

Undertaking # 6

Corporation to provide a preliminary outline which would give guidance to the regulator in terms of the elements of this scorecard (a scorecard with regard to outcomes in terms of loss prevention and road safety) and the subject matters that it would canvass.

RESPONSE:

Please see attached.



ATTACHMENT A – DRAFT Preliminary Outline Basic Loss Prevention Strategy & Framework for Manitoba Public Insurance

November 2014



Table of Contents

- Purpose of the Document.....2
- Background.....3
 - Loss Prevention Defined.....3*
 - Manitoba Public Insurance’s Corporate Commitment to Loss Prevention.....4*
- The Importance of Formalizing a Basic Loss Prevention Framework..... 6
 - How a Basic Loss Prevention Framework will Guide Future Decision Making 7
- Governance Structure for the Basic Loss Prevention Framework..... 9
 - Government of Manitoba 9
 - Manitoba Public Insurance Board of Directors and Executive Management Committee..... 9
 - Manitoba Public Insurance Management..... 10
 - Other Loss Prevention Stakeholder Groups..... 10
- Elements of the Basic Loss Prevention Framework..... 11
 - Auto Theft Prevention 11
 - Driver Safety Rating 12
 - Basic Insurance Fleet Management Program 12
 - Claims Fraud and Claims Recovery 13
 - Physical Damage Research..... 13
 - Special Risk Extension & Fleet Safety..... 14
 - Driver Education 14
 - Regulatory Programs Administered under The Driver Vehicles Act (DVA)..... 15
 - Road Safety Programming 15
 - Partnerships with Law Enforcement..... 16
 - Enhanced Training for Claims Adjusters and Estimators 17
- Monitoring and Evaluating Effectiveness of Basic Loss Prevention Efforts..... 18
- Monitoring and Evaluation – What’s the Difference? 19
 - Monitoring 19
 - Evaluation 19

Evaluation Challenges Specific to Road Safety and Loss Prevention..... 20

 Challenge 1: Weakness in the data that inform programming decision making..... 20

 Challenge 2: Attribution, Causal Relationships and Confounding Variables 20

 Challenge #3 Measurement Issues 21

Purpose of the Document

This document provides a preliminary outline for formalizing current loss prevention strategies related to the Basic insurance program under a single Framework that will clearly articulate how loss prevention is defined, the program elements contributing to loss prevention for Manitoba Public Insurance, performance measurement efforts to drive future decision making and investment in loss prevention activities, and how the Corporation works collaboratively with other organizations and agencies to maximize opportunities for loss prevention.

From a Basic loss prevention standpoint, understanding frequency and severity of claims and strategies to reduce claims costs are legitimate opportunities for Manitoba Public Insurance and other road safety partners to collaborate. In fact, the success of a broad loss prevention strategy, although led by Manitoba Public Insurance, must be underscored with a governance structure that reflects shared responsibility within the road safety community in Manitoba.

As such, Manitoba Public Insurance is committed to involving stakeholders in formalizing and implementing the Basic Loss Prevention Strategy and Framework to enhance existing efforts and find new ways to reduce costs to the Corporation and Manitoba ratepayers.

Background

Loss Prevention Defined

Auto insurance provides financial protection when a loss occurs. The loss may include damage to property, personal injury or death as a result of a collision involving a vehicle. It may also include loss of a vehicle through auto theft.

Collisions and auto thefts occur for a myriad of different reasons, most of which are predictable and preventable. In this context, the concept of loss prevention is simple; if we can prevent a collision or auto theft from ever happening, everyone wins: individuals, the Corporation, and all Manitoba Basic Insurance ratepayers. Preventing loss is a major contributor in the maintenance of costs for the insurer and lower premiums for the ratepayer.

Loss to the insurer (and ultimately ratepayers) also occurs when claims fraud occurs. Fraud can be controlled for through a variety of deterrents but when it does occur, loss can be prevented through investigation and recovery of costs associated with claims proven to be fraudulent.

Loss prevention and reduction¹ initiatives identify and describe risks for the insurer and offer solutions or recommendations for their abatement or reduced frequency and severity. Manitoba Public Insurance applies this definition to initiatives where a direct correlation can be made to a reduction in claims and claims costs. A clear example of such a strategy is the Immobilizer Incentive Program through which, the cost to fund approved theft deterrent systems in most-at-risk vehicles was determined to have a direct impact on total theft claims costs by preventing these vehicles from being stolen.

Less clear, are road safety initiatives, which are much more difficult to attribute directly to reductions in collisions and claims because of the complexity of road safety issues and the many factors that ultimately influence collision frequency and



¹ Loss prevention means reducing probability that a loss will occur. Loss reduction means reducing the severity and frequency of the loss when it does occur. Although different, both are inferred under the term “loss prevention” throughout this document.

severity. Assumptions are therefore, required and unavoidable when drawing linkages in these cases.

