

Manitoba Public Insurance

Quarterly Risk Scorecards – April 2020

Enterprise Risk Management
6-29-2020

August 5, 2020

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Quarterly Risk Scorecard

Risk Name	Risk Category	Priority Level	Date
1A. Failure of Major Project	Operations	1	April 2020

Description:

Significant Nova Program issues will result in business disruption and failure to achieve MPI strategic and other program related objectives.

Risk Owners	Assessment Participants
Chief Transformation Officer	Program Director

Inherent Risk Rating:

	Likelihood	Financial Impact	Non-Financial Impact	Risk Score (Likelihood multiplied by the higher of Financial or Non-Financial Impact)
April 2020	5	5	5	25
December 2019	5	5	5	25
September 2019	5	5	5	25
March 2019	5	5	5	25
March 2018	n/a	n/a	n/a	n/a

Residual Risk Rating:

	Likelihood	Financial Impact	Non-Financial Impact	Risk Score (Likelihood multiplied by the higher of Financial or Non-Financial Impact)
April 2020	3	5	5	15
December 2019	3	5	5	15
September 2019	3	5	5	15
March 2019	3	3	5	15
March 2018	n/a	n/a	n/a	n/a

Trend:

No change to residual risk rating over the last period.

Risk Appetite or Threshold:

5% of program cost

Risk Treatment Plan

	Action	Action Owner	Date
1.	Identify a preliminary list of risks	Corporate System Architect	Complete
2.	Develop a draft Risk Management Plan	Corporate System Architect /Corporate Information Security Officer	Complete
3.	Update the Risk Management Plan	Program Director / Corporate Information Security Officer	Complete
4.	Conduct initial Risk Identification & Assessment	Program Director /OBCs	Complete
5.	Update the Risk Identification, Analysis & Response Planning	Program Director /OBCs	December 2020

Quarterly Risk Scorecard

Status of Treatment Plan

Green – Tracking to Plan

Progress Last Period:

- Re-scheduled Risk Identification, Analysis & Response Planning Updates to align with completion of Program Planning.
- The Risk Management Plan has been updated.

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Risk Name	Risk Category	Priority Level	Date
1B. Unanticipated Sharp Growth in PIPP Claims Retention Experience	Operations	1	April 2020

Description:

As experienced by ICBC, there is a risk that PIPP claims retention may increase over time as a result of various converging factors that may or may not be within MPI's control. Such as, a change in medical science that increases claims complexity, such as concussion and mental health claims, a resulting increase in reported injury relapses, and precedent setting court decisions that expand coverage. Political influences that impact resourcing levels reducing case management capacity. Any one or a combination of these factors will impact claims durations, and/or the severity and overall cost of each claim.

Risk Owners	Assessment Participants
Chief Actuary & Vice President, Product and Risk Management, Vice President, Customer Service & COO	Manager, PIPP Support Services, Director, Injury Claims Management

Inherent Risk Rating:

	Likelihood	Financial Impact	Non-Financial Impact	Risk Score (Likelihood multiplied by the higher of Financial or Non-Financial Impact)
April 2020	4	4	4	16
December 2019	4	4	4	16
September 2019	4	4	4	16
April 2019	4	4	4	16
April 2018	4	4	4	16

Residual Risk Rating:

	Likelihood	Financial Impact	Non-Financial Impact	Risk Score (Likelihood multiplied by the higher of Financial or Non-Financial Impact)
April 2020	3	3	4	12
December 2019	3	3	4	12
September 2019	3	3	4	12
March 2019	3	3	4	12
March 2018	4	3	4	16

Trend:

Trending positive, \$38M lower than budget year-to-date (March 31 2020). Due to refined and continuously improving metrics and the monitoring of various trigger points, such as claims frequency, severity, and injury duration trends, and the centralization of key functions such as intake and triage, reserving, and permanent impairment administration, MPI is equipped to identify and take resolving action on variations in trends faster. Combined with case management best practices, fraud awareness and contemporary investigation methods, these efforts have resulted in indications that retained claims growth is trending positively.

Risk Appetite or Threshold:

Low risk appetite, with a \$10M movement over budget for PIPP reserves (excluding interest rate impacts) to trigger a review & explanation of the root causes to the executive group, with further escalation as required.

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Quarterly Risk Scorecard

Risk 1B Continued...

