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Context and objectives: MPI 2.0 assessment

MPI is at an inflection point where the organization needs to define its "MPI 2.0" vision in order to:

- Align on an enterprise-wide view on how MPI can calibrate itself to the changes in the market, & what MPI should aspire to change
- Provide strategic guidance to Nova Release 3 – for the discovery & prioritization of work (incl. decisions on what's in Nova vs. not) to be more intentional



The MPI 2.0 assessment included:

- Top-down calibration of MPI against current external environment: What is changing in the industry and why and where MPI needs to transform
- Deeper internal analysis of MPI's core functions: What are MPI's current capabilities and how do they compare against prevalent standards
- High level initial recommendation on what MPI needs to do to achieve the vision

This document consolidates the MPI 2.0 assessment materials.



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Industry trends

Six forces are shaping the P&C industry

es shaping the P&	Cindustry	Deep dives to follow MPI capabilities that will need improvement
Digital channel customer expe		Digital self-service offering
Cost reduction, efficiency gains inflationary pre	aggregate has not. There is a strong correlation between an insurance carrier's cost positioning and its	Ability to forecast costs and quickly shift pricing accordingly
illianollary pro	Inflationary pressure on global commodity prices translates to price increases for key drivers of claims cost (e.g., vehicle parts and equipment, repair services)	
Data and analyt	Data and analytics are reshaping all parts of the insurance value chain, particularly underwriting and pricing. This is opening new opportunities to create an exceptional customer experience; to coordinate deliberate actions across marketing, UW, and pricing; and to evaluate individual risks 'outside-in' in advance of submission to align marketing and underwriting on most attractive customers	Data collection and usage for core business functions
Technology investments	Carriers strategically invest in replacing legacy systems , moving to the cloud and enabling new forms of customer engagement and data and analytics application through investment in their infrastructure	Implementation of Nova
New business r (InsurTechs, Olinsurance, VCs	distribution and reinsurance, is fracturing. InsurTechs are becoming increasingly important, particularly in	Market intelligence and development of strategies for potential disruption
The future of m	The 1990s and 2000s saw significant decreases in auto fatalities due to improved safety technologies, followed by a plateauing over the last decade, in part due to cell phone distractions. The coming decades will likely see substantial reductions in the frequency of auto accidents (partially offset by an increase in severity) as further technologies such as autonomous vehicles become widespread	Ability to adapt products to customers needs and price accordingly



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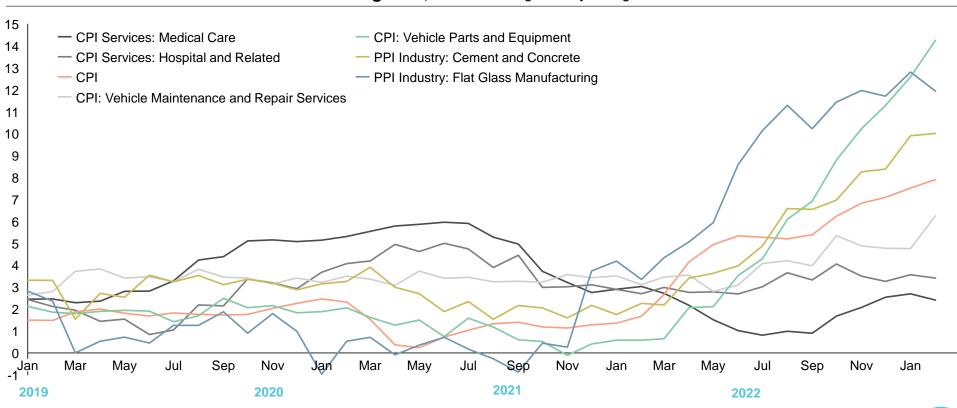
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Industry trends

a. Consumer and producer prices accelerated in 2022, increasing severity of claims

Price Indices across select CPI and PPI categories, Percent change from year ago



Source: BLS

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MPI Exhibit #20

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Industry trends

b. Data and analytics shaping **Personal Lines**



Explosion of data from connected devices

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New data from connected devices (vehicles, fitness trackers) will allow carriers to understand their clients more deeply, resulting in greater personalization and real-time service delivery