Manitoba Public Insurance's Corporate Commitment to Loss Prevention

The Corporation receives its legislated mandate for loss prevention through relevant provisions of *The Manitoba Public Insurance Corporation Act*. Specifically, Section 6(2) of the MPIC Act states:

The corporation has the power and capacity to do all acts and things necessary or required for the purpose of carrying out its functions and powers and, without limiting the generality of the foregoing, the corporation may:

- (h) carry out either alone or jointly with other board, commission, corporation, department or agency of government, or any private person, agency, or association, introduce, establish, supervise, finance and promote programs relating to health, rehabilitation, safety and the reduction of risk in respect of any branch or class of insurance in which the corporation is engaged;*
- (i) promote or carry out programs of research into the causes of accidents and research into the more equitable distribution of losses resulting from highway traffic accidents;*
- (j) establish and maintain one or more repair shops to investigate, study, and apply techniques used or to be used in the repair of motor vehicles and to analyze the cost of repairs;*
- (k) negotiate and bargain with persons engaged in the business of motor vehicle and trailer repairs with a view to establishing fair and reasonable prices for motor vehicle and trailer repairs in relation to which payments may be made under this Act;*

This legislation enables the Corporation to explore new loss prevention concepts through research; then develop and finance them into programs and activities that are likely to reduce claims costs if analysis and business cases can demonstrate a likely return on the investment.

Manitoba Public Insurance has renewed its commitment to maximize this type of activity, as demonstrated in its *Corporate Strategic Plan (2014-2018)*. This is highlighted within the Corporation's Strategic Goals.

Strategic Goal No.1

Universally available mandatory protection against the cost of automobile collisions. Rates, on average, will be lower than those charged by private insurance companies for comparable coverage and service.

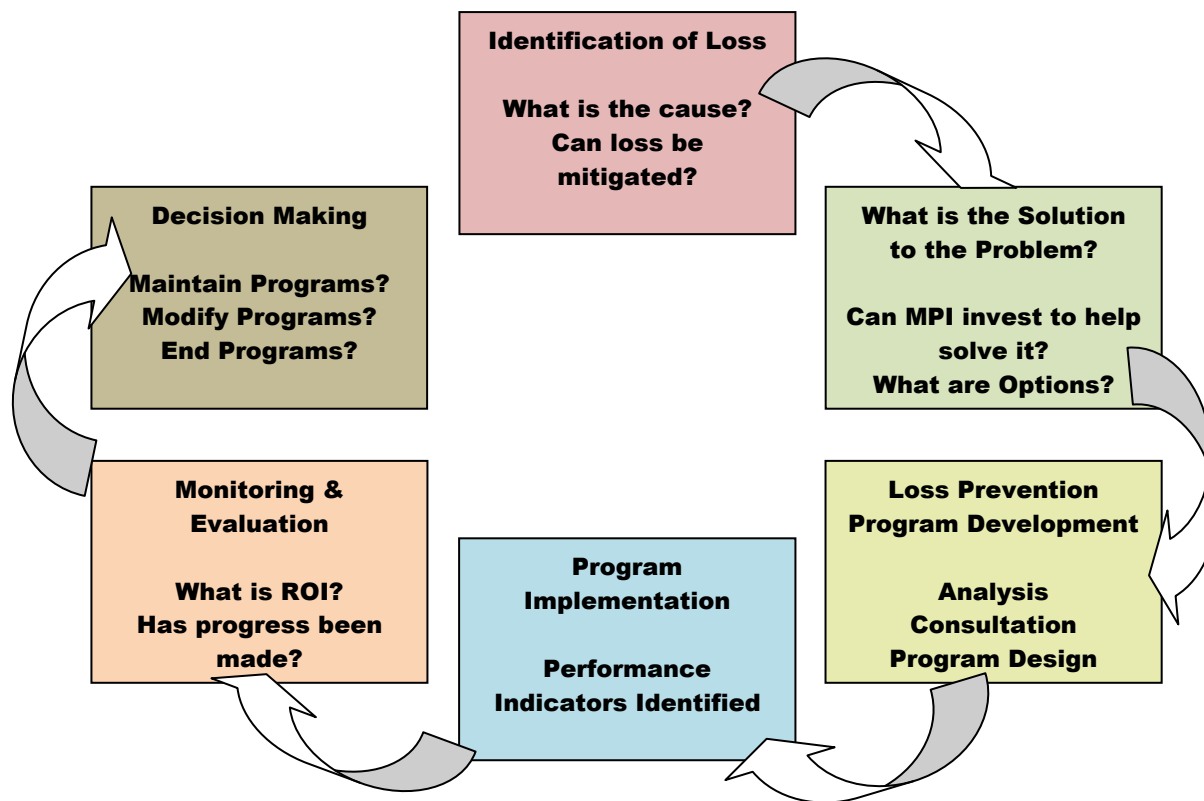
The *Strategic Plan* identifies loss prevention strategies as key actions to keep controllable costs at their lowest possible level as a means to achieve this goal.

The Importance of Formalizing a Basic Loss Prevention Framework

Manitoba Public Insurance has historically engaged in a range of loss prevention activities that independently, carry the objective to reduce the number and/or the cost of claims to the Corporation. Considered independently, it is possible to determine corporate expenditures related to these elements of loss prevention but, in some cases, much more difficult to attribute the individual interventions to a specific correlating reduction in collisions, claims, and claims cost.

Both the public and the Corporation require a measure of evidence to prove that investment in loss prevention works. Intuitively, an ounce of prevention is known to produce a pound of cure, but how can ratepayers assured that the dollars invested by Manitoba Public Insurance will positively impact their insurance premiums?

The best answer is provided by quantifying losses and determining their cause (what are the problems that we need to solve), implementing potential solutions to the causes of problems and, over time, monitoring and evaluating if losses are diminishing or expanding.