Risk Treatment Plan

	Action	Action Owner	Date
1.	Centralized reserving implemented	Director, Injury Claims Management / Chief Actuary & Vice President, Product and Risk Management	Q1 2017
2.	Increased oversight of reserving through implementation of cross functional reporting relationship of the Manager, PIPP Support Services to the Chief Actuary.	Chief Actuary & Vice President, Product and Risk Management, Vice President, Customer Service & COO	2017
3.	Additional staff hired	Director, Injury Claims Management	Q3 2018
4.	Increased SIU Involvement	Director, Injury Claims Management	2018
5.	Establishing Claims Monitoring Reports	Director, Injury Claims Management	Q3 2019
6.	PIPP Product Changes	Director, Injury Claims Management / Chief Actuary & Vice President, Product and Risk Management	2020
7.	Monitor and Adapt to COVID-19 Impacts	Director, Injury Claims Management	2020

Status of Treatment Plan

Green – Tracking to Plan

Monitor and support the multiple changes already completed or in plan stemming from the PIPP deep-dive review in 2017.

These include; centralized reserving, additional staffing to support increasing case management capacity and identifying mental health risks at the onset of the claim. Increased SIU involvement to put more focus on ensuring claims that require additional review are investigated. Monitor claims closure and retention rates throughout the critical stages of a claims (6 months, 12 months, and 24 months).

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Quarterly Risk Scorecard

Risk Name	Risk Category	Priority Level	Date
1D. Massive Catastrophic Weather Event	Operations	3	April 2020

Description:

Changing weather patterns could cause a massive hail storm that is a higher severity than the current reinsurance coverage.

Risk Owners	Assessment Participants
Chief Actuary & Vice President, Product and Risk Management	Actuarial Analyst, Manager, Reinsurance and Forecasting

Inherent Risk Rating:

	Likelihood	Financial Impact	Non-Financial Impact	Risk Score (Likelihood multiplied by the higher of Financial or Non-Financial Impact)
April 2020	1	5	N/A	5
December 2019	1	5	N/A	5
September 2019	1	5	N/A	5
April 2019	1	5	N/A	5
April 2018	1	5	N/A	5

Residual Risk Rating:

	Likelihood	Financial Impact	Non-Financial Impact	Risk Score (Likelihood multiplied by the higher of Financial or Non-Financial Impact)
April 2020	1	4	N/A	4
December 2019	1	4	N/A	4
September 2019	1	4	N/A	4
April 2019	1	4	N/A	4
April 2018	1	4	N/A	4

Trend:

Stable. New reinsurance contract in 2019/20 has reduced the risk of the 1-in-100 year hail event to Corporate net income from \$69M to \$51M.

Risk Appetite or Threshold:

Catastrophic claims exposure below or equal to \$50 million.

Risk Treatment Plan

	Action	Action Owner	Date
1.	Reinsurance	Manager, Reinsurance and Forecasting	March 2020
2.	Paintless Dent Repair	Director, Physical Damage	Ongoing

Status of Treatment Plan

The inherent risk of the 1-in 100 hail scenario is estimated to be (\$291M). With paintless dent repair (without reinsurance), the risk is lowered by \$77M to (\$214M).

In 2019/20, the Corporation is moving from an event based Catastrophic Program with a coverage limit of \$265M to a single aggregate based Catastrophic program with a coverage limit of \$300M. This will enable the Corporation to reduce risk against large cumulative catastrophic events. Under the old

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reinsurance program in the 1-in-100 hail scenario (with paintless dent repair) the risk was (\$69M) in 2020/21. Under the new reinsurance program, the risk is (\$51M) in 2020/21 and (\$56M) in 2021/22.

The Corporation will experience an increase in premiums for 2020/21, and will reduce coverage related to the casualty program for manageable pricing on the overall Reinsurance program.

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Risk Name	Risk Category	Priority Level	Date
1E. Major Business Interruption	Operations	3	April 2020

Description:

Insufficient business continuity planning and disaster recovery capabilities could result in extended business interruption in the event of loss of premises, loss of technology, loss of business partner, loss of people, and hazard/topic specific.

