PUB (MPI)

PUB (MPI) 3-1 **Reference: PUB/MPI 1-2(a)**
Attachment p. 4

Please advise of the amount of the net proceeds realized on the sale of the redundant data centre assets and indicate how those proceeds are reflected in the application.

RESPONSE:

The gross proceeds realized on the sale of redundant data centre assets, which occurred in 2014/15, was $84,986. As this sale was not anticipated to be of significant value, it was not specifically included in the 2015 General Rate Application in the 2014/15 budget.

PUB (MPI) 3-2 **Reference: PUB/MPI 1-2(e), p. 4, AI.4, p. 4**

Please provide details of the change to IBC's CLEAR injury rating recommendations and the impact thereof upon the results of MPI's use of the CLEAR recommendations.

RESPONSE:

IBC previously provided separate injury ratings for Ontario, Quebec and the rest of Canada. In previous years, the Corporation used the injury rating provided for the rest of Canada. Those ratings have been replaced with the new Alberta/Atlantic provinces ratings. The impact of the change was not modeled as the previous table was not updated for comparison. The details of the change to IBC's CLEAR injury rating recommendations are described in Volume III AI.4 Vehicle Classification System, on page 4.

PUB (MPI) 3-3 **Reference: PUB/MPI 1-12(a) Attachment**

Please update the table to include the actual and forecast % return on capital and % total return for Canadian Equity investments.

RESPONSE:

The updated table can be found in the attachment.

Table 5.1
Canadian Equity

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual					Forecast (End of Period)				
Dividend Income	8,266	8,804	9,449	11,058	12,658	11,216	12,867	13,595	12,536	13,810
Realized Gains/(Losses)	(12,627)	14,288	2,127	5,337	58,303	16,195	16,382	31,013	13,872	14,449
Total Investment Income	**(4,361)**	**23,092**	**11,576**	**16,395**	**70,961**	**27,411**	**29,249**	**44,608**	**26,409**	**28,259**
Unrealized Gains/(Losses)	104,855	58,454	(27,615)	19,747	12,637	16,925	17,363	17,362	16,010	17,636
Dividend Yield	3.8%	2.8%	2.4%	3.0%	3.2%	2.9%	3.1%	3.2%	3.2%	3.2%
Capital Return	42.5%	23.6%	-9.6%	6.0%	19.5%	4.4%	4.2%	4.1%	4.1%	4.1%
Total Return	**46.3%**	**26.4%**	**-7.2%**	**9.0%**	**22.7%**	**7.3%**	**7.3%**	**7.3%**	**7.3%**	**7.3%**
Ending Market Value	315.300	398.867	368.771	400.191	380.554	408.695	438.926	385.885	417.425	469.899
% of Portfolio	14.1%	16.4%	16.4%	17.2%	15.6%	17.1%	17.9%	15.1%	15.7%	16.6%

PUB (MPI) 3-4 Reference: PUB/MPI 1-14 Attachment

Please update the table to include the actual and forecast % return on capital and % total return for US Equity investments.

RESPONSE:

Please see the updated table in the attachment.

Table 6.1
U.S. Equity

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual					Forecast (End of Period)				
Dividend Income	1,313	1,388	2,995	-	1,363	3,256	3,647	4,240	4,553	4,596
Realized Gains/(Losses)	10,356	3,626	(1)	-	58,101	-	-	-	-	17,589
Total Investment Income	**11,669**	**5,014**	**2,994**	-	**59,464**	**3,256**	**3,647**	**4,240**	**4,553**	**22,185**
Unrealized Gains/(Losses)	17,186	8,474	885	27,707	(16,606)	7,009	7,379	7,606	8,168	8,244
Dividend Yield	2.3%	1.9%	2.3%	0.0%	0.8%	2.3%	2.4%	2.6%	2.6%	2.6%
Capital Return	52.7%	8.9%	0.8%	22.3%	31.6%	5.0%	4.9%	4.7%	4.7%	4.7%
Total Return	**55.0%**	**10.8%**	**3.1%**	**22.3%**	**32.4%**	**7.3%**	**7.3%**	**7.3%**	**7.3%**	**7.3%**
Ending Market Value	72.300	129.939	132.961	162.037	138.988	149.253	160.279	172.125	185.844	145.420
% of Portfolio	3.2%	5.3%	5.9%	7.0%	5.7%	6.2%	6.5%	6.8%	7.0%	5.1%

PUB (MPI) 3-5 Reference: PUB/MPI 1-21 Attachment

The investment policy strategy as set out in the Investment Policy Statement, p. 6:

The Corporation may, from time to time, request external equity investment counsels to realize capital gains that have accumulated in the manager's account. The ability to realize gains is subject to the ratio of the market value to book value of the total of both the Canadian and US equity portfolios (in their native currencies) exceeding 105%. The market value to book value ratio must not fall below 105% as a result of the gains taking process.

a) Given the large amount of unrealized gains in the portfolio, (FMV 127% of book value at May 31, 2014), please provide the parameters applied by the ICWG in recommending the realization of gains and advise whether the Corporation has recommended any action to external equity investment counsels.

b) Please explain why MPI is not forecasting any gains on the US equity investments given the $22 million in unrealized gains at May 31, 2014.

RESPONSE:

a) The ICWG has not requested any equity managers to realize capital gains using the practice described on page 6 of the Investment Policy Statement (Volume II Investment Income, Attachment A) in over five years.

b) As per section 6.6 of the Investment Income document (Volume II), the turnover for U.S. equity ETFs is forecasted to be zero. Therefore, no realized gains or losses are projected over the five year period from annual U.S. equity turnover.

PUB (MPI) 3-6 Reference: PUB/MPI 1-27

Please advise whether the Financial Forecast Model Test Report addresses testing undertaken by MPI or by the external party.

RESPONSE:

The test report describes testing undertaken by the Corporation.

PUB (MPI) 3-7 Reference: PUB/MPI 1-54

Please explain the trend in increasing the percentage of new parts and declining the percentage of aftermarket and recycled parts since 2008, explain the factors that have led to these changes and discuss the impact of these changes on claims costs.