Progress is simple to measure on a problem with a singular cause, with one solution. However, reality is vastly more complex given the multitude of problems and causes related to loss that are addressed simultaneously by the Corporation, and a variety of other stakeholders. It is this complexity that must be considered when establishing, monitoring and evaluating loss prevention measures and making decisions about their effectiveness.

Is it better to examine each measure in isolation or look at them collectively? Under a broader Loss Prevention Framework for the Basic program, the Corporation strives to do both. Overall, the goal is to invest in loss prevention and achieve a favourable return on the investment (i.e. achieve greater savings than is expended on loss prevention). Some initiatives on their own may not be directly measurable in this sense, particularly when part of a larger suite of programming that is designed to address a problem from several different angles or over a long period of time – as is the case with road safety efforts intended to change road user behaviour. Manitoba Public Insurance is therefore, best able to measure progress if all elements of loss prevention are linked and considered in the aggregate.

A Basic Loss Prevention Strategy and Framework brings all elements of loss prevention in scope, enables collective tracking, and recognizes that these elements all work together, contributing in different but complementary ways toward the overall goal of loss prevention, reduced claims, and lower claims costs that ultimately benefit ratepayers in the form of lower insurance premiums.

Finally, a Framework establishes loss prevention benchmarking to which the Corporation can be held accountable, and will be used to assess the necessity and prudence of the Corporation's overall program expenditures as they relate to future Basic rate setting.

How a Basic Loss Prevention Framework will Guide Future Decision Making

Developing a Basic Loss Prevention Strategy and Framework for Manitoba Public Insurance formalizes clear and defined parameters against which current loss prevention efforts can be evaluated and new initiatives considered.

Once formalized, Manitoba Public Insurance will review aspects of the loss prevention efforts in which it is engaged. Decisions about programs and their effectiveness will be informed by empirical evidence from a variety of sources, detailed analysis of loss prevention problems, and measurement of progress made. Furthermore, all decisions can be aligned with corporate objectives as they evolve over time. This strategic approach is built on past success with an eye on emerging opportunities to diminish loss for Manitobans on the roadway and provide more savings to the Corporation.

Recommendations for decision-making will focus on options for action related to a specific program or the entire portfolio. The primary goal is to inform the decision to:

- identify gaps in loss prevention programming so that new program development can be initiated;
- maintain, enhance or expand loss prevention interventions where objectives are met; or
- redesign or modify existing programming to more effectively and/or efficiently achieve its objective(s); or
- eliminate programming that does not achieve objectives or is no longer relevant.

Evaluation is embedded in the decision-making process as it relates to the programming that is delivered by Manitoba Public Insurance. Evaluations must be conducted and the evidence and information from them must be used. This Framework solidifies the Corporation's commitment to these principles.

Governance Structure for the Basic Loss Prevention Framework

From a loss prevention standpoint under the Basic program, understanding frequency and severity of claims and strategies to reduce claims costs are legitimate opportunities for Manitoba Public Insurance and other road safety partners to collaborate. In fact, the success of a broad loss prevention strategy, although led by Manitoba Public Insurance, must be underscored with a governance structure that reflects shared responsibility within the road safety community in Manitoba.

The proposed governance structure for loss prevention recognizes the vital importance of the following principles:

- Leadership
- Accountability
- Partnerships
- Coordination
- Collaboration
- Engagement

To achieve these principles, the following roles and responsibilities have been established:

Government of Manitoba

The Government of Manitoba establishes overall responsibilities and accountabilities for Manitoba Public Insurance through governing legislation that defines the Corporation's mandate with respect to loss prevention and traffic safety in Manitoba.

Manitoba Public Insurance Board of Directors and Executive Management Committee

Changes in policy and introduction of large-scale loss prevention initiatives require approval from the Corporation's Executive Management Committee and Board of Directors. The Board and Management Committee are responsible for ensuring that loss prevention programming is aligned with the legislated mandate and strategic goals of the Corporation, and are ultimately responsible for how far loss prevention efforts extend and associated expenditures.

Manitoba Public Insurance Management

Management is responsible for operational aspects of loss prevention activities, including the development and evaluation of initiatives and associated research, analysis, and recommendations that are forwarded for consideration by Executive Management and the Board. Management ensures the programs delivered meet objectives, receive appropriate budget allocation, and are monitored and evaluated effectively and in a timely manner. Management is also responsible for coordinating loss prevention efforts across multiple operational areas of the organization and ultimate efforts to achieve shared program goals.

Other Loss Prevention Stakeholder Groups

Manitoba Public Insurance has a long history of working with like-minded groups and organizations who share common goals regarding loss prevention. The Corporation is committed to strengthening existing relationships and identifying new opportunities for partnership and collaboration where gaps may exist. Examples of relevant loss prevention stakeholders that have expertise to inform and help guide Basic loss prevention efforts of the Corporation include, but are not limited to:

- Government departments
- Law enforcement
- Provincial and municipal infrastructure planners
- Public Utilities Board
- Health Authorities
- Researchers and academics
 - AAA Foundation for Traffic Safety
 - Traffic Injury Research Foundation
 - American Driver and Traffic Safety Education Association
 - Insurance Institute for Highway Safety
- Automotive-related associations and organizations
- Active transportation groups
- Groups representing the interests of First Nations citizens and newcomers to Manitoba
- Loss prevention and road safety advocacy groups
- Other stakeholders and partners
 - Canadian Council of Motor Transport Administrators
 - American Association of Motor Vehicle Administrators
 - Transport Canada
 - National Highway Traffic Safety Association (NHTSA)
 - Insurance Institute for Highway Safety (IIHS)
 - Research Council for Automotive Repairs (RCAR)
 - Safety Services Manitoba

- CAA Manitoba
- Canadian Coalition of Motorcycle Groups (CMMG)
- Consumers Association of Canada (Manitoba)
- MADD Canada
- Manitoba Association of School Superintendents
- Manitoba School Boards Association
- Transportation Options Network for Seniors

Elements of the Basic Loss Prevention Framework

This section provides a brief description of each element of loss prevention currently employed by Manitoba Public Insurance that is targeted for inclusion under the Basic Loss Prevention Strategy & Framework. These initiatives demonstrate how the Corporation is a key player in Manitoba's fight against auto theft, claims fraud, and road safety problems that contribute to collisions in Manitoba.

