

**INSTABILITY, IMPRUDENCE AND IMBALANCE:  
A CRITICAL TIME FOR REGULATORY ACTION**

Opening Statement of the Consumers' Association of Canada (Manitoba Branch)

Prepared by: The Public Interest Law Centre  
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Manitoba Public Insurance (MPI)  
2024/25 General Rate Application (GRA)

## **A CALL FOR REGULATORY ACTION IN THE FACE OF IMPRUDENCE AND IMBALANCE**

- In CAC Manitoba’s view, MPI’s actions and proposals in this GRA raise serious questions regarding its stated focus on fiscal prudence and responsible management, especially given the market realities of a monopoly Crown corporation with captive ratepayers.
- MPI ratepayers ultimately pay the price of the corporation’s actions and plans:
  - Project Nova appears to be out of control with no third-party governance and costs that still have the potential to significantly escalate.
  - Assumptions in claims forecasting appear to be building “excessive cushions”, at the expense of ratepayers.
  - Significant increases in levels of staffing are not justified through performance measures.
- MPI ratepayers look to the PUB to strike the balance between customers and the Crown corporation.

## ROAD MAP OF CAC MANITOBA OPENING STATEMENT

- **Context for this General Rate Application** – challenging times for both consumers and MPI
- **Main issues in evidence to date** – for the test year and for MPI's future direction
- **The importance of the PUB's role** in navigating through these challenging times and regulating in the public interest

## **DIFFICULT ECONOMIC ENVIRONMENT FOR MPI CUSTOMERS**

- Manitoba consumers are facing challenging economic circumstances with high inflation and interest rates driving up costs for transportation, food, shelter, and other necessities.
- Manitoba consumers have to make tough choices in the face of these economic realities.

## **A PERIOD OF SIGNIFICANT CHANGE AND INSTABILITY AT MPI**

- Board and key executive turnover since 2023 GRA
- High staff turnover rate
- Ongoing government-ordered independent review
- 0% rate request ordered by government

## **MPI'S ACTIONS RAISE QUESTIONS REGARDING TRUST AND CREDIBILITY**

- MPI's actions and proposals in this GRA raise questions regarding trust and credibility:
  - Door left open to transfer funds out of the Extension line of business, rather than flowing back to captive Basic customers who provide a benefit to Extension.
  - Despite specific caution by the PUB regarding staffing levels and Project Nova, MPI is proceeding with significant increases in staffing and with Project Nova, full steam ahead.
  - No external stakeholder consultation planned as part of the MPI organizational review.

## **IMBALANCE AND INFLATED EXPENSES IN MPI'S FORECASTS**

- Are MPI's claims forecasts best estimates or are "excessive cushions" built into the assumptions, as suggested by independent experts from Oliver Wyman?
  - Are MPI's assumptions leading to an imbalance between the interests of the corporation and its captive ratepayers in the form of a higher than necessary rate indication, at the expense of ratepayers?
- Are MPI's forecasted staffing expenses too high and not justified based on established performance measures?

## **PROJECT NOVA IS OUT OF CONTROL: A NEED FOR PAUSE AND RE-SCOPE**

- Project Nova: Given the escalation in costs in the 2022 re-baseline, the expanded scope, the negative Net Present Value and the lack of payback, combined with the warning signs raised by the last governance vendor and the PUB, is it imprudent for MPI to proceed with Project Nova as it is currently planned?
  - Or should the project be paused, re-scoped and de-risked, as recommended by Mr. Scott Greenlay, an independent expert witness who has extensive experience with large Information Technology projects and who will be testifying before the PUB.
  - Would Mr. Greenlay's recommendations better recognize the need for accountability to ratepayers, who ultimately pay the price of MPI's initiatives?



## **IMPRUDENCE AND INADEQUATE ACCOUNTABILITY IN INFORMATION TECHNOLOGY**

- Are MPI's planned Information Technology expenses necessary given that a monopoly Crown corporation with captive ratepayers does not need leading edge technology to fulfill its mandate?
- With the transition away from traditional business cases for Information Technology initiatives, is MPI demonstrating adequate accountability regarding its planned Information Technology initiatives?

## **INCREASES IN EXPENSES THAT ARE NOT ADEQUATELY JUSTIFIED**

- Are MPI's actual and forecast costs relating to staffing too high, in light of recent government and PUB caution?
- Should MPI's budgeting practices be tied to Key Performance Indicators or other accountability measures?
- How can MPI's benchmarking activities bring value to consumers and better reflect MPI's status as a monopoly Crown corporation?

## **FINANCIAL POLICIES THAT HAVE A COST FOR RATEPAYERS**

- What are the implications for MPI's Capital Management Plan:
  - leaving the door open to the corporation transferring away funds from Extension that should benefit captive Basic ratepayers?
  - asking ratepayers to trust the corporation to apply to the PUB for rebates?
- Is MPI missing opportunities to increase investment returns without compromising its tolerance for risk in the investment portfolio?
- Are MPI's capital reserves excessive, providing too large a cushion for MPI to get it wrong and deferring potential customer rebates?