RESPONSE:

The Corporation is committed to safe reliable repairs that are cost effective for our ratepayers. A comprehensive, cost effective parts program requires a healthy alternative parts industry operating in Manitoba that can meet the repair needs of our customers in a cost effective fashion - timely delivery, of the right part, of the right quality, for a specific repair as it occurs. Many of the repairs covered by MPI are for relatively minor repairs where the damaged parts are external components involving sheet metal, lights, and plastic bumper covers. These are items that customers see when they look at their vehicle's exterior and so quality is important not only for safety, but also for customer satisfaction that a proper repair was conducted.

The Corporation has observed the following industry trends impacting the availability of cost effective alternative parts.

- Original Equipment Manufacturer's (OEM) have increased their new model marketing and introduced a much wider variety of models. Today's customers have more options to choose from for a specific model, increasing the varieties of vehicles potentially requiring repairs. OEMs are building about the same number of cars as in the past, but these vehicles are a different mix with a bigger variety of models.
    - Though external parts will vary in only a few aspects between models, they are still different parts with limited interchangeability.
    - MPI understands that aftermarket suppliers consider the costs of tooling and manufacturing individual parts against their potential sales and as a result will focus on manufacturing products with truly

large volume, where economies of scale and more potential for profit exists.
  - This variety of models also impacts recyclers. For instance, a specific Honda Civic model in their inventory may not be compatible with the model currently being repaired.
  - The breadth of models produced and the lack of interchangeability of their parts reduce MPI's opportunity, and that of other auto insurers, to source qualified alternative parts from the local market when needed.

- Another major trend in Manitoba and across North America is the erosion of the relative dominance of North American vehicle brands as offshore vehicle manufacturers continue to grow their market share. Offshore brands have significantly different supply chain policies and methods.
  - The actual ability of aftermarket suppliers to obtain the needed information to produce a comparable alternative part is more constrained than for the North American brands.
  - Also for these brands there will be significant differences in the same model from country to country, further reducing the opportunity to tool up to produce a cost effective alternative part.
  - Although many of these vehicles are in fact produced in North America, the policies and manufacturing processes in place are still driven by the offshore head offices. This leads to fewer qualified alternative parts being available.
  - Overall, MPI sees that as more offshore brands grow their market share, the opportunity to purchase alternative parts has been and will continue to be reduced.

- OEMs have introduced competitive strategies for price matching aftermarket and recycled parts. If the price is the same, customers have shown a preference for OEM parts.

- Market consolidation of alternate parts suppliers has recently occurred. Challenges related to logistics management impacted the ability of local vendors to supply the right part for an in process repair in a timely manner.

- OEM Certified Repair Programs are further limiting certified repair facilities from using aftermarket and recycled parts and instead require the use of OEM supplied parts only.

In terms of impact to claims costs:

- MPI is committed to safe, reliable and cost effective repairs of our customer's vehicles. We continue to work with established suppliers in Manitoba to develop qualified parts programs that can be incorporated successfully into a repair.

- While cost effectiveness is important, MPI must also ensure that the parts used are of the appropriate quality. For example, due to safety concerns, MPI does not allow the use of recycled airbags, seatbelts, ball joints, etc.

- If market trends continue to reduce the ability of the local parts industry to provide qualified parts, MPI will have no option but to authorize the use of OEM supplied parts. These trends have the propensity to increase claims costs and will need to be factored into overall insurance programs.

PUB (MPI) 3-8 **Reference: PUB/MPI 1-55(a) Attachment**

a) Please explain the factors behind the increase in the Operating Expense Ratio since 2010.

b) In addition, please explain the factors that have led to an increase in the Operating Expense Ratio in 2014 and 2015 given the forecast of no change in 2014 and a 1.1% decline in 2015 forecast last year.

c) In light of these changes to the forecast year over year, please explain why the Corporation is now expecting either declines or no change in the Operating Expense Ratio in 2016, 2017 and 2018.

RESPONSE:

a) Since 2010, there has been an increase in operating expenses due in part to rising operating expenses, but also due in part to the impact of IFRS and IAS 19R implementation. Both accounting changes impacted operating expenses which makes year over year comparisons difficult. During the same time period, net premiums earned did not increase at the same rate; therefore, these movements have resulted in an increase in the operating expense ratio during the time period noted.

b) The factor that is resulting in an increase in operating expense ratio between 2014 and 2015 is net premiums earned are not increasing as fast as operating expense. Between 2014 and 2015 operating expenses increase 7.1%, net premiums earned 4.7%.

c) Between 2016 and 2018 we are forecasting operating cost ratio at an 8.2% increase, but net premiums earned at 11.3% increase. This results in the declining operating expense ratio during this time period.

PUB (MPI) 3-9 Reference: PUB/MPI 1-55(c), line 5, PUB/MPI 1-52(c) Attachment (2014 GRA)

At last year's GRA MPI forecast operating costs growing from $67.05 per policy in 2013 to $70 per policy in 2018 with a forecast 4 year compounded annual growth rate of 0.3% (2013 to 2016). In this year's GRA MPI is forecasting operating costs per policy of $75.36 for 2018, to grow to $79.51 for 2019.

a) Please explain the operational factors behind the escalation in the forecast growth of operating costs per policy in light of the Corporation's commitment to contain operating costs.

b) Please refile PUB/MPI 1-55 (c) Attachment C, adding two columns including the compounded annual growth rate for 2009/10 through 2013/14 and 2013/14 to 2016/17.

RESPONSE:

a) The operating costs per policy have increased as compared to the 2014 GRA due to two primary factors:

   a. An slight increase in overall corporate expenses

   b. A greater allocation to the Basic line of business

   Throughout the 2015 GRA forecast, the allocation to the Basic line of business is greater primarily due to the claims incurred allocator. See Volume II Expenses, section E3.1 page 21 and page 22 for a description of the allocation process.

b) Please refer to attachment.