Open source and data ecosystems

Various public and private entities will come together to create ecosystems in order to share data for multiple uses under a common regulatory and cybersecurity framework



Advances in cognitive technologies (e.g., AI, ML)

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Artificial Intelligence, Machine Learning, neural networks and other deep learning technologies currently used primarily for image, voice, and unstructured text processing will evolve to be applied in a wider variety of applications

Source: Insurance 2030 – The impact of AI on the future of insurance



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Industry trends

c. OEMS have been partnering to play in the UBI market... (1/2)

New players

Approach/Value proposition





Toyota has teamed up with Nationwide to launch TIMS BrightDrive, a telematics offering that uses driving data collected from connected Toyota vehicles to provide a discount based on the customer's driving behavior.

This allows Toyota car owners to buy insurance that promises them up to 40% savings for safe driving





Verisk employs advanced data management and processing capabilities to transform raw telematics data from Hyundai vehicles into insurance-ready insights for auto insurers that connect to the Verisk Data Exchange





Liberty Mutual Insurance partnered with Subaru to create the Liberty Mutual RightTrack in-vehicle application. The new app offers real-time driving feedback and provides driving assessment and coaching to Subaru owners based on their actual driving behavior Most OEMs have begun to make a play in the UBI space by partnering with telematics service providers

Source: Press search



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Industry trends

c. OEMS have been partnering to play in the UBI market... (2/2)

New players

Approach/Value proposition





Through a partnership with LexisNexis Risk Solutions, Fiat Chrysler Auto (FCA) mobiles offers connected vehicle owners cheaper insurance based on low-risk driving behavior

This is done by using driving and connected vehicle data supplied by OEMs and carriers on the LexisNexis Telematics Exchange Hub





State Farm and Ford have completed an API pilot program that measured the impact of advanced driving assistance systems (ADAS) on the frequency and severity of auto claims

As a result, State Farm customers who drive certain models of Ford, Lincoln and Mercury vehicles can see up to a 20% discount on their policy

This advancement in UBI technology shows that carriers can now get insights on drivers' risk from vehicle equipment as opposed to needing actual driving data to calculate risk Most OEMs have begun to make a play in the UBI space by partnering with telematics service providers

Source: Press search



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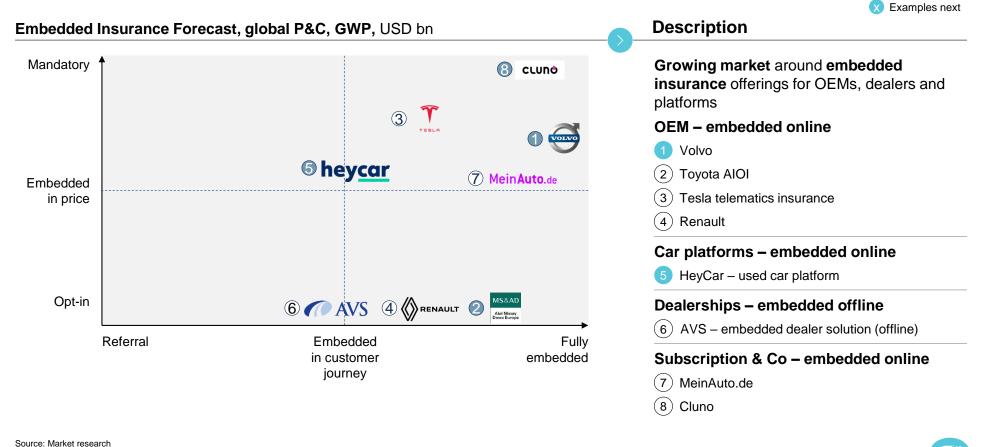
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Industry trends

c. ... As well as increasing embedded insurance offerings

Illustrative examples



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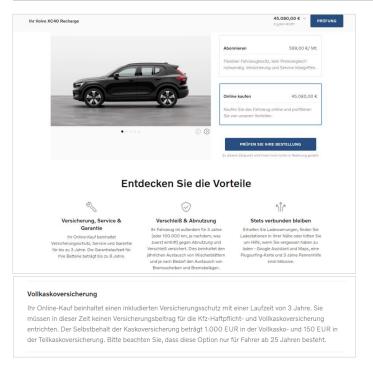
Industry trends

