

Manitoba Public Insurance

Public Utilities Board (PUB) Presentation
October 26, 2016

GARTNER CONSULTING

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Overview

- IT Score and Benchmark
 - Maturity levels increasing
 - Relative costs decreasing

- PDR Program Review
 - Pilots in progress and underway
 - Program on schedule
 - Costs reallocated among projects, totals as projected
 - Benefits will take a long time to realize, started early
 - Risks identified and mitigated

IT Benchmark and scorecard Background

MPI has retained Gartner to conduct an annual review of the IT service delivery capability (organization, processes, and infrastructure)

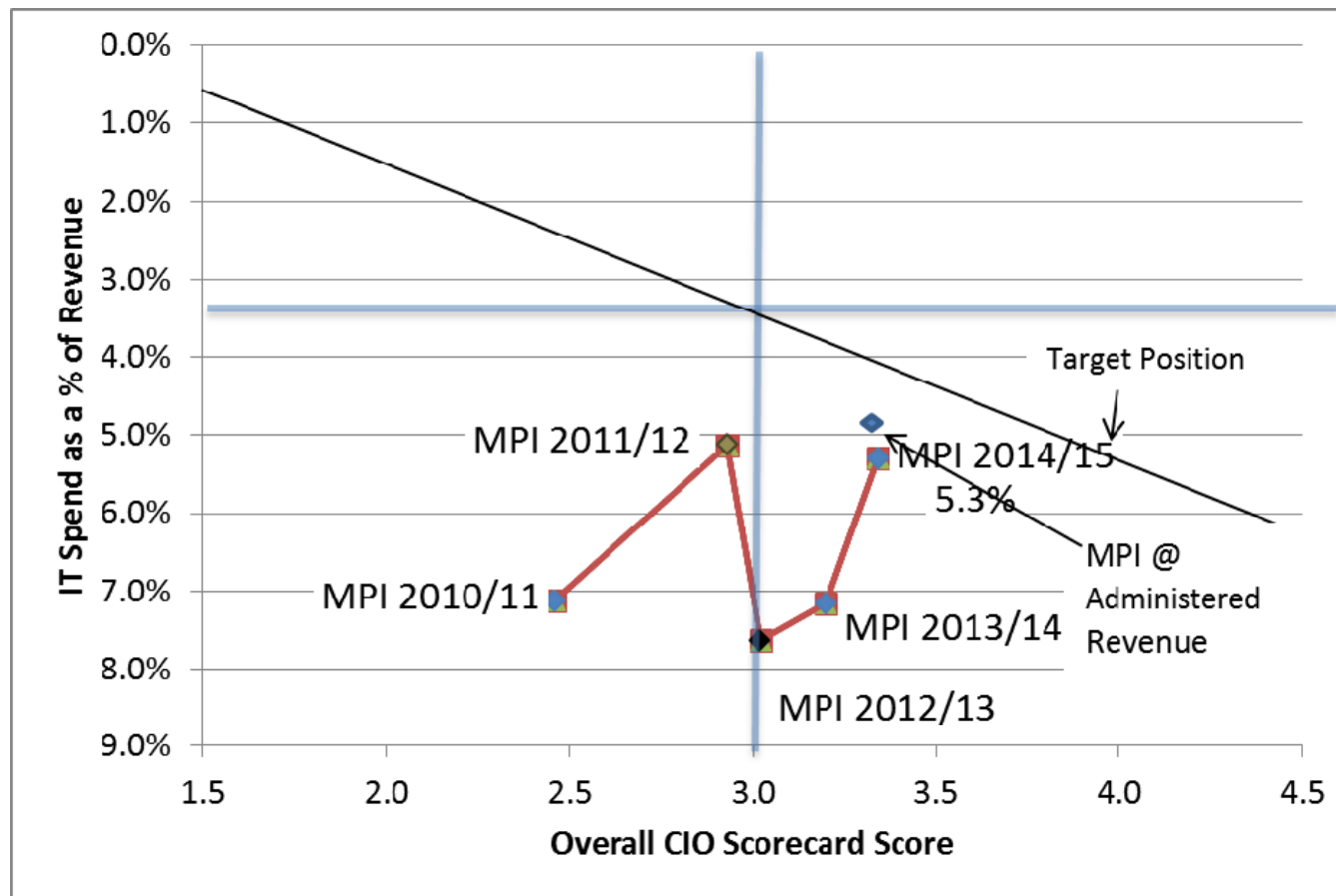
Three structured evaluation instruments

- IT Spend Analysis
- CIO Scorecard
- Infrastructure & Operations Scorecard

Provide the following outcomes

- Evaluate the relative maturity of the IT organization
- Assess the IT organization's ability to react to rapidly changing business requirements
- Compare relative funding levels of IT at MPI
- Compare MPI's infrastructure and operations costs, staffing and service levels with those of similar enterprises

IT Benchmark and Scorecard Summary



IT Benchmark and Scorecard Key Observations

Spending

- MPI's IT Spend as a % of Revenue has decreased 6.9% over the last 5 years
- Peers have increased their IT Spend as a % of Revenue by 9.3% in the same period.
- Last year IT Spend as a % of Revenue
 - Declined from 7.2% to 5.3%
 - Is 5.3% vs. 4.7% for the Peers
- IT Spend as a % of Operating Expense
 - Declined from 6.9% to 5.4%
 - Is 5.4% vs 6.2% for the Peers

Spending Allocation

- MPI is moving out of it's "catch up" stage.
- MPI continues to spend more on Contractors and external third-parties, which increases spending.
- MPI spends 63% of the IT budget on Personnel vs. 44% for the peers.
- 34% of MPI's IT staff is made up of contractors vs. 17% for the peers.
- MPI's "Run the Business" spending is in line with the Peers.