Schedule 1

BASIC

	Note 4		Note 5											
Basic Internal Indicators	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Five Year Average Back**	**Five Year Average Forward**	**Compounded Annual Growth 2010 to 2014**	**Compounded Annual Growth 2014 to 2017**
(1) Combined Ratio - **NOTE 2 & 3**	99.30	74.70	111.40	119.40	129.30	109.70	108.90	109.70	107.80	112.80	106.82	109.78	6.8%	-5.3%
Yearly Change (%)	-2.17	-24.77	49.13	7.18	8.29	-15.16	-0.73	0.73	-1.73	4.64				
(2) Loss Ratio	70.90	44.40	80.40	87.40	97.70	78.10	77.80	78.90	77.80	82.20	76.16	78.96	8.3%	-6.9%
Yearly Change (%)	-4.83	-37.38	81.08	8.71	11.78	-20.06	-0.38	1.41	-1.39	5.66				
(3) Operating Expense Ratio - **NOTE 2**	6.60	8.20	7.50	8.70	9.00	9.30	9.00	9.00	8.80	9.00	8.00	9.02	8.1%	0.0%
Yearly Change (%)	6.45	24.24	-8.54	16.00	3.45	3.33	-3.23	0.00	-2.22	2.27				
(4) Claims Expense Ratio - **NOTE 2 & 3**	12.60	14.10	15.10	15.30	15.40	15.00	15.10	14.80	14.30	14.70	14.50	14.78	5.1%	-1.3%
Yearly Change (%)	3.28	11.90	7.09	1.32	0.65	-2.60	0.67	-1.99	-3.38	2.80				
(5) Operating Expense/Policy - **NOTE 2**	$ 51.70	$ 64.26	$ 57.65	$ 64.00	$ 65.48	$ 70.11	$ 72.14	$ 74.76	$ 75.36	$ 79.51	$ 60.62	$ 74.38	6.1%	4.5%
Yearly Change (%)	8.46	24.29	-10.29	11.01	2.32	7.07	2.89	3.63	0.81	5.51				
(6) Claims Expense/Claim - **NOTE 2 & 3**	$ 409.99	$ 452.62	$ 507.39	$ 484.34	$ 482.52	$ 492.07	$ 524.26	$ 535.86	$ 531.86	$ 561.78	$ 467.37	$ 529.17	4.2%	3.6%
Yearly Change (%)	-1.01	10.40	12.10	-4.54	-0.38	1.98	6.54	2.21	-0.75	5.62				
(7) Policies/Support Employee	2,446	2,590	2,560	2,409	2,365	2,423	2,465	2,508	2,552	2,597	2473.79	2509.01	-0.8%	2.0%
Yearly Change (%)	-4.29	5.87	-1.16	-5.89	-1.82	2.45	1.75	1.75	1.75	1.75				
(8) Claims/Claims Employee	234	245	241	255	261	265	270	275	281	286	247.24	275.32	2.8%	1.7%
Yearly Change (%)	0.49	4.61	-1.62	5.77	2.58	1.36	1.92	1.92	1.92	1.92				
(9) Premiums/Policy	$ 807.27	$ 804.09	$ 790.04	$ 736.20	$ 763.59	$ 791.88	$ 841.52	$ 865.71	$ 890.11	$ 914.53	$ 780.24	$ 860.75	-1.4%	4.3%
Yearly Change (%)	1.68	-0.39	-1.75	-6.81	3.72	3.71	6.27	2.87	2.82	2.74				
(10) Direct Written Premiums	752,331	768,355	786,632	755,466	798,162	842,225	910,681	953,255	997,279	1,042,570	772,189	949,202	1.5%	6.1%
(11) Operating Expenses ($000) - **NOTE 2**	48,184	61,406	57,401	65,672	68,449	74,568	78,067	82,317	84,434	90,645	60,222	82,006	9.2%	6.3%
(12) Claims Expenses ($000) - **NOTE 2 & 3**	91,477	105,975	114,916	116,024	117,683	120,465	130,810	136,270	137,850	148,396	109,215	134,758	6.5%	5.0%
(13) Number of Claims - **NOTE 1**	223,119	234,135	226,484	239,551	243,891	244,812	249,513	254,303	259,182	264,153	233,436	254,393	2.3%	1.4%
(14) Number of Policies	931,942	955,564	995,682	1,026,164	1,045,281	1,063,573	1,082,186	1,101,124	1,120,394	1,140,001	990,927	1,101,456	2.9%	1.8%
(15) Number of Support Employees	381	369	389	426	442	439	439	439	439	439	401	439	3.8%	-0.2%
(16) Number of Claims Employees	953	956	940	940	933	924	924	924	924	924	944	924	-0.5%	-0.3%
(17) Direct Premiums Written/FTE ($000)	564	580	592	553	580	618	668	699	732	765	574	696	0.7%	6.4%

NOTE 1 - includes total corporate number of claims excluding claims with only Extension or SRE covers.

NOTE 2 - excludes BPR expenses

NOTE 3 - excludes Immobilizer expenses

NOTE 4 - restated due to transition to IFRS

NOTE 5 - restated due to IAS 19R

PUB (MPI) 3-10 **Reference: PUB/MPI 1-55(c),**
PUB/MPI 1-32(c)
Attachment

Please explain the factors that have led the Corporation to forecast an increasing annual number of claims for 2014 through 2018 compared to the flat forecast at last year's GRA.

RESPONSE:

For the claims counts referenced in PUB (MPI) 1-55 (c), the forecast was generated based on the five-year average growth rates for (i) overall claims less (ii) Extension and SRE only claims. In this year's forecast the five year average growth rate was 1.81% for overall claims and 1.22% for Extension and SRE only claims. However, in last year's forecast the five year average growth rate was 0.16% for overall claims and 1.35% for Extension and SRE only claims. The assumed 0.16% overall growth rate resulted in the flat forecast. The reason that the five year average was so low in last year's forecast is because of the -10.12% decrease in overall claims that occurred in the 2008/09 year, which is no longer part of the five year average in this year's forecast. The Corporation will review this methodology prior to the next year's GRA.

PUB (MPI) 3-11 Reference: PUB/MPI 1-59(b), (d), (f) & (h) Attachment

a) Please explain the major compound annual growth of 11.7% in Special Service expenditures from 2009/10 to 2013/14.

b) Please indicate to what extent Special Services Other (PUB/MPI 1-59 (d)) has been or will be allocated to Basic. If any costs are allocated, please provide a general description of the main categories of expenditures under "Other"

c) Please indicate to what extent costs for the Employee Opinion Survey (PUB/MPI 1-59 (d)) have been or will be allocated to Basic and, if allocated, please advise of why there is a substantial increase (ten-fold) forecast through 2016/17.

d) Please refile PUB/MPI 1-59 (f) including the detail of compensation for the years 2009/10, through 2011/12.

e) Please explain why Basic Building expenses (PUB/MPI 1-59 (h)) increased by$1.7 million or 23.7% in 2013/14 over the prior year, and why the increase is forecast to continue through the outlook period.