All elements under the Framework will be considered within one funding envelope for purposes of measuring overall return on investment in loss prevention. Some elements have specific indicators that have been utilized in the past to determine a measure of progress and/or return on investment specific to that initiative. Where available, these will be preserved under the Framework.

Auto Theft Prevention

Manitoba Public Insurance has made significant progress in reducing auto theft and remains committed to keeping this costly crime to a minimum. In Winnipeg, auto thefts have dropped more than 85 per cent since the Corporation and other strategic partners implemented auto theft suppression initiatives commencing in 2004. These activities have resulted in an estimated savings of \$281.6 million in claims costs from 2005-2013. Across Manitoba, the combined total and attempted thefts have stabilized at their lowest rates since 1992. Success is primarily attributed to two separate but complementary initiatives:

- **Winnipeg Auto Theft Suppression Strategy (WATSS)**
A range of enforcement, suppression, and intervention efforts
- **Immobilizer Incentive Program**
Funds the installation of approved, aftermarket immobilizers in vehicles deemed to be most-at-risk of being stolen

While significant progress has been made in the fight against auto theft, there are still more than 2,000 vehicles reported stolen every year and in many of these cases, thefts involve access to vehicle keys when left in the vehicle or when vehicle is left running. As such, additional strategies may be required to educate and possibly even incent vehicle owners to take greater steps to protect vehicle keys.

Other technologies like GPS tracking devices can also be leveraged to immediately track the whereabouts of particularly high risk, or high cost vehicles when stolen.

Driver Safety Rating

Manitobans believe that safe driving should be recognized through lower auto insurance premiums, and a large majority of Manitoba drivers believe it is important to consider personal driving history when determining individual insurance rates. The Driver Safety Rating program was developed with that in mind.

Introduced in 2010, the Driver Safety Rating program recognizes safe driving behaviour in a fair and simple way. It offers stronger financial incentives to drive safely, is easy to understand and provides a direct link between driving behaviour and driver licence/vehicle insurance premiums charged.

Safe drivers are already experiencing saving on vehicle premiums. Lowest risk drivers can potentially save up to 33 per cent, serving as a strong financial incentive for drivers to maintain or improve a safe driving record. Inversely, by paying more for insurance, high-risk drivers are influenced to change their driving habits through economic penalty.

Basic Insurance Fleet Management Program

The Autopac Fleet program upholds the Corporation's commitment to a rating structure that rewards safe driving and vehicle maintenance, and is available to Basic Autopac customers who are excluded from the Driver Safety Rating program.

This program encourages vehicle fleet owners to share the Corporation's interest in safety and in doing so, qualify for insurance premium rebates. Under the Fleet program, annual insurance rebates (and surcharges) are determined by loss experience of the fleet. A loss experience is the ratio between all losses paid by Manitoba Public Insurance and the premiums paid by vehicle fleet owners. Rebates and surcharges vary depending on loss ratio. The maximum rebate is 33 per cent of fleet premiums, while the maximum surcharge is 50% of the fleet premiums. Fleet assessments may also be adjusted based on increases or decreases to claims amounts which were not included in the previous year's fleet assessment.

Claims Fraud and Claims Recovery

The Special Investigations Unit investigates suspicious claims which expose the Corporation to financial risk and fraud. Investigators with specialty expertise investigate claims which may arise due to arson, fraud, auto theft, organized criminal activity and other suspicious circumstances. A critical tool in detection is predictive analytics which helps Manitoba Public Insurance use its wealth of historical and transactional data to develop models that assess potential risk and detect patterns that may be linked with fraud. In addition, citizens outside of the Corporation assist in this loss prevention effort by reporting auto insurance fraud through the Customer TIPS line.

The Special Accounts and Subrogation Unit acts to secure, preserve and enforce the Corporation's right of recovery through its various services, such as subrogation, litigation and collections.

The goals of reduced fraud and maximized recovery – and thereby minimizing claims loss – requires these Units to work closely with other internal departments and with police agencies and Crown prosecutors to secure court-ordered restitution on criminal recoveries and deny (or trigger the withdrawal of) suspicious and fraudulent claims.

Physical Damage Research

Emerging vehicle technologies and predictive analytics provide promise in reducing the cost of vehicle repairs when collisions occur. Investing in these areas through direct research or providing insurance rate incentives for adoption of these technologies represents an opportunity for future cost savings to the corporation.