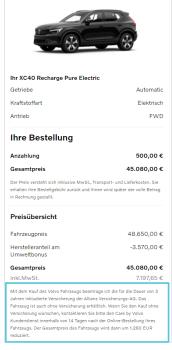
c. Volvo: Fully embedded 3-year all-risk insurance solution, embedded in car price



MPI Fxhibit #20

Volvo: Fully embedded opt-out insurance offering





Description

- · Customer journey: fully embedded (invisible) opt-out solution for leasing and online purchases, seamlessly integrated opt-out only possible post-purchase via customer service within 14 days
- Pricing: insurance offer directly integrated in final vehicle price, not separately listed upon opt-out reduction of vehicle price
- Risk carrier: Allianz

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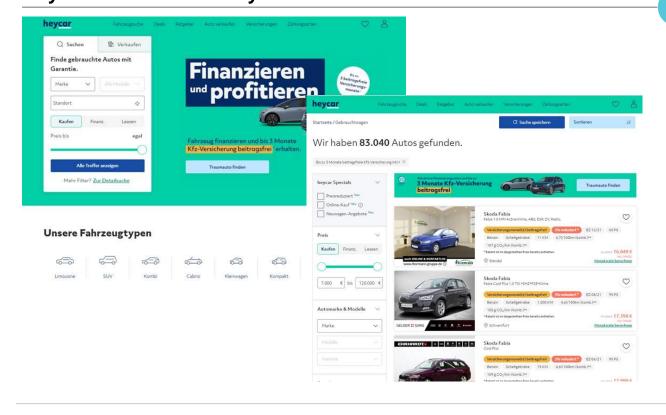
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Industry trends

c. Heycar: Embedded insurance, based on a try-before-you buy offering

Buy & Drive - live on Heycar



The concept behind

- All Heycar customers, buying a car from a Volkswagen Group dealer receive 1 month free insurance – in case of financing by VW Financial Services, the customers will even get 3 months of free insurance
- Within this trial period customers are contacted to be converted into a full policy (paid by the customer)
- Product proposition is by default and embedded into the Heycar customer journey – prominently shown in the product detail page, no opt-in necessary



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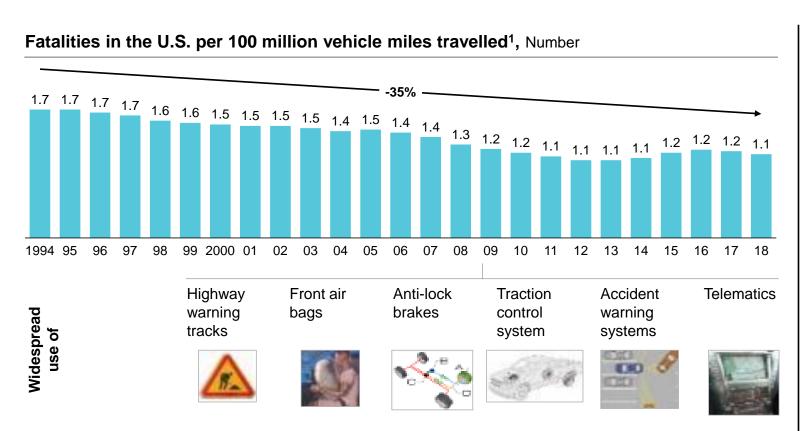
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Industry trends

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d. New personal auto technologies could drastically reduce future frequency and severity of accidents



Future trends

By 2030, Advanced Driver Assistance System has the potential to eliminate the up to 99% of fatalities caused by accidents, drastically improving road safety



^{1.} Number of licensed drivers increased 17% over the period

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MPI lags peers in self-service offerings across the value chain, impacting customer experience



Acquisition

Peers offer digitallyenabled quoting and binding (~25% transactions completed digitally)