RESPONSE:

a) The primary contributor to the 11.7% average annual increase in Special Services from 2009/10 to 2013/14 occurred in 2012/13 whereby the Corporation sought the services of the Gartner Group and incurred expenses primarily associated with research and advisory services relating to risk management and performance.

b) Special Services expenses are allocated to Basic based upon the department incurring the expenses. As described in Volume II Expenses, section E.3 pages 19 to 20, each accounting unit within the Corporation is assigned to a cost category which varies in allocation to the lines of business. Depending on the specific accounting unit requiring this type of expense, will dictate the allocation. For 2014/15 the large majority of the Special Services expenses are expected to be spent in two departments (Information Technology Services and Business Transformation Office), which have approximate Basic allocations of 80 and 83% respectively. Expenditures relating to the "other" category primarily relate to the consulting/support/services required from external vendors.

c) The costs relating to the Employee Opinion Survey have and will continue to be allocated approximately 80% to the basic line of business. The primary reason for the increase in expense from 2013/14 to 2014/15 is due to timing as the survey that was expected to be undertaken in 2013/14 was deferred to 2014/15. This expense category also contains other employee relations and development costs that were deferred in 2013/14. Spending is expected to remain consistent going forward.

d) The Corporation began splitting the compensation expense category (four sub categories) for Basic in 2012/13 and; therefore, information at this level of detail for basic in not readily available.

e) Please refer to CAC (MPI) 2-13.

PUB (MPI) 3-12 **Reference: PUB/MPI 1-62(a) & (c), PUB/MPI 1-80(a) Attachment (2014 GRA)**

a) Please describe the external labour arrangements for AOL and CARS including the number of external contractors engaged by the Corporation.

b) At the last GRA, the Corporation forecast a reduction in external labour AOL expenditures in 2013/14, to $813,000, followed by an increase to $867,000 in 2017/18. Per this year's application, MPI incurred $3.1 million in 2013/14 and has forecast to incur over $2.7 million per year through the outlook period. Please explain the major increase in AOL external labour expenses from that forecast last year.

c) Please explain the difference in forecast external labour expenses for CARS in this application from that forecast last year.

d) Please update the table referenced in the response to PUB/MPI 1-62(c) to include a line reflecting the actual and forecast Initiative Implementation expenses for the years 2005/06 through 2018/19 and provide a total IT expenditure table on this basis.

RESPONSE:

a) The Corporation secures external labour through its Master Services Agreements (MSA) with HP and IBM. This external labour option provides the Corporation with additional capacity to support current projects, to backfill for internal staff who are temporarily assigned to projects, and to provide specialized skills and to supplement permanent staff in operational activities such as application defect resolution and application maintenance. Currently 34 external resources are engaged within the referenced AOL and CARS external labour funding.

b) The reason for the large difference is attributed to an error made in PUB (MPI) 1-80 a) in the 2014 GRA. The amounts for external labor – CARS and external labor – AOL were inadvertently inverted (the CARS external labor was reported on the AOL line and vise versa).

c) The reason for the large difference is attributed to an error made in PUB (MPI) 1-80 a) in the 2014 GRA. The amounts for external labor – CARS and external labor – AOL were inadvertently inverted (the CARS external labor was reported on the AOL line and vise versa).

d) Please see attached.

Manitoba Public Insurance
Multi-year Capital

Basic

Project:	2010A	2011A	2012A	2013A	2014A	2015P	2016P	2017P	2018P	2019P
Deferred	18,973	8,799	5,444	14,951	24,576	25,335	20,135	15,836	17,836	12,355
Capital						547	653	917	813	799
Implemenation expenses	n/a	4,734	7,415	6,449	3,492	4,662	6,142	7,848	4,429	4,429
Total BTO / BPR Project Costs	**18,973**	**13,533**	**12,859**	**21,400**	**28,068**	**30,544**	**26,930**	**24,601**	**23,078**	**17,583**

Note I: The LTD actual column was hidden as it reflected LTD Actual amounts for just the current projects and not completed projects

Note II: In 2009/10 and prior implemenation expenses are not readily available

PUB (MPI) 3-13 Reference: PUB/MPI 1-63(b)

In table format, please file a 3-year historical analysis of each of the metrics provided in AI.12 for Corporate Performance and Claims Performance for the fiscal years 2010 through 2012, including all relevant data to determine the ratios.

RESPONSE:

A three-year historical analysis (2010 to 2012) for each of the Corporate and Claims Performance metrics is included in the original table within Volume III AI.12, Benchmarking Appendices, Appendix 1. Below is a table with an explanation of how each metric is calculated and the Corporation's year 2012 ratio.

Corporate Performance

Metric	Calculation	MPI 2012
Total gross expenses as a % of GPW	Gross expenses/ Gross premiums written	**33.19%**
Total gross expenses per policy in force	Gross expenses/ Number of policies in-force	**$299**
FTEs per $100 million of GPW	FTEs/(Gross premiums written/100,000,000)	**153.54**
Ratio of staff to management	Number of staff FTEs/ Number of management FTEs	**5.48**
Total personnel expense per FTE	Total personnel expenses/ Number of FTEs	**$79,043**
Loss ratio	Net losses incurred/ Net premiums earned	**80.45%**
Net investment yield	Net investment income/ Total average invested assets	**3.64%**

Claims Performance

Metric	Calculation	MPI 2012
Claims expense as a % of GPW	Claims expenses/ Gross premiums written	**7.21%**
Claims expense per reported claim	Claims expenses/ Reported claims	**$263**
Reported claims per claims FTE	Reported claims/ Number of claims FTE	**330.16**
Reported claims per 1,000 policies in force	Reported claims/ (Policies in-force/1,000)	**246.22**
Personal lines losses incurred per paid claim	Personal lines losses incurred/Number of paid claims	**$3,115**

PUB (MPI) 3-14 Reference: PUB/MPI 1-75(a) & (b)

a) Please update the table to reflect which costs are deferred versus expensed.

b) Please describe the business re-visioning exercise undertaken and advise of any resultant savings.

c) Please describe the loss prevention aspects of the project and advise of any resultant savings.

d) Please advise of the nature of the website re-design, and whether the re-design is being done for the Corporation's website or supplier sites.

e) Please explain why there are no forecast implementation costs in Year 7 but $5.7 million is forecast on the project?