## **TIMING OF RECOGNITION OF INITIATIVE EXPENSES TO PROMOTE INTERGENERATIONAL EQUITY**

- Recognizing the goal of intergenerational equity and the desire for transparent financial reporting, when should initiative implementation expenses be recognized for rate-setting purposes?

## **POSITIONING FOR THE FUTURE**

- Is MPI well-positioned to respond to changes to its fleet and to potential driving patterns due to changing societal and customer priorities?
- Are the valuable insights of customers and stakeholders recognized as MPI plans for the future?
- Are road safety expenditures and plans reasonable?

## **CONTINUED CROSS-SUBSIDIZATION IN THE DSR**

- Despite some movement toward actuarially indicated rates, do customers at the higher levels of the Driver Safety Rating scale continue to cross-subsidize customers at the lower levels of the Driver Safety Rating scale?

## **RECOGNITION OF FAIRNESS AND RISK IN MPI'S PRODUCTS**

- Is MPI's plan to collect data, conduct a pricing study and make recommendations regarding potential alternatives to the current Basic Insurance Model, the Registered Owner model, reasonable?
- Is MPI's proposed new framework for Vehicles for Hire appropriate and fair to the private passenger vehicle class?

## **THANK YOU TO MPI EMPLOYEES**

- CAC Manitoba acknowledges the dedication and hard work of MPI staff, both in general, and in particular amidst challenging times within the corporation.



## **THANK YOU TO CAC MANITOBA TEAM OF EXPERTS**

- Independent actuaries Mr. Rajesh Sahasrabuddhe, Ms. Paula Elliott, & Mr. Chris Schneider of Oliver Wyman Limited provide expertise from a cross-Canada practice in regulatory rate-setting for auto insurance.
- Mr. Scott Greenlay is a consultant with extensive experience overseeing IT transformations, including as the National Director of Technology Consulting for a large national consulting firm.
- Mr. Valter Viola brings over three decades of experience in institutional portfolio management and investment research with a focus on risk management.
- Mr. Peter Dyck is an accountant with decades of experience in regulated entities, including MPI, and brings significant insight and expertise to CAC Manitoba's intervention.

**THANK YOU TO THE CAC MANITOBA BOARD AND THE  
CONSUMERS ADVISORY PANEL**

- Gloria Desorcy's absence continues to leave a void that is acutely felt by CAC Manitoba and the PILC team.
- We are very grateful for the ongoing guidance of the Consumers Advisory Panel<sup>1</sup> and the CAC Manitoba Board of Directors<sup>2</sup>

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<sup>1</sup> The Consumers Advisory Panel is a group of individuals with intersectional experience who provide advice to the CAC Manitoba Board on consumer matters.

<sup>2</sup> CAC Manitoba is guided by core consumer rights, which include the right to be informed, to have a choice in marketplace decision-making, to be heard, and to consumer education.

## **IMPRUDENCE AND IMBALANCE REQUIRE REGULATORY ACTION**

- MPI's actions and proposals in this GRA appear to raise serious questions regarding the need for fiscal prudence and responsible management.
- Are MPI's actions prudent and in line with the market realities of a monopoly Crown corporation with captive ratepayers?
- Is MPI making the same tough economic decisions as Manitoba consumers are having to make in a challenging economic environment?
- MPI ratepayers pay the price of the corporation's actions and plans:
  - Project Nova appears to be out of control
  - Assumptions in claims forecasting appear to be building "excessive cushions"
  - Significant increases in levels of staffing

**CONSUMERS LOOK TO THE PUB FOR CONTINUITY,  
STABILITY, ACCOUNTABILITY, TRANSPARENCY**

- Especially in times of instability and change, consumers rely on the Public Utilities Board, as an independent regulator, for continuity, stability, accountability and transparency.

*The PUB has two concerns when dealing with a rate application; the interests of the utility's ratepayers, and the financial health of the utility.*

*Together, and in the broadest interpretation, these interests represent the general public interest.<sup>3</sup>*

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<sup>3</sup> *Consumers' Association of Canada (Man.) Inc et al v Manitoba Hydro, Electric Board*, 2005 MBCA 55, at para 65.

## **THE PUB TEST TO SET JUST & REASONABLE RATES**

- Are forecasts reasonably reliable?
- Are actual and projected costs necessary and prudent?
- Are revenue needs reasonable in the context of the overall general health of the monopoly?
- Is there an appropriate allocation of costs between ratepayers?
- Are the proposed rates just and reasonable rates in accordance with statutory objectives?<sup>4</sup>
- Is the Crown Monopoly credible?

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<sup>4</sup> PUB Order 98/14, p 28.

**CAC WILL MAKE RECOMMENDATIONS IN THE PUBLIC INTEREST**

- CAC Manitoba intends to make recommendations on:
  - findings of fact on the reasonableness of forecasts, the prudence of expenditures, the appropriateness of financial targets and the management of capital, the reasonableness of the investment strategy and the fairness of rates between different groups of consumers
  - rates that are just and reasonable, incent prudence and better balance the interests of captive ratepayers and the monopoly

**THANK YOU**