Current examples of emerging vehicle technologies include:

- Autonomous Emergency Braking Systems
- Collision Avoidance Systems
- Vehicle Security Systems (higher security door locks, alarms/immobilizers, coded audio equipment, locking devices for alloy wheels and visible VIN numbers)
- Bumper design and compatibility for Original Equipment Manufacturers
- Vehicle Telematics that can be leveraged to enhance young driver training
- Driving Simulators that can be used to enhance driver training and as a potential precursor to taking the provincial road test

Predictive analytics make it possible to flag vehicles within insurance groups that have average damage severity risk lower or higher than the rest of the group. This information can be used to analyze vehicle design and also adjust the insurance group rating.

These efforts are aided by extension of the Corporation's historic agreement with the Automotive Trades Association and the Manitoba Motor Dealers Association, during which a co-operative approach enables solutions to common issues.

Special Risk Extension & Fleet Safety

Special Risk Extension (SRE) maintains an extensive fleet safety program that works to raise the level of safety awareness for SRE customers with fleet vehicles. This includes visits by fleet safety representatives and providing clients with tools, training and resources regarding collision and loss prevention that they may not otherwise be able to access or fund on their own. In addition, SRE sponsors the DriverCheck program which monitors drivers and provides information about the on-the-road operation of vehicles.

The Vehicle Inspection Unit is a state-of-the-art diagnostic unit designed to promote safer vehicles on our roads and highways providing detailed information to fleet owners allowing them to identify trouble areas before they become dangerous problems.

Driver Education

The Corporation administers the High School Driver Education program, through which approximately 12,000 new teen drivers receive professional classroom and practical in-vehicle driving instruction. The Corporation believes there are opportunities to significantly enhance safety outcomes from the high school driver education program through a multi-year redevelopment project that will leverage best practices research in the field of teen driver education in North America and internationally.

Concurrently, the Corporation is investigating potential uses of emerging vehicle technologies to enhance learning, improve participant safety, better influence driver behaviour, and monitor student progress. Examples of technologies being actively investigated include after-market collision avoidance technologies, text-blocking technologies, and vehicle telematics technologies that driving instructors and parents/guardians can use to monitor student progress in acquiring safe driving habits and skills.

The Corporation is also continuing to support the Citizen's Bridge program in the City of Winnipeg by offering subsidized driver education services to low-income, unemployed and underemployed adults to assist them in obtaining drivers licences for employment purposes. In 2014/15 the Corporation will expand these efforts to better meet the needs of newcomers to Manitoba (immigrants and refugees), as well as First Nations people enrolled in provincially-sponsored work training programs in northern Manitoba.

Regulatory Programs Administered under The Driver Vehicles Act (DVA)

As administrator of *The Drivers and Vehicles Act* (DVA), Manitoba Public Insurance is responsible for a number of regulatory programs intended to enhance driver and vehicle safety, and in doing so, make Manitoba's roads safer. Regulatory programs that fall under this category include the following:

- Driver Improvement and Control Programs;
- Ignition Interlock Administration Programs;
- Medical Compliance and Assessment Programs;
- Vehicle Standards and Inspection Programs

Opportunities exist to enhance the effectiveness of these programs in order to maximize driver safety by identifying and managing high-risk or medically-at-risk drivers, and to improve vehicle safety through effective administration of Manitoba's vehicle inspection programs and by ensuring vehicle safety and equipment standards remain current and reflective of emerging vehicle technologies.

Road Safety Programming

Manitoba Public Insurance has a primary strategic goal for road safety, which is to lead driver and vehicle safety initiatives that reduce risk and protect Manitobans, their streets, and neighborhoods. The Corporation's road safety efforts are first and foremost focused on:

- Establishing premiums that reflect individual driver risk through Driver Safety Rating (see previous section);
- Administering Driver Vehicle Administration regulatory programs intended to reduce road risk; and
- Subsidizing quality driver training for young new drivers through the High School Driver Education program.

Complementary efforts focus on educating Manitobans about key road safety risks that contribute to collisions, fatalities and serious injuries. Road Safety programming includes a range of initiatives aimed at raising awareness, changing perceptions, and ultimately altering the behavior of road users in ways that will reduce risk on the road for Manitobans. This includes advertising campaigns, special events, educational products and activities, sponsorships, and enforcement initiatives that reinforce awareness campaigns (funding only).

ROAD SAFETY ISSUE/PROBLEM CATEGORIES AND SUB-ISSUES

- **Driver Impairment**
 - Alcohol
 - Drugs
 - Fatigue
- **Distracted Driving**
- **Speeding**
- **Poor Driver Action**
 - **Aggression**
 - **HTA Offences**
- **Safety of Vulnerable Road Users**
 - Cyclist Safety
 - Pedestrian Safety
 - Motorcycle Safety
 - Off Road Vehicle Safety
- **Failure to Use Occupant Restraints**
 - Seat Belt Usage
 - Child Car Seats and Restraints
- **Wildlife Collisions**
- **Vehicle Safety**
 - Standards
 - Use of Technology

The Corporation leverages claims and traffic collision data to identify key risks that contribute most significantly to collisions, fatalities, and serious injuries. Examples of contributing factors that continue to be most frequently reported include: driver impairment, speed (including driving too fast for road and/or weather conditions), non-use of occupant restraints and distracted driving.

Key risk groups are also identified by analyzing collision and claims data, including over-representation in collisions, as is the case with young drivers aged 16-25, or groups with higher propensity to fatality or serious injury if involved in a collision, as is the case with vulnerable road users such as motorcyclists, cyclists, and pedestrians.