RESPONSE:

a) Please refer to the attachment. Please note that the response to PUB (MPI) 1-75 b) has been revised and the revised PUB (MPI) 1-75 is attached.

b) With the confirmation of the Fineos software as a fit for the Physical Damage side of the Corporation's claims business, the second core technology solution is identified (the first being the Mitchell software suite) allowing the PDR program to revise and refine, in more detail, the Service Delivery Model for the Physical Damage Claims operations. The Business Revisioning project will develop the overarching integrated business model for all components of the claims operations. With a deeper level of analysis, this project will also refine and confirm the key drivers of the business case.

c) The Corporation recently completed a Request For Proposal process with the purpose of acquiring and implementing predictive analytics software. This software primarily will be leveraged to predict claims fraud cases with the expectation of increasing claim savings (through denials and recoveries) associated with claims fraud.

The Corporation is currently determining the data mining approach to be used. At the conclusion of the Physical Damage Re-engineering Program, the Corporation is anticipating this loss prevention initiative to generate cost savings of $2,500,000 annually.

d) The Website Redesign Project is an effort to update, streamline, and unify all Manitoba Public Insurance's websites both internal and external. The websites include:

- Internet (public) website (completed)
- Brokers Online website (in progress)
- Intranet website
- Partner's Portal website

Having evolved organically over the past decade, these websites currently use a variety of different platforms each with its own technology component, publishing methodology, and content management capabilities. Additionally, the content management system utilized is no longer supported by Microsoft and cannot be upgraded. The project shifts all of the Corporation's websites to a current platform, SharePoint 2013, as well as refreshes the look and feel of the websites for improved usability.

e) There are no forecast implementation costs in Year 7 because it is not expected that program management will be required in the final year.

Deferred Development	-	3,679,071	11,349,818	17,650,119	14,480,542	5,521,473	5,602,788	**$ 58,283,811**
Capital	-	-	-	233,155	242,987	59,333	15,084	**$ 550,559**
Expense	1,385,744	109,004	480,920	986,622	1,666,791	2,022,325	-	**$ 6,651,406**
Total	**$ 1,385,744**	**$ 3,788,075**	**$ 11,830,738**	**$ 18,869,896**	**$ 16,390,320**	**$ 7,603,131**	**$ 5,617,872**	**$ 65,485,776**

PUB (MPI) 1-75

Reference: E4.2 p. 24, Physical Damage Reengineering AI.10 pp. 4, 8

a) Please provide a detailed description and supporting calculations in respect of the anticipated savings of $13.3 million in operating and claims incurred related to the PDR project.

b) Please file a detailed budget in support of the $65.5 million PDR project cost and provide a comparison of the budget established in the Project Charter with the actual and forecast expenditures on the project found in E.4.2.

c) Please provide a comparison to the $56.4 million budgeted for the project last year (PUB/MPI 2-33 Attachment) and explain the reason for the increase.

d) Please describe the nature of expenditures being expensed on the Physical Damage Re-engineering project.

e) Please provide details of each contract issued, by consultant, and amount of contract related to the PDR.

RESPONSE:

a) The detailed breakdown of the projected costs savings for the PDR program are as follows:

Cost Savings Area	Cost Savings	Operating Expenses	Claims Incurred
Process Improvement			
Process Improvement (Internal)			
FNOL	$ 300,000		
Adjusting	$ 1,750,000		
Estimating	$ 1,450,000		
Process Improvement (Internal)	$ 3,500,000	$ 3,500,000	
Repair Shop Process Improvement			
Adminstrative Savings	$ 1,100,000		
Cycle Time Improvement	$ 1,500,000		
Courtesy Car Reduction	$ 400,000		
Repair Shop Process Improvement	$ 3,000,000		$ 3,000,000
Total Process improvement	$ 6,500,000		
Loss of Use	$ 1,300,000		$ 1,300,000
Parts Sourcing			
Recycled Parts	$ 1,400,000		
Aftermarket Parts	$ 1,600,000		
Parts Sourcing	$ 3,000,000		$ 3,000,000
Loss Prevention	$ 2,500,000		$ 2,500,000
Total	**$ 13,300,000**	**$ 3,500,000**	**$ 9,800,000**

b) The detailed breakdown of the detailed project budget and project forecasts for the PDR program are as follows:

Initiative	Year 1 2011/12	Year 2 2012/13	Year 3 2013/14	Year 4 2014/15	Year 5 2015/16	Year 6 2016/17	Year 7 2017/18	7-Year Program Total
PDR Phase 1	1,385,744.00	60,402.00	0.00	0.00	0.00	0.00	0.00	1,487,008.56
PD Industry Study	0.00	130,483.00	0.00	0.00	0.00	0.00	0.00	134,169.95
Optimized Repair	0.00	2,072,148.00	7,454,057.00	3,072,675.73	2,945,202.07	2,481,119.66	754,491.81	19,015,906.60
Optimized Adjusting	0.00	45,609.00	2,240,862.00	9,709,252.43	11,480,088.27	4,225,465.71	4,109,381.20	33,560,319.87
Business Re-visioning	0.00	0.00	0.00	272,621.81	0.00	0.00	0.00	257,064.05
Loss Prevention	0.00	0.00	0.00	1,606,555.97	1,208,505.58	0.00	0.00	2,757,047.88
CCUC Phase 1	0.00	684,945.00	10,416.00	0.00	0.00	0.00	0.00	715,009.25
Estimatics	0.00	-	3,996.00	16,728.07	80,695.15	0.00	0.00	102,825.62
Website re-design	0.00	369,141.00	824,010.00	3,271,461.74	0.00	0.00	753,998.99	5,047,898.80
Implementation Costs (pgm mgmnt)	0.00	425,347.00	1,297,397.00	920,600.24	675,828.92	896,545.63	0.00	4,258,903.43
Total Project Costs	**$1,385,744.00**	**$3,788,075.00**	**$11,830,738.00**	**$18,869,896.00**	**$16,390,320.00**	**$7,603,131.00**	**$5,617,872.00**	**$65,485,776.00**

c) As previously filed.

The $56.4 million budget stated in PUB (MPI) 2-23 from the 2013 General Rate Application was the deferred development aspect of the project budget, not the entire project budget of $65.5 million.

d) As previously filed.

