

M A N I T O B A) **Order No. 170/02**
)
THE PUBLIC UTILITIES BOARD ACT)
)
THE MANITOBA PUBLIC INSURANCE)
CORPORATION AMENDMENT AND)
CONSEQUENTIAL AMENDMENTS ACT)
)
THE CROWN CORPORATIONS PUBLIC)
REVIEW AND ACCOUNTABILITY ACT) **October 1, 2002**

BEFORE: G. D. Forrest, Chairman
E. Jorgensen, Member
D. Côté, Member

**MANITOBA PUBLIC INSURANCE CORPORATION 2003 GENERAL
RATE APPLICATION – MOTION OF MANITOBA CAR AND TRUCK
RENTAL ASSOCIATION (MCTRA) FOR AN ORDER OF THE PUBLIC
UTILITIES BOARD REQUIRING A FULL RESPONSE TO
INTERROGATORIES MCTRA/MPI 2-5 AND MCTRA/MPI 2-9**

1.0 Appearances

Walter S. Saranchuk, Q.C.	Counsel for the Public Utilities Board (the "Board")
K. McCulloch	Counsel for Manitoba Public Insurance ("MPI")
A. Foran	Counsel for Manitoba Car and Truck Rental Association ("MCTRA")

Pursuant to the timetable for the filing of motions attached as Schedule "A" to Public Utilities Board Order No. 122/02 dated June 27, 2002, Manitoba Car and Truck Rental Association ("MCTRA") filed a motion dated September 16, 2002 for consideration by The Public Utilities Board (the "Board").

MCTRA's motion seeks an Order of the Board directing Manitoba Public Insurance ("MPI") to provide a full and adequate response to Information Requests MCTRA/MPI 2-5 and MCTRA/MPI 2-9, copies of such Information Requests and MPI's responses being attached as Schedule 1 and 2 to this Order.

A copy of the motion was forwarded to all intervenors of record. With the concurrence of MCTRA and MPI, the Board set the matter down on September 20, 2002 at 5:00 p.m. in the Board's offices.

Information Request MCTRA/MPI 2-5:

Position of MCTRA:

In MCTRA/MPI 2-5, referring back to MPI Exhibit 18 from the 2002 GRA, MPI was asked to prepare an updated and expanded version of Exhibit 18 replacing the earned premium information shown previously with written premium information, as well as including certain other information. In the grounds for its motion, MCTRA alleged that MPI had not fully and adequately responded to this Information Request, in particular, citing a definition of "Loss Ratio" appearing in a Glossary of Terms appended to Board Order 130/95 as its basis for requiring loss ratios to be calculated with written premiums.

In his argument, MCTRA counsel stated that the calculation of loss ratios using written premiums is fundamental to the calculation of basic rates (as distinct from the calculation of fleet rebates or surcharges), and that absent this information, MCTRA is unable to assess the fairness of the rates being charged to MCTRA members versus other members of the public class.

Position of MPI:

In its response to Information Request MCTRA/MPI 2-5, MPI indicated that use of written premiums instead of earned premiums would result in a timing mismatch with reported claims. MPI indicated that the earned premium already provided reflects the legislated basis for calculating “loss experience” for the purposes of fleet surcharges and rebates, and that written premium information is not required for correct loss ratios to be determined, nor for any other purpose relevant to this application.

In his oral argument, MPI counsel questioned the relevance of the MCTRA request for written premium information, and indicated that the use of earned premium information in this situation is consistent with the ratemaking methodology applied throughout the application. MPI argued that MCTRA had failed to establish that the use of written premium information in this situation would provide a more reasonable result.

Board Finding:

The Board appreciates the distinction between written and earned premium information. Despite the Glossary definition included with Board Order 130/95, the use of “earned premium” information in the calculation of loss ratios is currently an actuarial common practice for rate making purposes. While the Board will not, in this Order, rule on the issue of relevancy put forth by MPI, the Board will order MPI to prepare, to best of its ability, a schedule of the written premium information for the years requested.

Information Request MCTRA/MPI 2-9:**Position of MCTRA:**

In this Information Request, MCTRA requested MPI to confirm that the Fleet Vehicles Agency includes in its fleet approximately 100 vehicles that are leased to their customers for periods under 30 days, that the same rate was paid for all vehicles in the fleet and that the rate paid is the All Purpose Passenger Vehicle rate. The response by MPI was to the effect that it does not release information about specific customers.

Counsel for MCTRA referred to the Affidavit of Peter J. Wintemute, sworn September 16, 2002, and filed in support of MCTRA's motion, wherein it was indicated that the Fleet Vehicles Agency (FVA) is a special operating agency and an agency of the Province of Manitoba Government Services and Manitoba Transportation. It was stated that MCTRA had been advised by a senior manager for the Fleet Vehicles Agency that it operates approximately 100 pool vehicles on a short-term rental arrangement as well as approximately 2600 vehicles leased on a one to five year basis. MCTRA indicated that it had further been advised that the 100 short term rental vehicles were insured on a Private Passenger All Purpose basis which is the only rate charged by MPI to FVA regardless of the duration of the rental of its vehicles.

MCTRA contended that since FVA was a competitor of MCTRA's members insofar as the 100 short term rental vehicles were concerned, and since MCTRA members' short term U-drive vehicles were insured by MPI on the Public Service Vehicle rate, MCTRA sought full particulars in response to its Information Request MCTRA/MPI 2-9 to

determine whether the rates being charged to its members are just and reasonable or whether they are discriminatory.

Position of MPI:

In his argument, MPI counsel reiterated the position taken earlier by MPI relative to Information Request MCTRA/MPI 2-9, namely, that it would be a breach of privacy for MPI to release information about specific customers. He also referred to the information contained in the Affidavit of Barry W. Galenzoski, sworn September 19, 2002, filed by MPI in opposition to MCTRA's motion.

As deposed to in the latter Affidavit, counsel for MPI also contended that MPI charges rates are based on information provided by insureds in their application for vehicle registration and insurance, including declarations of vehicle use. He indicated that MPI and its brokers accept the information provided by insureds as being truthful and correct and that MPI thereupon charges the appropriate rates as have been approved by the Public Utilities Board. It was also stated that insureds who provide incorrect information, including false declarations with respect to the use of their vehicle, are in breach of their coverage and are subject to having insurance coverage cancelled and their claims denied. MPI counsel submitted that the issue was therefore not one that was appropriate for the Information Request process.

Board Finding:

With regard to MCTRA's motion for a full and adequate response to its Information Request MCTRA/MPI 2-9, the Board notes that while there may be an anomaly or error involving FVAs' fleet, insurance rates charged by MPI to its insureds are based on information contained in their applications for vehicle registration and insurance, including declarations of vehicle use. Further, MPI charges only insurance rates approved by the Board.

Having regard to all of the circumstances, the Board is not satisfied that the matter involving FVA's fleet constitutes a rate setting issue, relevant to the current MPI application at hand, nor does it represent a matter that is appropriate for the Information Request process.

IT IS THEREFORE ORDERED THAT:

1. The Motion of Manitoba Car and Truck Rental Association relative to it's Information Request MCTRA/MPI 2-5 BE AND IS HEREBY ALLOWED but only to the extent of a schedule of written premiums.
2. The Motion of Manitoba Car and Truck Rental Association relative to it's Information Request MCTRA/MPI 2-9 BE AND IS HEREBY DENIED.

THE PUBLIC UTILITIES BOARD

"G. D. FORREST"

Chairman

"G. O. BARRON"

Secretary

Certified a true copy of Order No. 170/02
issued by The Public Utilities Board

Secretary