Road Safety research, program development and evaluation activities are organized by issue (see box, right). Each portfolio represents one area of road safety concern and may include a broader range of sub-issues, problems, or opportunities. As a result, programming is varied and expands across the full road safety continuum, creating an integrated set of interventions that will be experienced in one way or another by all Manitobans who use the road system.

When new MPI road safety initiatives are introduced, it is not possible to definitively determine what effect the measures have on collision rates (and claims) due to the existence of competing interventions (other programs from MPI or other stakeholders) or environmental externalities (new legislation, new technologies, weather conditions, etc.) which all influence driver behavior and collision rates on the roadway.

Under a new Operational Plan being developed by the Corporation, complete Frameworks will be used for road safety priority setting, program development, and program evaluation to guide programming activities in the future.

Partnerships with Law Enforcement

Recognizing the importance of aligning education and awareness with enforcement of traffic laws to maximize effectiveness in influencing road user behaviour, the Corporation has significantly expanded its support for funding strategic traffic enforcement initiatives in recent years. In addition to funding enhanced police enforcement of impaired driving offences from May to November, and on winter and ice roads by the RCMP in January and February, the Road Watch program has now been expanded to include funding for other strategic traffic enforcement initiatives including distracted driving campaigns and school zone and school bus safety initiatives.

Beyond opportunities to support enhanced enforcement of Manitoba's traffic laws, a broad loss prevention strategy provides opportunity to further leverage the Corporation's existing partnerships with law enforcement to achieve additional outcomes.

- Collision analysis and traffic enforcement. Traditionally traffic enforcement is directed by citizen complaints, high violation areas, and traffic collision analysis. The first two do not necessarily indicate there are high collision rates. Traffic enforcement using collision data permits a targeted approach that concentrates resources on the cause of collisions (e.g. vehicles traveling west bound at an intersection between 7:00 and 9:00 are running the light).
- Provide law enforcement with data that can be used to target high risk areas and activities. This would be most beneficial to smaller agencies.
- Increased consequences for distracted driving – is now a leading cause of collisions. Impaired drivers have to attend classes, and these losses are no less catastrophic than those caused by distracted driving. This will continue to be a challenge as long as there is social acceptance. This requires a long term change management strategy to evolve driver and pedestrian behaviour.
- The police have been provided resources for traffic and impaired detection on the roadways. This is often promoted on long weekends and holidays. Consider providing similar resources for traffic and impaired enforcement for snowmobiles and ATV's.

Enhanced Training for Claims Adjusters and Estimators

In addition to current programming, and under a broader Basic Loss Prevention Framework, specialized training for Corporation staff would be considered such as:

- Having police collision re-constructionists attend and provide information on how to interpret reports. This was done successfully over the last summer, was well received, and could be expanded to all adjusters to enhance claims investigation outcomes.
- Increasing knowledge of highway damage claims and bridge claims, and what can be challenged. From experience, auto adjusters would benefit from knowledge on what constitutes reasonable costs in infrastructure claims. This could include highways, water control / bridge structures, MTS, hydro, etc.
- Information on environmental claims and prompt remediation (loss reduction – e.g. clean the spill as fast as you can), etc. These traditionally can be long tail claims.

The intent of these initiatives would not be to make staff experts, but to have them develop a “sense” when something is off, when to probe further, and when to know immediate action is required to mitigate losses.

Monitoring and Evaluating Effectiveness of Basic Loss Prevention Efforts

By formalizing a Basic Loss Prevention Strategy & Framework, Manitoba Public Insurance commits to measure the effectiveness of individual programs, portfolios, and loss prevention expenditures overall. The Corporation recognizes the opportunity to use monitoring and evaluation to drive more decisions in the expansion or contraction of loss prevention activities. This is a shift to support a more strategic, holistic approach to loss prevention programming.

The Framework sets a course to use enhanced monitoring and evaluation:

- **At the ground level** – each program or complementary suite of interventions is reviewed
 - Is intervention effective?
 - Does it meet intended objectives?
 - Could it be done better?
 - Are we addressing the cause of a problem or the symptoms?
 - Are we comprehensive in our approach or are there gaps in our programming?
 - Are we strategic in our programming to maximize our leverage with partners?
 - Are we making progress in solving the problem?

- **At a strategic level** – loss prevention programming is viewed through a strategic lens
 - Are we helping to prevent theft, collisions, injury, and death on our roadways?
 - Are we contributing to a reduction in claims?
 - Are efforts contributing to reduced costs to the Corporation?
 - Do ratepayers reap the benefit?

Equally important, the Corporation does *not* use the Framework to support assumptions about programming effects, without proving them through prudent best practices in program evaluation. This is of particular significance when attempting to link road safety initiatives with claims costs and basic Autopac rates, and is further addressed in the sections that follow.

Monitoring and Evaluation – What’s the Difference?

It is important to recognize the difference between the two distinct activities of monitoring and evaluation, and what each aims to achieve. The following distinction² between monitoring and evaluation helps bring clarity for future reference within this Framework.

Monitoring

A monitoring process provides ongoing information (via selected indicators) on the short term outcomes (changes) associated with a given program or portfolio of programs. It can also identify unanticipated changes. This helps us determine if our programs are moving in the intended direction. Monitoring information can also generate questions to be subsequently answered by evaluation.

Monitoring is typically focused on the measurement of our outputs (what we do) and done without reference to cause and effect. Monitoring of programming outputs is done in concert with the monitoring of collision statistics. Monitoring data does not provide information on the causes underlying observed changes in key indicators; they provide information only on whether or not changes are occurring. In addition, monitoring data does not necessarily provide information relevant to understanding strengths or weaknesses in the design, implementation, or effectiveness of a given initiative. To address these and other important questions, evaluation studies are required.