The expenses on the PDR program incurred to date are associated with the following categories:

- Compensation
- Travel
- Training
- Miscellaneous

e) As previously filed.

Manitoba Public Insurance has not issued contracts with individual consultants for the PDR program. The Corporation secures labour through various Master Services Agreements that cannot be disclosed.

PUB (MPI) 3-15

Reference: PUB/MPI 1-79 Attachment, PUB/MPI 1-62 (2014 GRA), PUB/MPI 2-23 Attachment (2013 GRA)

The CIO Scorecard makes a number of recommendations relative to controlling costs under its implication sections which do not appear to be included in the attached response.

a) Please file any Gartner reports which detail any new recommendations not included in the response.

b) Please explain why recommendations made in previous years have not yet been evaluated; in particular see recommendations 2.01, 3.04, 4.08, 4.09 and 4.10.

c) Please explain why recommendation 3.01 made in 2012, "To establish a target Transformation budget for IT investments such as mobile, social media that can change the dynamic as to how MPI empowers and interacts with Manitobans" was not accepted in the 2013 GRA and is currently under evaluation.

d) Please explain why recommendations 3.02, 3.03 and 3.04 made in 2012 related to MPI's IT enterprise architecture were indicated to be in progress at the 2013 GRA and are now “under evaluation”.

e) Please explain why Gartner’s 2012 recommendation 4.03 to "Develop, document and implement an information strategy", previously indicated to be in progress, has now been put on hold.

f) Please refile the response to PUB/MPI 1-79 and include the targeted time frame within which MPI intends to address each recommendation still in progress or to be evaluated.

RESPONSE:

a) The documents filed detail the sum of Gartner recommendations applicable to the Corporation.

b) The Corporation is able to review and act upon a select group of recommendations which align to current strategic priorities and are identified to provide value to the Corporation. For the specific recommendations identified:

2.01 – Collection of this information requires significant changes to time tracking and financial reporting processes and will add overhead to MPI's management of its applications. Due to other ongoing strategic initiatives, the Corporation has had insufficient resources available to conduct the further analysis required to determine long term cost/benefit. MPI management believes that our current time tracking and financial reporting processes provide sufficient information to effectively manage our application platforms and therefore this is not a priority at this time.

3.04 – This Gartner recommendation contributes to the Corporation's process improvement (Enterprise Architecture). As identified in Volume III AI.12 Benchmarking Appendices, Appendix 4, PDF page 14, the Corporation currently exceeds industry and strategy ("team player") peers in this area. The recommendation was originally proposed when MPI did not exceed peers as an opportunity for improvement. MPI has achieved the improvement through architectural engagement in key strategic delivery programs (ITO, PDR) and operational improvements such as improved development and knowledge management practices within the Architecture team. Further review of 3.02, 3.03, and 3.04 will occur; if required to maintain maturity comparable to industry and strategy ("team player") peers.

4.08 – The assessment outlined in this recommendation will be extensive and will require dedicated resources currently engaged on Strategic Corporate initiatives. Further consideration is deferred until the required resources become available.

4.09 – This recommendation must be assessed with 4.08.

4.10 – The Corporation's current staffing plan is determined based on the approved, upcoming initiatives. This reduces the value of long term forecasting. This recommendation is not a priority for MPI at this time.

c) The Corporation continues to "not accept" the recommendation to establish a separate IT budget for Transformation. However, since the 2013 MPI review of this recommendation, advances in the field of vehicle telematics and social media have been significant. MPI is currently reviewing these technology developments with industry partners for delivery through current programs, and has thus revised the MPI position from not accepted to under evaluation.

d) Please refer to (b), point 3.04.

e) Further review of this recommendation has been put on hold, allowing key resources to support corporate priorities. Following recent organizational restructuring, additional review is required to confirm alignment between this recommendation and current/future strategic priorities.

f) See attached revised PUB (MPI) 1-79, revised to include target time frames to address in progress recommendations. Recommendations identified as to be evaluated will be reviewed as resources become available and in alignment to corporate priorities.

		Status	Comments	Financial Impact
1.In order for MPI to better support running the business, MPI should consider:				
1.01	Begin a Telecom Expense Reduction Management program, beginning with regular audits to look for billing errors	Completed	This recommendation is complete and was not included in Gartner's 2014 recommendations	This recommendation leads to process improvements that reduce MPI's exposure to potential future billing errors. To this point, cost savings have had no material impact on budgets.
1.02	Upgrade to a Voice Over IP Network to further optimize bandwidth utilization and lower costs	In Progress Target Timeframe May, 2015	MPI is currently implementing this recommendation.	The implementation of this recommendation is still in progress. Actual financial impact is not yet known.
1.03	Invest in Help Desk resources and processes to improve First Call Resolution rates	Completed	This recommendation is complete and was not included in Gartner's 2014 recommendations	The improved tools and processes implemented will improve internal IT service delivery and improve the capability to handle increasing call volumes without incremental FTEs. The value of the recommendation is in the improvements to customer service and not in cost savings.
1.04	Benchmark Applications Development and Support to identify additional optimization opportunities	On Hold	This is on hold pending other operational initiatives.	An analysis is currently underway to understand the financial impact of this recommendation and due to this the information is not known at this time.
1.05	Define and implement IT service management processes and tools (e.g., problem, change, and configuration management); Formalize a metrics-based IT operations process improvement program.	Operational	Problem, Change, and Incident processes have been implemented.	The improved tools and processes implemented will ensure IT completes priority work in an acceptable timeframe. Priority work includes proactive maintenance which contributes to system availability resulting in future cost avoidance (prevents key application downtime). The value of the recommendation is in the improvements to customer service and not in cost savings.