Risk Owners	Assessment Participants
Chief Actuary & Vice President, Product and Risk Management	Sr Business Continuity Coordinator

Inherent Risk Rating:

	Likelihood	Financial Impact	Non-Financial Impact	Risk Score (Likelihood multiplied by the higher of Financial or Non-Financial Impact)
April 2020	2	4	5	10
December 2019	2	4	5	10
September 2019	2	4	5	10
March 2019	2	4	5	10
March 2018	2	4	5	10

Residual Risk Rating:

	Likelihood	Financial Impact	Non-Financial Impact	Risk Score (Likelihood multiplied by the higher of Financial or Non-Financial Impact)
April 2020	2	2	3	6
December 2019	2	2	3	6
September 2019	2	2	3	6
March 2019	2	2	3	6
March 2018	2	2	3	6

Trend:

Trending negative. The COVID-19 pandemic has impacted MPI in several ways, which has been mitigated through sending employees to work from home. There have been some Loss of Premises (i.e. service centres closed to become COVID-19 drive through testing sites and the two claims centres have temporarily closed) and a potential Loss of Business Partner (i.e. Loss of Postal Service (LPS) / Canada Post).

Risk Appetite or Threshold:

MPI has a very low appetite for insufficient resiliency planning and execution for critical business functions.

Risk Treatment Plan

	Action	Action Owner	Date
1.	Identify Target Risk Appetite and Threshold	Sr Business Continuity Coordinator	Complete
2.	Conduct Gap Analysis against Thresholds	Sr Business Continuity Coordinator	March 2021
3.	Develop Gap Closure Plan	Sr Business Continuity Coordinator	June 2021
4.	Execute Approved Gap Closure Plan	Sr Business Continuity Coordinator	TBD

Quarterly Risk Scorecard**Risk 1E Continued...****Status of Treatment Plan**

Green – Treatment Plan is on track

Progress Last Period:

- The MPI Corporate Incident Management Structure (C-IMS) maintained by the BCMP has successfully been leveraged to management and coordinated the response to and recovery from the COVID-19 situation via the MPI Emergency Operations Centre (EOC).
- The IT DR Specialist has been hired and is being on boarded. BCMP will support the IT DR Specialist and collaborate on the implementation of the IT DR Policy & IT DR Standard.
- BCMP Team continues to be engaged in Project Nova (e.g. reviewing RFP requirements, synergies for BIA updates, etc.).
- BCMP and Premises are collaborating to ensure continuity requirements are included in the cityplace space planning project.
- Re-scheduled gap analysis against thresholds and develop gap closure plan due to COVID19 response from the BCMP team.

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Risk Name	Risk Category	Priority Level	Date
2A. Unexpected Growth in Physical Damage Cost	Financial	2	April 2020

Description:

Unexpected increases in Collision and Comprehensive repair claims costs arising from, but not limited to, increases in repair costs, changes in the distribution of claims, increases in settlement amounts, and increased frequency.

Risk Owners	Assessment Participants
Vice President, Customer Service & COO	Director, PDC Claims Operations, Director Physical Damage

Inherent Risk Rating:

	Likelihood	Financial Impact	Non-Financial Impact	Risk Score (Likelihood multiplied by the higher of Financial or Non-Financial Impact)
April 2020	3	3	3	9
December 2019	3	3	3	9
September 2019	3	3	3	9
April 2019	3	3	3	9
April 2018	3	3	3	9

Residual Risk Rating:

	Likelihood	Financial Impact	Non-Financial Impact	Risk Score (Likelihood multiplied by the higher of Financial or Non-Financial Impact)
April 2020	3	3	3	9
December 2019	3	3	3	9
September 2019	3	3	3	9
April 2019	3	3	3	9
April 2018	3	3	3	9

Trend:

Trending positive since the beginning of the fiscal year. \$70M lower than budget primarily due to lower than forecasted frequency (\$55M) and lower than forecasted hail damage (\$18M) (YTD to March 2020). Comprehensive non-hail was over budget by approximately \$4M.

Risk Appetite or Threshold:

Low risk appetite, with a \$10M movement over budget to trigger a review & explanation of the root causes to the executive group, with further escalation as required.

Risk Treatment Plan

	Action	Action Owner	Date
1.	Shop Measures Monitoring	Director Physical Damage	Ongoing
2.	Physical Damage Claims Audit Recoveries	Director Physical Damage	Ongoing
3.	Total Loss strategy	Director Physical Damage	Ongoing

Status of Treatment Plan

Green – Tracking to Plan
Progress Last Period:

- Shop measures trending in the right direction for MPI LVAA (Light Vehicle Accreditation Agreement) shops.