Evaluation

Evaluation complements monitoring by sending signals to indicate if our desired outcomes are being achieved as planned (e.g.: road users are changing behavior, claims costs are decreasing). Good evaluations can help clarify realities and trends — or the reverse, with evaluation information giving rise to new areas or domains of monitoring to be initiated.

Evaluation is a flexible tool that can offer valuable learning, generate new knowledge, or refine that which already exists about an initiative. It can be conducted in a variety of ways to serve different purposes and, consequently, can be designed to address both process and outcome objectives.

² Jody Z. Kusek and Ray C. Rist, *Ten Steps to a Results-Based Monitoring and Evaluation System*, The World Bank, Washington D.C., 2004, page 12.

Evaluation Challenges Specific to Road Safety and Loss Prevention

The evaluator of road safety interventions is commonly challenged by issues that are well documented in the literature and not unique to Manitoba Public Insurance. Some challenges are insurmountable and must be acknowledged when establishing expectations for program evaluation and, more importantly, the programs themselves. These issues are summarized below, and include a strategy to account for their implications in future evaluation, reporting, and program development activities.

Challenge 1: Weakness in the data that inform programming decision making

Empirical data available and assigned for the purpose of program evaluation has limited value. Data is only considered high quality if it is suited for its intended use in operations, decision making and planning (it is characterized as complete, valid, consistent, timely and accurate). These high quality characteristics are not always present in the data available to Road Safety program evaluators.

Claims data reported to Manitoba Public Insurance is the best resource available upon which to base planning and decision making; however, it may be challenging to identify emerging or shifting trends and to evaluate the effectiveness of interventions targeted at specific problems. Where MPI data may be incomplete or quality is an issue, it is important to collaborate with data collectors to find solutions. Alternatively, evaluators seek out other data sources that can provide the right information for program evaluation purposes. This may not always be possible.

Challenge 2: Attribution, Causal Relationships and Confounding Variables

The evaluation exercise intends to measure the results that were caused by a program intervention. In most cases, program interventions do not happen in isolation and there is a danger in inferring causality when it may be inappropriate to do so. This holds true for road safety programming at Manitoba Public Insurance. In simple terms, road safety programming should result in a positive change and it is assumed that without the intervention, no change would occur. This clearly is not always the case. Without the program intervention, conditions or the environment may have improved or worsened. Furthermore, a program may have a

significant impact by maintaining the status quo and quelling the growth of a road safety problem. It is the goal of sound program evaluation to determine the incremental effect of the program under review.

1. Within the Corporation's context, Manitobans receive information and behaviors are influenced by a wide range of road safety interventions. Road users receive information from local, national, and global media (advertising, broadcast, news, print, social, etc) and a myriad of other active road safety stakeholders (advocacy groups, vehicle manufacturers, governing and enforcement agencies, researchers and planners, to name only a few).

Furthermore, road user behavior may be influenced by other intervening measures such as new or amended legislation, enforcement (and perception of it) or events such as life experience, infrastructure design evolution, technical innovation, and other environmental or demographic occurrences (e.g.: weather climate change, immigration trends).

When collisions occur or road user behavior changes, there is a high likelihood that confounding variables are at play that can lead to the mis-estimation between the dependent and the independent variable. As a consequence, a spurious (or invalid) relationship can be established when the data is analyzed. For example, if the Corporation set out to measure the influence of different quantities of "Don't Drink and Drive" advertising on driver behavior, the independent variable would be the number of advertising "hits". The dependent variable would be the behavior of the driver. A few examples of confounding variables that could influence the decision making of the driver might be gender, age, the amount of alcohol they consume, alternatives available to the driver, or past driver behavior. All potential confounding variables must be controlled for cause and effect for the success of the targeted independent variable to be measured accurately.

It is nearly impossible to measure the intended outcomes of the Corporation's road safety interventions in a controlled environment in this manner. Therefore, it is problematic to definitively attribute one intervention as the cause of a change in driver behavior and/or collisions/claims. To do so requires the rejection or accounting for rival plausible explanations. This challenge is not unique to Manitoba or Manitoba Public Insurance, and represents a problem for all agencies in all jurisdictions concerned with finding solutions for road safety problems.

Challenge #3 Measurement Issues

Program effects are hard to measure. Aspects of measurement, including reliability, validity and depth and breadth present potential challenges in the monitoring and evaluation of the programs offered by the Corporation.

- A. Reliability – a measurement is reliable if it can consistently produce the same result. When data is sought to measure a change, it is critical that pre and post intervention measurement devices, sampling, and procedure is consistent to yield reliable

conclusions.

- B. Validity – a measurement is valid if it represents what it is intended to represent and contains no systemic bias to capture appropriate information. Road Safety must be cautious to make decisions about data which will yield measurements that are meaningful and accurate (not merely based on data that is readily obtainable).
- C. c. Depth and Breadth – measurement with breadth (covers all parts of a population) leads to greater relevance and validity in terms of coverage. Typically this will lead to less depth, validity and reliability in measures of individual subjects. This is of particular issue when attempting to measure behavioral change and what motivates it (e.g.: measurement of distracted driving behavior and what influences people to change their perception and actions).



