our customers – specifically, most of the people who had an active policy from October 1, 2020 to March 31, 2021.

Am I eligible for the rebate?

Most customers who had an active policy from October 1, 2020 to March 31, 2021 will be eligible, with their rebate amount based on a portion of what they paid for coverage during that period. Exceptions include customers with temporary operation permits (permits for 15 days or less), storage or per kilometre-based policies, as those already reflect lower usage. The low kilometre discount does not make a customer's policy ineligible.

How much is the rebate?

The rebate is approximately 11% of the premium customers paid for coverage during the six month period. There are 2.94 million eligible customers with an active policy between October 1, 2020 and March 31, 2021. The average refund for non-fleet customers is approximately $120. However, this varies depending on the amount of premium the customer paid for coverage during the six month period and any changes or cancellations to the policy during that time.

The Driver Risk Premium, like Driver Penalty Points, is separate from ICBC insurance premiums, therefore they are not included in the calculation of the COVID rebate.

When can I expect my rebate?

The second COVID-19 rebate is scheduled to start going out mid-July and be completed by end of August.

Feedback

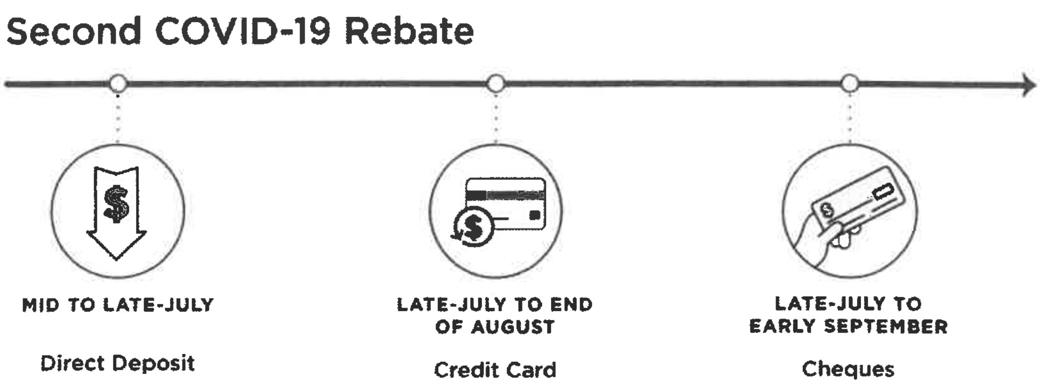
How will I receive this rebate?

Customers don't have to do anything to get their rebate. The second COVID-19 rebate will be distributed based on how you paid for your insurance policy. If you paid by credit card, the rebate will be returned to the card you used (watch your statement for a credit from "ICBC Refund HO"). If you paid by cash, debit or Autoplan payment plan, you will receive a cheque. If you signed up for direct deposit before June 30, your rebate will be automatically deposited into your account (watch your bank statement for "ICBC Refund").

If your credit card has expired or is invalid, you will receive a cheque.

If you are joint owners, a business or lease your vehicle, you will receive your rebate by cheque, regardless of how you paid for your policy.

All fleets will receive their rebate by cheque.



Payment plan customers will receive their rebate by cheque unless they signed up for direct deposit.
All customers will receive a letter with the details of their rebate.

Will I receive more than one cheque/refund if I have multiple policies?

Most customers will receive one cheque (or refund on their credit card) that incorporates rebate amounts for all policies in their name. However, some customers may receive more than one rebate cheque (or refund) depending on their personal situation—for example, if they have multiple policies with different owners listed. You will receive a letter that indicates the rebate amounts by licence plate number.

I lease my vehicle, do I need to do anything different with my rebate?

When you receive your COVID-19 rebate, the cheque may also include the name of your leasing company, as they are considered the registered owner of your vehicle. If your leasing company is named on the cheque, you will need to contact them to have them sign the back of the cheque before making a deposit. If your leasing company is not named on the cheque, no further action is required prior to depositing.

For questions about the endorsement process, please contact your leasing company.

Why haven't I received the first COVID-19 rebate yet?

All COVID-19 rebate cheques for the first rebate have been mailed. If you were eligible and didn't receive your cheque, please contact us at 1-800-663-3051 or 604-661-2800.

Feedback

Scroll down for the latest information on all affected ICBC services.

Affected ICBC services

- Autoplan insurance
- Autoplan payment plans
- Book to visit a driver licensing office
- British Columbia Driver Licence and BC Services Card
- Care after a crash
- Claim Centres
- Enhanced Driver Licences (EDL)
- Knowledge tests
- Paying a ticket and online services
- Road tests
- Vehicle and glass repairs
- Visiting an ICBC location

Helpful numbers and links

We've made it easier to access ICBC services during the pandemic.

Driver licensing:

- Find your nearest driver licensing office using our online locator. Please note that opening hours vary by office.
- Call our driver licensing information line.

Claims:

- Call 1-800-910-4222 or 604-520-8222.
- Check to see if you can report your claim online.
- Read our tips on what to do after a crash .

Feedback

Insurance renewals and purchases:

- Call your Autoplan broker or find a broker online.

Questions about insurance or other urgent matters:

- Call 1-800-663-3051 or 604-661-2800.

Autoplan Payment Plan deferral:

- Apply for a deferral using our online request form before 6pm on the business day before your payment is due.
- For additional support:
  - Call 604-661-2723 or 1-800-665-6442.
  - Email accountservices@icbc.com, including your phone number and your driver licence number or licence plate number

ICBC releases report on the impact of COVID-19

The COVID-19 pandemic has resulted in a variety of impacts on ICBC and our customers. Read our report for a more detailed look at the financial impacts since the public health emergency was declared, including data on claims, premium revenue and investments.