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- Claims Audit recoveries continue to be effective

This Period:

- The impact of COVID 19 is undetermined at this point, however claims volume is reduced which will be reflected in future claims costs.
- 2019 collision claims appear to be 4-5% severity increase. Industry standard.
- Total Loss remains within industry trend measures, and within budget.

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Risk Name	Risk Category	Priority Level	Date
2B. Stock Market Crash	Financial	3	April 2020

Description:

A major decline in equity markets would negatively impact total equity, net income and capitalization requirements as well as the province's consolidated financial statements.

Risk Owners	Assessment Participants
Chief Actuary & Vice President, Product and Risk Management	Actuarial Analyst, Manager, Investments

Inherent Risk Rating:

	Likelihood	Financial Impact	Non-Financial Impact	Risk Score (Likelihood multiplied by the higher of Financial or Non-Financial Impact)
April 2020	2	5	N/A	10
December 2019	2	4	N/A	8
September 2019	2	4	N/A	8
April 2019	2	4	N/A	8
April 2018	2	5	N/A	10

Residual Risk Rating:

	Likelihood	Financial Impact	Non-Financial Impact	Risk Score (Likelihood multiplied by the higher of Financial or Non-Financial Impact)
April 2020	2	5	N/A	10
December 2019	2	4	N/A	8
September 2019	2	4	N/A	8
April 2019	2	4	N/A	8
April 2018	2	5	N/A	10

Trend:

Trend is negative. There is concern about the impact of COVID19 on the global economy and the corresponding impact on global equity markets going forward. Financial impact increased from a 4 to a 5 based on modelled impacts of a 1-in-20 year equity decline in 2021/22.

Risk Appetite or Threshold:

Zero risk appetite for Basic Claims portfolio. Moderate risk appetite for RSR/Extension/SRE/Employee Future Benefits Portfolio.

Risk Treatment Plan

	Action	Action Owner	Date
1.	ALM Study, Segregation of Investment Portfolio, reduction in total allocation to equities	Manager, Investments	Complete
2.	Global diversification of equities, exposure to low volatility equities.	Manager, Investments	Complete

Quarterly Risk Scorecard**Status of Treatment Plan****Green – Tracking to Plan**

Up until Q4 2018/19, the consolidated investment portfolio had a 15% target allocation to equities or approximately \$450M. In Q1 2019/20, the investment portfolio was separated into 5 portfolios: 1. Basic Claims, 2. Extension, 3. SRE, 4. Basic RSR, 5. Employee Future Benefits. Basic claims has a 0% target weight to equities. Basic RSR, EXT and SRE and Employee Future Benefits has a target weight of 35%. As of March 31, 2020, the weighted average corporate target to equities is 12%, or approximately \$371.9M.

Using the updated March 2020 model, the 1-in-20 year equity decline scenario impact (-19% total return over one year) to Corporate Total Equity is (\$112.3M) based on the fiscal year-end values for 2021/22.

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Risk Name	Risk Category	Priority Level	Date
3C. Privatization	Strategic	3	April 2020

Description:

Public discontent and inability to maintain expected delivery models places the Corporation or the monopoly status at potential risk.

Risk Owners	Assessment Participants
President & CEO	Enterprise Risk Management Committee

Inherent Risk Rating:

	Likelihood	Financial Impact	Non-Financial Impact	Risk Score (Likelihood multiplied by the higher of Financial or Non-Financial Impact)
April 2020	1	5	5	5
December 2019	1	5	5	5
September 2019	1	5	5	5
April 2019	1	5	5	5
April 2018	1	5	5	5

Residual Risk Rating:

	Likelihood	Financial Impact	Non-Financial Impact	Risk Score (Likelihood multiplied by the higher of Financial or Non-Financial Impact)
April 2020	1	5	5	5
December 2019	1	5	5	5
September 2019	1	5	5	5
April 2019	1	5	5	5
April 2018	1	5	5	5

Trend:

Trending positive. ICBC moved to no-fault insurance & Alberta is considering no-fault insurance. Trend in Canada towards a public auto insurer model. Government understands the need for legacy modernization (with the Regulatory Accountability Secretariat actively participating in and supporting regulation restructuring and elimination tied to Project Nova).

MPI's response to COVID-19 concerns indicates Corporate responsiveness, and ability for province to align operations with provincial mandate to support larger provincial priorities. These recent actions may lessen any appetite for privatization from both government and the public.

