

# **LVAA Information Sessions – Commonly Asked Questions**

**April 19 & 20, 2021**

## **Why did MPI stop negotiating with the Manitoba Motor Dealers Association (MMDA) and the Automotive Trades Association (ATA)?**

After months of negotiating in good faith, there was no movement from the \$100 million per year increase request from the associations, so we were unable to continue negotiations.

Additionally, MPI is not aware of other Crown corporations or other insurers across Canada that have compensation agreements with industry associations. To move into alignment with other jurisdictions, we have converted a number of our partner compensation relationships to other methods of setting compensation such as RFP, rate cards, individual agreements, or standing offers.

## **If MPI is so confident that their deal will benefit repairs shops, why not agree to go to arbitration?**

The arbitration option that has been referred to in the existing LVAA is structured to work out issues within that agreement. It is not meant to be used to negotiate a new compensation deal.

Beyond that, MPI is moving forward with our new method of determining partner compensation, including repair shops. In this case, that means having individual agreements only with those repair shops.

We will still seek ATA/MMDA and other inputs to compensation changes. But they will be to provide consultation and input and no longer seeking signed contracts with lobby or trade associations.

This new process assists all parties to avoid behaviour that could potentially be contrary to the federal Competition Act. MPI has established that we are committed to paying fair and reasonable rates for repairs. We are not trying to underpay anyone and will not in future either.

The setting of rates and estimatics is a highly complex subject that is extremely hard for any third party to get involved in. It would be especially challenging for a single arbitrator, typically with no background specifically in the repair industry or the complex compensation elements involved, to create a fair and reasonable package.

MPI will continue to benchmark our compensation, and pay a reasonable amount that we can justify not just to repair shops but also to Manitobans who are our customers.

## **What would it take for MPI to get back to the table with the associations?**

This decision was not made lightly, but MPI is moving forward with our new method of having individual compensation agreements only with repair shops.

That said, we will still seek input from ATA/MMDA and others to compensation changes. But MPI will no longer be seeking signed contracts with lobby or trade associations.

This new process, which aligns with industry standards in other provinces and jurisdictions, assists all parties to avoid behavior that could potentially be contrary to the federal Competition Act.

**Why should repair shops trust MPI, given all that has happened and that we will no longer have the ability to have the ATA/MMDA speak on our behalf?**

We understand that trust is earned and MPI is committed to being a good partner. To us that means building a relationship on respect and transparency.

We want to continue working with shops as we did before – this includes making sure that our compensation, metrics and relationship are aligned as the industry keeps evolving. That said, while the mechanism for how we determine compensation has changed, the structure of the agreement remains the same.

In the previous contract, we had the evergreen clause and the \$2,000 ability to recover from a shop for improper repairs, as well as other things we've seen floating around as rumours of 'new powers' of MPI. Many of these were previously in place.

As you've seen with parts autonomy, MPI is providing more leeway for shops to make good choices on individual jobs so that we both win in the long run.

**Why did MPI choose to terminate the existing LVAA agreements? It was a shock.**

In 2020 and into 2021, MPI negotiated in good faith with the ATA/MMDA to establish a new compensation deal for the light vehicle repair trade.

The termination provision is clear in the agreement and either party had the contractual ability to take this action.

After months of negotiation with no progress, with the associations being unwilling to alter their request for \$100 million in additional compensation, MPI needed to move forward to best protect customers and align with Canadian industry practices.

**Why should I sign the 2021 LVAA now? What if compensation increases in the future?**

Once you sign the new LVAA, any future changes to the compensation schedule will apply to you as long as you remain accredited. As soon as you sign the new agreement, you will be able to collect the increased rates.

Additionally, you will be able to take advantage of any compensation increases in the future.

There will be no changes to reduce compensation under the 2021 LVAA's Compensation Schedule during its two-year term.

This agreement directly with repair shops will, however, allow us to respond faster to emerging issues and be able to implement compensation increases faster and more easily in the future.

**Manitoba and Saskatchewan are pretty much the same – but their rates are higher than ours. Why isn't MPI willing to match Saskatchewan rates?**

We can't comment on how SGI justifies their rates, which is an outlier when looking at other insurance rates across Canada.

MPI reviews rates paid by the industry as a whole in order to determine our compensation rates.

**Why is MPI disregarding the verifiable data that was provided in the BDO reports? What is MPI's response to these reports?**

We are not disregarding the reports and data that the ATA/MMDA have presented. However, these reports are only based on limited statistics.

Due to COVID-19 and to gain a broader vision of the industry's landscape, we asked MNP to conduct an interjurisdictional review of repair rates and industry profitability over several years.

We also used verifiable data to determine the details of the agreement (including actual claim numbers, information from Statistics Canada and Mitchell estimating actual number from across Canada.)

Both the full MNP report and a fact sheet is available for your review on the MPI Partners site. We engaged MNP again to review all the numbers and we provided all of this to the ATA/MMDA as well.

**Why did MPI say that it would remove DR, EAL and Autopay – and then take it back?**

In order to properly prepare you and customers for any and all possibilities, we stated that we "may" change your access to some of these systems/programs when the agreement was terminated.

Often, we see a backlog of collision claims and in order to ensure that customers continue to have the most streamlined and uninterrupted repair experience, we were obligated to make contingency plans to ensure this was possible to be delivered through repairs shops that intend to remain accredited.

However, given the low claims that we are continuing to see, we have since confirmed that we will not change your access to these systems under your existing agreement, which will expire on June 13, 2021.

**Why doesn't MPI care about small shops in rural communities? Don't you believe Manitobans should have access to our services in all parts of the province?**

As a public insurer, we are committed to ensuring reasonable access to our products and services across Manitoba.

We have made a number of decisions that, in fact, support shops of all sizes.

We believe in allowing individual shops to make the decision about the type of repairs they wish to complete.

To facilitate this, in the 2019 LVAA we took the approach of not having a tooling requirement for accreditation. This allows each shop to make a business decision to invest in whatever level of repair capability meets their needs.

This approach supports small shops. They can choose their level of investment, and if they want to work on less complex repairs, they can remain accredited.

**Why does MPI still require I-CAR Gold as a requirement? It is costly and doesn't add a lot of new skills or knowledge, yet we will lose our accreditation if we do not keep it up.**

Training requirements are part of the LVAA to ensure consistency in repairs and up-to-date techniques and standards.

We had established several years ago a requirement for accredited shops to maintain gold class with I-CAR. Over the subsequent years, we did hear concerns from the ATA about the cost of maintaining both I-CAR and welding certifications.

As such, in the fall of 2020 we established a working group with representatives of the ATA, MMDA and MPI to look at training requirements. MPI was willing to consider alternative training for accreditation and welding certification.

In addition, MPI is working with Red River College in an effort to have their Red Seal graduates in Motor Vehicle Body repair certified in welding. We had also discussed with the associations further approaching I-CAR and Red River to have Red Seal graduates recognized as Platinum technicians under I-CAR.

There were differences of opinion between the ATA and MMDA on training requirements, and we were unable to reach an agreement for amending our LVAA. This was not resolved at the time of the termination of the agreements, so our new LVAA retained the existing requirements.

Going forward we are still willing to review training requirements with the industry, and would be willing to consult with them on possible changes.