1.06	Begin to define positions and workgroups that are organized around cross-platform service processes (e.g., change management).	Completed	This recommendation is complete and was not included in Gartner's 2014 recommendations	The improved tools and processes implemented will ensure IT completes priority work in an acceptable timeframe. Priority work includes proactive maintenance which contributes to system availability resulting in future cost avoidance (prevents key application downtime). The value of the recommendation is in the improvements to customer service and not in cost savings.
1.07	Develop staff performance and productivity metrics that are regularly reported and tracked.	Operational	Performance review system consolidation planned onto the corporate performance management system Achieve platform.	IT is following the corporate initiative of performance management. No specific financial impact has been defined at this time.
1.08	Establish operating level agreements (OLAs) for all defined service processes and track performance over time	In Progress Target Timeframe February, 2016	MPI is currently tracking performance and evaluating appropriate OLAs.	The improved tools and processes implemented will ensure IT completes priority work in an acceptable timeframe. Priority work includes support of other divisions in their execution of operational priorities and their direct interaction with customers and partners. The value of the recommendation is in the improvements to customer service and not in cost savings.
1.09	More actively enforce existing standards and put change management controls in place.	Completed	This recommendation is complete and was not included in Gartner's 2014 recommendations	The improved tools and processes implemented will ensure IT effectively controls system changes. Better controls avoid conflict between work packages and avoids unplanned system impacts; both of these contribute to system availability which is core to operational efficiency. The value of the recommendation is in the improvements to customer service and not in cost savings.

1.10	Implement automated failover triggers and processes for most critical systems.	Project in Progress Target Timeframe for Critical Systems by February, 2016	Work is currently being done under the High Availability project as part of the IT Optimization program.	Please see the information previously provided for the IT Optimization project.
1.11	Increase usage of tools to automate and support operational and service management processes.	Completed	This recommendation is complete and was not included in Gartner's 2014 recommendations	The improved tools and processes implemented improve internal IT service delivery and improve the capability to handle increasing work volumes without incremental FTEs. The value of this recommendation is in increased customer service and has no specific cost savings.
1.12	Develop an IT business and operating model that is similar to that of an internal service provider using service unit costing.	Not accepted	The Corporation has no intention of creating an IT model whereby service units are charged for specific services. MPI intends to continue to allocate these costs based on the allocation methodology approved by the Public Utilities Board.	MPI does not foresee any cost savings by pursuing this recommendation.
1.13	Continue to invest in the further integration of asset/license management with other IT service management disciplines.	Operational	This recommendation has been restated by Gartner as recommendation 1.23.	This recommendation leads to process improvements that reduce MPI's exposure to risk of non-compliance with software licensing.
1.14	Formalize a set of basic contract renegotiation processes.	Closed	Gartner is no longer including this recommendation. Was previously rejected by MPI due to the already stringent contract processes in place at MPI.	MPI previously rejected this recommendation because of the stringent procurement processes already in place.

*New	1.15	Use competitive bidding practices (e.g. RFI, RFP) to strive for best price-to-performance ratios	Not accepted	MPI currently has stringent procurement processes (RFP, RFI, RFT, etc.) that enable MPI to exercise the required Due Process and ensure that MPI receives full value in its contracts	MPI is not accepting this recommendation because of the stringent procurement processes already in place.
*New	1.16	Develop a Vendor Scorecard for key vendors that measures the "health" of the relationship as well as ongoing price-to-performance	Operational	MPI Currently has vendor management processes in place which provide measurements and ensure that vendors are held accountable for their contractual and operational commitments.	The processes that are in place for vendor management ensures that MPI is getting the full value from its contracts and therefore the value from this recommendation is in the form of improved vendor performance and not in specific cost savings.
*New	1.17	Develop a standard operating environment for all IT services.	In Progress Further work on the Standard operating environment will be completed for a target timeframe of February 2016 for platforms where there is business value.	MPI has progressed on hardware standardization through success of the IT Optimization Program and continues on Application standardization as part of the High Availability project. As part of the Windows 7 upgrade, MPI has standardized all desktops.	Please see the information previously provided for the IT Optimization project and the High Availability project.

*New	1.18	Initiate a project to rationalize MPIs printer fleet across the enterprise.	In Progress Target Timeframe November, 2015	MPI is currently optimizing its printer fleet across the enterprise.	MPI expects to realize $25,000 in operational cost savings from this initiative plus more savings in future cost avoidance. The costs for the initiative are part of the ongoing maintenance.
*New	1.19	Proactively pilot new infrastructure technologies with the business (e.g. Unified Communications, BYOD)	In Progress This reflects an ongoing and iterative process to assess new and emerging technology. This is an ongoing activity.	MPI leverages Gartner recommendations and oversight to ensure emerging trends are assessed, with viable solutions are integrated into the delivery program.	The financial impacts of piloting new technologies are assessed on a case by case basis and viable solutions are brought forward in the form of business cases.
*New	1.2	Explore use of public/hybrid Cloud for back-up.	Under Evaluation	MPI performs an ongoing review of cloud technologies and their applicability to MPI's environment.	MPI has not evaluated this recommendation in terms of cost and therefore does not have information regarding the financial impact of implementing this recommendation.
*New	1.21	Formalize process improvement programs.	In Progress Operational in key IT&BT departments by February 2016.	MPI is currently implementing continuous improvement on processes implemented by the IT Optimization program.	This is a process improvement that is tied to higher IT maturity and not tied to cost savings.

*New	1.22	Create specific guidelines and qualifications for employees to telework.	To Be Evaluated	Changes of this nature involve modifications to the Collective Agreement and therefore must be addressed through the collective bargaining process.	MPI has not evaluated this recommendation yet and therefore does not have information regarding the financial impact of implementing this requirement.
*New	1.23	Integrate asset/license management with other IT disciplines.	Operational	MPI has operational processes in place to manage assets and licenses.	This recommendation leads to process improvements that reduce MPI's exposure to risk of non-compliance with software licensing.
	2.In order for MPI to better support growing the business, MPI should consider:				
	2.01	Begin to gather data on budgets and spending patterns by application. This requires that time reporting be granular enough to identify projects as well as support by application. Concentrate on the links between business processes and the software that supports it.	To Be Evaluated		MPI has not evaluated this recommendation yet and therefore does not have information regarding the financial impact of implementing this requirement.
	2.02	Invest in process discovery technologies, such as business process analysis, and start building a business process framework and architecture. Bring together the various applications managers to share best practices and identify areas where the most mutual value could be derived from shared processes and programs.	Cancelled	This is no longer included in Gartner's list of recommendations.	MPI did not evaluate the cost impact of this recommendation.
	2.03	Begin to evaluate tools to monitor application performance and to automate and control key processes, such as change and release management.	Operational	Additional technologies are in place to monitor infrastructure and applications. Continuous improvement to automate and control change and release management continues.	Please see the information previously provided for the IT Optimization program.
	2.04	Add a new dimension of "process" as an organizing construct to complement functional, product and geographical orientation (e.g. end-to-end Incident Management).	On hold	Deemed lower priority relative to other IT risks the Corporation is presently addressing.	MPI has not evaluated this recommendation yet and therefore does not have information regarding the financial impact of implementing this recommendation.