Read the announcement via the B.C. Government's news release .

External resources

- BC Centre for Disease Control
- Commercial Vehicle Safety and Enforcement Branch
- Road Safety BC

Feedback

TAB 19

Office of the Superintendent of Financial Institutions Canada | Bureau du surintendant des institutions financières Canada

Guideline

Subject: **Minimum Capital Test**

No: **A** **Effective Date:** **January 1, 2019**

Subsection 515(1) of the *Insurance Companies Act (ICA)* requires Federally Regulated Property and Casualty Insurance Companies (property and casualty companies) to maintain adequate capital. Subsection 608(1) of the *ICA* requires foreign property and casualty companies operating in Canada on a branch basis (foreign property and casualty companies) to maintain an adequate margin of assets in Canada over liabilities in Canada. The Minimum Capital Test (MCT) Guideline is not made pursuant to subsections 515(2) and 608(3) of the *Act*. However, the minimum and supervisory target capital standards set out in this guideline provide the framework within which the Superintendent assesses whether a property and casualty company that is not a mortgage insurance company[1] maintains adequate capital pursuant to subsection 515(1) and whether a foreign property and casualty company maintains an adequate margin pursuant to subsection 608(1). Notwithstanding that a property and casualty company that is not a mortgage insurance company may meet these standards, the Superintendent may direct the property and casualty company to increase its capital under subsection 515(3) or the foreign property and casualty company to increase the margin of assets in Canada over liabilities in Canada under subsection 608(4).

This guideline outlines the capital framework, using a risk-based formula, for target and minimum capital/margin required, and defines the capital/assets that are available to meet the minimum standard. The MCT determines the minimum capital/margin required and not the level of capital/margin required at which property and casualty companies that are not mortgage insurance companies must operate.

Foreign property and casualty companies are reminded that the MCT is only one element in the determination of the required assets that must be maintained in Canada by foreign property and casualty companies. Foreign property and casualty companies must vest assets in accordance with the Adequacy of Assets in Canada test as prescribed in the *Assets (Foreign Companies) Regulations*.

[1] Capital requirements for Federally Regulated Property and Casualty companies that are mortgage insurance companies are set out in the guideline: *Mortgage Insurer Capital Adequacy Test* (MICAT).

255 Albert Street
Ottawa, Canada
K1A 0H2

OSFI | BSIF

www.osfi-bsif.gc.ca

Table of Contents

Chapter 4. Insurance Risk

Insurance risk is the risk arising from the potential for claims or payouts to be made to policyholders or beneficiaries. Exposure to this risk results from the present value of losses being higher than the amounts originally estimated.

Insurance risk includes uncertainties around:

a) the ultimate amount of net cash flows from premiums, commissions, claims, and related settlement expenses, and

b) the timing of the receipt and payment of these cash flows.

The insurance risk component reflects the insurer's consolidated risk profile by individual classes of insurance and results in specific margin requirements for insurance risk. For the MCT, the risk associated with insurance exposure is divided into four parts:

i.) reserving risk associated with variation in claims provisions (unpaid claims);

ii.) underwriting risk including catastrophe risk, other than earthquakes and nuclear (premium liabilities);

iii.) earthquake and nuclear risks; and

iv.) risk associated with unregistered reinsurance.

4.1. Diversification Credit within Insurance Risk

The risk factors for each line of business contain an implicit diversification credit based on the assumption that insurers have a well-diversified portfolio of risks for a given portfolio of business.

4.2. Margins for Unpaid Claims and Premium Liabilities

Given the uncertainty that provisions will be sufficient to cover the anticipated liabilities, margins are added to cover a potential shortfall.

4.2.1. Margin for unpaid claims

The margin for unpaid claims is calculated by line of business, by multiplying the net amount at risk (i.e. net of reinsurance, salvage and subrogation, and self-insured retentions) less the provision for adverse deviation (PfAD), by the applicable risk factors.

4.2.2. Margin for premium liabilities

The margin for premium liabilities is calculated by line of business, by multiplying the greater of:

- net premium liabilities (i.e. net of reinsurance) less the PfAD; and
- 30% of the net written premiums for the past 12 months

by the applicable risk factors.

The insurance risk factors are as follows:

Class of Insurance	Risk Factor for Unpaid Claims	Risk Factor for Premium Liabilities
Personal property	15%	20%
Commercial Property	10%	20%
Aircraft	20%	25%
Auto – Liability	10%	15%
Auto – Personal Accident	10%	15%
Auto – Other	15%	20%
Boiler & Machinery	15%	20%
Credit	20%	25%
Credit Protection	20%	25%
Fidelity	20%	25%
Hail	20%	25%
Legal Expense	25%	30%
Liability	25%	30%
Other Approved Products	20%	25%
Surety	20%	25%
Title	15%	20%
Marine	20%	25%
Warranty	Use same risk factors as the underlying line of business	
Accident & Sickness	Refer to section 4.6	

4.2.3. Risk factors for warranty business

The risk factors to be used for home and product warranty should be the same as those applied for personal property. The risk factors to be used for equipment warranty should be the same as the risk factors applied for boiler and machinery.

4.3. Risk Mitigation and Risk Transfer - Reinsurance

4.3.1. General

The terms "registered" and "unregistered," as defined below, are relevant in determining whether credit can be taken for reinsurance placed by insurers. In order for an insurer to obtain credit for reinsurance on account of any reinsurance arrangement with a registered or unregistered reinsurer, the reinsurance arrangement must comply with the requirements of Guideline B-3 *Sound Reinsurance Practices and Procedures*.