Alignment and Maturity

- MPI improved across both the IT Spend and Process Maturity dimensions.
- The overall IT Maturity score increased 4.4% from last year to this year: 3.20 -> 3.34
- Despite a large increase in Business Process Management maturity it remains generally low at 1.60 (compared to 1.76 for Insurance).

PDR Program Review

Context and Background

- Goal: Transform the physical damage claims operation to enhance the MPI Value Equation
- Made up of five programs and 20 projects within those programs
 - Some are heavily dependent on technology
 - Others are more focused on changes to operating practices and processes
- Evaluation Approach
 - Reviewed key program artifacts and interviewed key individuals.
 - Applied a proven risk and readiness methodology to
 - Address the four key questions raised in the PUB order
 - Identify overall Program challenges and risks.

The PUB order specified four key areas to be addressed:

1 Progress of pilots to date

- PDR has utilized Pilots to validate and test system functionality, workflows, processes, effort, and impacts.
- A number of Pilots have been performed, and have contributed to the successful delivery of Collaborative Estimating, Distributed Estimating, and AutocheX
- Other Pilot Tests are in progress or are being planned
- There are no outstanding issues regarding the in progress, or planned Pilots

The PUB order specified four key areas to be addressed:

2

Timing of full implementation

- There have been a number of changes in direction regarding the projects required to deliver the objectives of the overall Program
- This has caused slow but steady progress
- Of the 20 projects that make up the PDR program
 - 4 have been completed
 - 10 are in progress, and
 - 6 are scheduled to start in the future
- The schedules for the ten in-progress projects appear to be reasonable and achievable.
- Identified issues which were impacting schedule are being addressed by MPI

The PUB order specified four key areas to be addressed:

3

Project costs

- The overall program budget is \$65M (in 2012 dollars)
- Approximately \$32.8M has been spent on the Program to date with \$32.6M remaining
- The Program continues to undergo scoping refinement, planning and mapping of outcomes to projects, this is expected due to the
 - Duration and complexity of PDR
 - Rapid changes in automotive and repair technologies
- Scoping refinement and mapping of outcomes
 - Has the benefit of realigning the scope and objectives to achieve optimal business, consumer, and industry benefits
 - Introduces the potential for additional cost, extended timeline and deferred benefits realization
- While there have been reallocations across projects, there have been no changes in the overall Program budget

The PUB order specified four key areas to be addressed:

4

Savings / benefits to be realized

- The Program is structured as an investment of about \$65M (in 2012 dollars) over about 9 years
- It is projected to generate a steady flow of benefits starting in year 7 and ramping up to approximately \$13.65M starting in 2020/21 (year 11).
- The Program started to deliver benefits last year, a year earlier than projected.
- The Program, as planned and approved, shows
 - A lengthy payback period,
 - An Internal Rate of Return of 8% over the period from inception (2010/11) until 10 years after the original benefits start to accrue in 2016/17

Risk Mitigation and Risk Management Activities Observed

Gartner identified project and program management risks and issues	MPI structures and approaches to address the risks and issues
<ul style="list-style-type: none"> ▪ Scoping, planning and mapping of outcomes to projects ▪ Managing the interdependencies among the several PDR projects ▪ Benefits realization documentation and practice ▪ Managing scope of the program and associated project to alleviate scope creep. ▪ Coordination and collaboration of vendors ▪ Resourcing the overall program with the appropriate skills 	<ul style="list-style-type: none"> ▪ Executive Director to oversee the PDR Program ▪ Clarified governance structure ▪ Disciplined and detailed project and program scope definition and planning ▪ Disciplined compliance with standards, structure, and roles and responsibilities ▪ Resource management

Potential Risks and Management of Mitchell

- Gartner identified a number of risks related to Mitchell's delivery of PDR and of FNOL
- MPI has identified approaches to managing and mitigating those issues as follows:
 - Development of a Master Service Agreement (MSA) with explicit commitments to delivery of specific functionality, and commitments for long term support within the core Mitchell product set
 - Regular project meetings with MPI Project Teams and their counterpart MI project Teams
 - Monthly telephone conference calls involving Executives from MPI and MI
 - Semi-annual meetings between MPI and MI Executives
 - A practice of detailed reviews and testing of iterative releases of interim FNOL functionality

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Gartner Contact Information

Martin Geffen
Gartner Consulting
Telephone: +1-416-228-7667
martin.geffen@gartner.com