*New	2.05	Review information needs in the context of regulatory and compliance requirements to ensure data is available to support new projects.	Operational	MPI understands the regulatory requirements it faces and the information needed to support those requirements.	This recommendation deals with the understanding regulatory requirements and ensuring that the information to meet those requirements is available. There is no specific financial impact.
*New	2.06	Explore use of dependency mapping tools that align applications and infrastructure resources to business processes. These can ensure that IT has the right resources in place to support growth.	To Be Evaluated		MPI has not evaluated this recommendation yet and therefore does not have information regarding the financial impact of implementing this recommendation.
	3.In order for MPI to better support transforming the business, MPI should consider:				
	3.01	Establish a target Transformation budget for IT investments such as mobile, social media that can change the dynamic as to how MPI empowers and interacts with Manitobans.	Under Evaluation		MPI has not evaluated this recommendation yet and therefore does not have information regarding the financial impact of implementing this recommendation.
	3.02	Increase the span of EA's influence throughout business areas by ensuring that governance processes exist and their importance is clearly communicated such that they are not circumvented. Often this involves building up stakeholder support.	Under Evaluation		MPI has not evaluated this recommendation yet and therefore does not have information regarding the financial impact of implementing this recommendation.
	3.03	Clearly communicate the value of enterprise architecture, or its content, to the key stakeholders in terms that relate to their issues and proactively address their opportunities. This includes business management, key business stakeholders, key IT stakeholders and the overall enterprise architecture community. Look to build business outcome oriented deliverables and communicate success to drive	Under Evaluation		MPI has not evaluated this recommendation yet and therefore does not have information regarding the financial impact of implementing this recommendation.

	ongoing support for EA.			
3.04	Ensure that a culturally appropriate future state architecture exists, that a baseline of your current state exists, and a gap analysis is performed.	Under Evaluation		MPI has not evaluated this recommendation yet and therefore does not have information regarding the financial impact of implementing this recommendation.
4.In order for MPI to be more effective and innovative, MPI should consider:				
4.01	IT needs to better partner with the business to better leverage technology to differentiate performance.	Completed	This recommendation is complete and was not included in Gartner's 2014 recommendations	This is a process improvement that is tied to higher IT maturity and not tied to cost savings.
4.02	Develop and improve processes that address IT's responsiveness to changing business priorities such as EA, BPM, and IT governance.	Operational	MPI leverages Gartner recommendations and oversight to ensure delivery capabilities remain comparable to relevant peer groups.	These are recommendations to improve operational efficiency and are not anticipated to provide cost savings.
4.03	Develop, document and implement an information strategy (2014 - This may or may not include hiring of a Chief Data Officer)	On hold	Strategy development deferred due to other key priorities. Not available at this time.	MPI has not evaluated this recommendation yet and therefore does not have information regarding the financial impact of implementing this requirement.
4.04	Promote how IT is responsive to changing priorities by communicating success stories	Completed	This recommendation is complete and was not included in Gartner's 2014 recommendations	This recommendation is tied to higher IT Maturity and improving IT culture. It is not linked to increasing or decreasing of costs.

4.05	Work with business partners to pilot new infrastructure technologies such as Unified Communications, Voice over IP, Bring Your Own Device, Cloud, etc. Explain the potential benefits (e.g. mobility, lower costs) and risks (e.g. Security) of each solution.	Completed	This recommendation has been restated as recommendation 1.19.	See recommendation 1.19
4.06	Hold “learning lunches” for company employees or use video demonstrations via company intranet as part of broader communications plan	Completed	This recommendation is complete and was not included in Gartner's 2014 recommendations	The cost associated with new mediums (video / intranet) is handled within existing operational infrastructure. It is expected to increase effectiveness in the communication of key messages without incremental operational investment.
4.07	Begin identifying duplicative functionality in the Applications Portfolio and streamlining the portfolio to avoid duplication of functionality.	Operational	MPI reviews its application portfolio before introducing any new technologies to ensure that there is no duplication of technology.	The process of identifying and eliminating duplicative functionality is built into MPI's IT procurement processes. Cost savings are in the form of maximized operational support costs.
4.08	Assess the impact of deferred application maintenance and/or retirement of application on the portfolio in terms of cost of additional non-value added activities; increased time-to-market for IT dependent product enhancements or customer service improvements; additional time to test changes to functionality; etc. – collectively these items are known as “technical debt”	To Be Evaluated		MPI has not evaluated this recommendation yet and therefore does not have information regarding the financial impact of implementing this requirement.

	4.09	Communicate technical debt to IT and business leadership and develop a long-term program to remove it from the MPI environment (e.g. through increased adherence to technology standards and application re-use) and track the success of those efforts	To Be Evaluated		MPI has not evaluated this recommendation yet and therefore does not have information regarding the financial impact of implementing this requirement.
	4.10	Develop 3 year staffing model to ensure key skills are available in-house to reduce reliance on contractors and consultants	To be evaluated		MPI has not evaluated this recommendation yet and therefore does not have information regarding the financial impact of implementing this requirement.
*New	4.11	Consider conducting an IT Customer Satisfaction benchmark to assess business unit satisfaction with IT and uncover suggestions from internal customers/end users for value added improvements.	In Progress Target Timeframe August, 2015	MPI has implemented internal customer satisfaction measurements for some areas of IT and is currently evaluating extending to other areas of IT.	The value of this recommendation is in improved customer service and not in cost savings.
*New	4.12	Review compensation strategies to ensure that MPI is competitive with market rates and can attract the talent it needs to deliver on its mission.	To be evaluated		MPI has not evaluated this recommendation yet and therefore does not have information regarding the financial impact of implementing this requirement.

PUB (MPI) 3-16 Reference: PUB/MPI 1-81

Please provide a breakdown of the actual and forecast number of IT Staff separated into employees and contractors for the years 2013/14 through 2018/19.

RESPONSE:

The breakdown of the 332 FTE's for 2013/14 is as follows:

212 – Internal FTE's
120 – External FTE's
332 – Total FTE's

The Gartner annual reporting model does not include forecasted data.