**Manitoba
Public Insurance**

DRAFT Abstract - Loss Prevention Strategy & Framework for Manitoba Public Insurance

November 2014

In PUB Order 151/13 dated December 16, 2013, the Public Utilities Board stated that the Corporation had not fully established that its current portfolio of road safety expenditures is prudently and reasonably optimized to maximize value to ratepayers or to minimize economic and social costs of collisions. The Board also expressed the view that the Corporation should facilitate or conduct more research and analysis regarding road safety issues.

The Corporation shares the Board's view that road safety and loss prevention are important issues for the Corporation and Manitobans. The Corporation also acknowledges that successful loss prevention and road safety strategies can minimize the economic and social costs to ratepayers resulting from motor vehicle collisions

The Corporation's current mandate, with respect to road safety is strictly governed by legislation, and is more specifically addressed under section 6(1) and 6(2) of *The Manitoba Public Insurance Corporation Act*, relevant provisions of which are re-produced below.

Section 6(1): It is the function of the corporation and it has the power and capacity:

- (c.1) to administer The Drivers and Vehicles Act, and to perform the duties and exercise the powers described in subsection 2(2) of that Act.*

Section 6(2): The Corporation has the power and capacity to do all acts and things necessary or required for the purpose of carrying out its functions and powers and, without limiting the generality of the foregoing, the corporation may:

- (a) conduct surveys and research programs and obtain statistics for its purposes and for the purpose of establishing and administering any insurance plan*
- (h) carry out either alone or jointly with other board, commission, corporation, department or agency of government, or any private person, agency, or association, introduce, establish, supervise, finance and promote research or educational programs relating to health, rehabilitation, safety and the reduction of risk in respect of any branch or class of insurance in which the corporation is engaged*
- (i) promote or carry out programs of research into the causes of accidents and research into the more equitable distribution of losses resulting from highway traffic accidents*

Within these established legislative parameters, the Corporation's road safety efforts have been historically focused on education and awareness through a variety of road safety programs, public advertising and awareness campaigns, partnerships with law enforcement and other stakeholders, including grass-roots community engagement efforts throughout Manitoba. The evaluation of such education and awareness road safety programs and campaigns is very difficult to attribute directly to reductions in claims and claims costs. This is primarily due to the complexity of road safety issues, given that many confounding variables or factors ultimately influence collision frequency and severity, and the inability to measure collisions that "do not occur" as a result of successfully influencing road user behaviour.

The proposed Basic Loss Prevention Strategy and Framework brings all elements of loss prevention in scope, including road safety, contributing in different but complementary ways toward the overall goal of loss prevention of reduced claims and lower claims costs that ultimately benefit ratepayers in the form of lower insurance premiums. This approach allows the Corporation to address the regulator's question regarding the optimization of the funding for road safety, as the proposed Basic loss prevention program is now linked to an overall return on investment, including efforts such road safety education and awareness campaigns which can be difficult to measure.

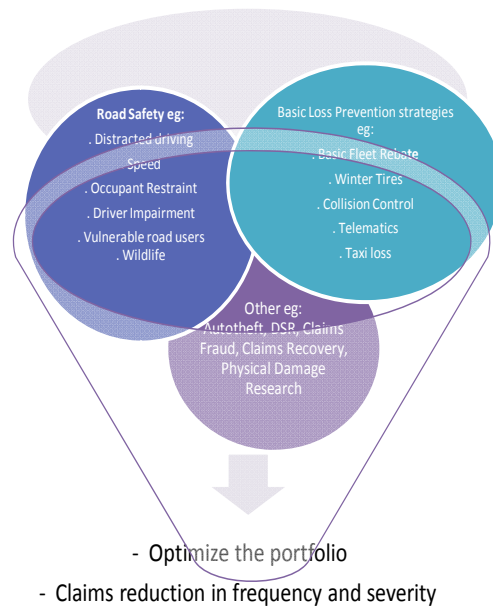
The Corporation recognizes that the success of this strategy will only be achieved by the continued efforts and collaboration of all impacted parties – this approach will require strong leadership and coordination. Through a formal governance structure, the Corporation will continue to encourage contributions from all partners, leverage capacity and capitalize on the broad range of partners' resources and expertise.

Following the approval from the regulator of this direction, the Corporation will begin to report on the Basic Loss Prevention strategy in next year's general rate application.

Attachment A - details the elements of the proposed Basic Loss Prevention Framework. Following the regulator's approval of the proposed solution, the corporation will seek participation of key stakeholders .

Basic Loss Prevention Strategy Evaluation

The proposed Basic Loss Prevention Strategy and Framework brings all elements of loss prevention in scope, including road safety, contributing in different but complementary ways toward the overall goal of loss prevention of reduced claims and lower claims costs that ultimately benefit ratepayers in the form of lower insurance premiums



Basic Loss Prevention Strategy

Governance Model

There are a multitude of stakeholders representing these interests that have an important role to play in solving Loss Prevention and road safety problems with meaningful solutions. MPI is best served in its goals to leverage every single one.

This is only achievable by developing awareness of potential partners, understanding how they can contribute and how we can work with them, building the relationships, and ensuring they are well tended and remain functional.

Basic Loss Prevention Strategy - Governance Model



Proposed Goals

1. Set framework and mandate
2. Set priorities
3. Set agenda & objectives
4. Define partnerships
5. Facilitate and implement
6. Evaluate - value management

Communications & ongoing Stakeholder Engagement

Collaboration & Partnerships