Risk Appetite or Threshold:

MPI has no appetite for privatization. The Manitoba Public Insurance Corporation Act (14.1(1)) stipulates that the government shall not take any steps to privatize the corporation or all or any part of its insurance undertaking unless first put to a referendum, and approved by a majority of votes cast.

Risk Treatment Plan

	Action	Action Owner	Date
1.	Create and execute communication strategy fosters positive public image	Communications & Customer Experience	Ongoing
2.	Continue open and trusted dialog with Government Leadership	President & CEO /General Counsel & Corporate Secretary	Ongoing
3.	Complete Legacy Modernization as planned	LSM Program Team	2023/24

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4.	Actively monitor industry trends related to Autonomous vehicle trends for insurers	Vice President, Customer Service & COO	Ongoing
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Status of Treatment Plan

There are several public facing communication strategies both in development and execution that foster MPI's positive public image and enhanced public experience.

MPI ensures that open dialogue occurs with government by providing real-time Freedom of Information requests as they are received by the Corporation, providing a weekly communications tracker and monthly events calendar, and by scheduling monthly Issues Management meetings between Crown Services staff and MPI officials (General Counsel and Government Relations Officer) to achieve alignment and coordination with government expectations and processes as best possible.

The Legacy Systems Modernization program is in its planning phase. The main focus of the program at this time is procuring vendors (RFP process) and program management set up. Major milestones are on track at this time. An autonomous vehicle report was completed internally in 2018, and will be updated periodically.

During this time of pandemic, MPI also provides daily situation status reports to government to ensure awareness and coordination with requested or required service changes. MPI's response to COVID-19 concerns indicates Corporate responsiveness, and ability for province to align operations with provincial mandate to support larger provincial priorities. These recent actions may lessen any appetite for privatization from both government and the public.

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Risk Name	Risk Category	Priority Level	Date
4A. Employee Engagement	People	3	April 2020

Description:

Ongoing rapid change across the corporation continues to pose challenges to the achievement of targeted improvements in employee engagement and enablement.

Risk Owners	Assessment Participants
Vice President, Employee & Community Engagement and CHRO	Director, Human Resources

Inherent Risk Rating:

	Likelihood	Financial Impact	Non-Financial Impact	Risk Score (Likelihood multiplied by the higher of Financial or Non-Financial Impact)
April 2020	3	2	4	12
December 2019	3	2	4	12
September 2019	3	2	4	12
April 2019	3	2	4	12
April 2018	3	2	4	12

Residual Risk Rating:

	Likelihood	Financial Impact	Non-Financial Impact	Risk Score (Likelihood multiplied by the higher of Financial or Non-Financial Impact)
April 2020	3	2	3	9
December 2019	3	2	3	9
September 2019	3	2	3	9
April 2019	3	2	3	9
April 2018	3	2	3	9

Trend:

Trend is neutral. Actively monitoring employee engagement while working from home as a result of the response to COVID19.

Risk Appetite or Threshold:

MPI will aim to maintain industry norm for employee engagement.

Risk Treatment Plan

	Action	Action Owner	Date
1.	Be Heard Engagement Survey Program	Director, TOD	Ongoing
2.	MPI Lead	Director, TOD	Ongoing
3.	Total Rewards Program	Director, Human Resources	Ongoing
4.	Employee & Labour Relations	Director, Human Resources	Ongoing

Status of Treatment Plan

In October 2018, the corporation conducted the third of three contracted Be Heard engagement survey programs with a participation rate of 90% and an overall engagement score of 71%. Presently leaders are engaged in action planning to act on the feedback received.

MPI Lead is a new leadership development program that launched this April. The launch includes e-learning for management and supervisors. In person training began in May with the cohort program launching this September.

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Compensation and benefits is a key engagement item for employees as identified in the Be Heard Survey. In 2018 a salary survey was conducted for OOS and positions were benchmarked according to market. This same analysis is taking place for in scope positions in 2019. Benefits statements showing each employee the value of their total compensation were released at the end of May 2019.

MPI employs a permanent full time employee & labour relations specialist who is responsible for managing the relationship with the union. This individual facilitates effective communication and liaises with the union on ongoing issues include grievances and other disputes. Collective bargaining is set to start Spring 2020 so preparations are beginning including updating our labour interruption plan. Grievances for FY 18/19 totaled 9, which is a low number for an organization of our size. We received 2 notice for arbitrations in FY18/19. In FY 19/20 we have received 12 grievances and an additional 3 notice for arbitrations.