MPI's website is outdated. and product information and pricing is limited

Policy admin

Peers allow easy, online policy support (e.g., change of address, add driver, billing / payment)

MPI requires customers to go in-person for many changes²

Claims

Peers provide digital FNOL¹ and claims status tracking (~40-50% average uptake vs. phone)

MPI requires phoning the call center (which is not staffed to answer all calls)

Renewal/cancelling

Peers offer a seamless digital renewal experience MPI sends physical mail

to customers prior to renewal, and requires an inperson appointment to renew

Customer expectations are evolving, demanding seamless omni-channel interactions

Limited digital self-service offerings and long wait times for servicing (e.g., call center, claims estimation) hinder MPI's ability to fulfill its mission of providing excellent services to Manitobans

^{1.} First notice of loss

MPI offers online billing for some services (e.g., reassessment), however uptake is limited (9%)

2019 2020 2021

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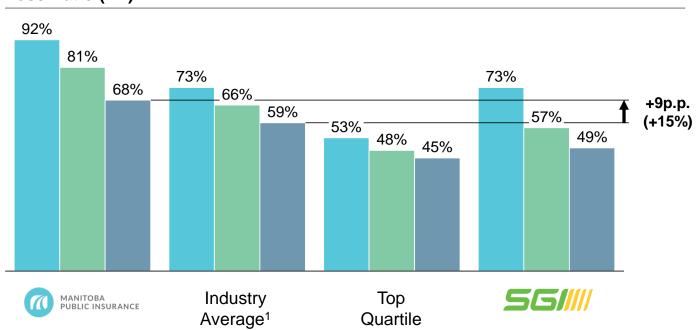
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MPI's Loss Ratio is significantly above the Canadian industry average: 9p.p. in 2021 (and 19p.p pre-COVID)





- 1. 18 private players across Canada with at least \$250M NPE plus MPI, SGI, and ICBC; ICBC is not included in 2021 due to data unavailability
- 2. LR is calculated by dividing net claims incurred (claims paid + loss adjustment expenses) by net premiums earned; LR is calculated for commercial & personal auto-insurance LoB

Source: MSA (Market-Security Analysis & Research Inc.)

MPI's Loss Ratio is ~9p.p. higher than industry average, potentially driven by rate inadequacy (e.g., for high-risk drivers)

Without rate intervention, LR will likely further increase in 2022 due to spikes in severity (e.g., inflation, parts shortage)



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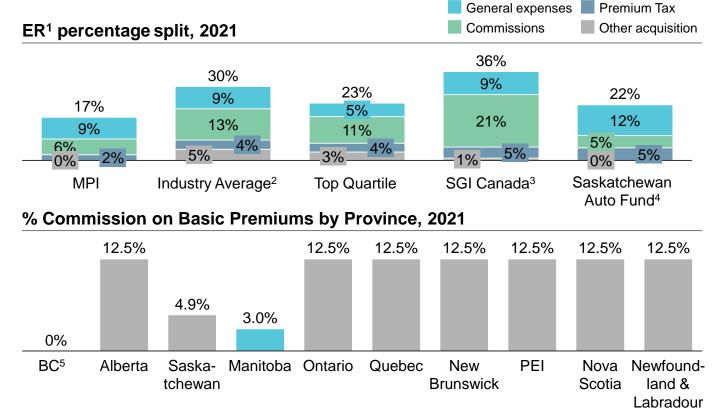
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MPI's ER is below industry average, mainly due to a ~7p.p. lower commission spend



- 1. ER is calculated by dividing expenses by net written premiums; ER is calculated at a company level (for all LoB, including commercial and personal auto-insurance)
- 2. Does not include MPI; 19 private players across Canada with at least \$250M NPW plus SGI and Saskatchewan Auto Fund; ICBC is not included in 2021 due to data unavailability
- 3. Property and casualty insurance division of Saskatchewan Government Insurance (SGI) which offers products in 5 of Canada's provinces
- 4. Province's compulsory auto insurance program, operating the driver licensing and vehicle registration system
- 5. BC uses a 100% fee-based model for Basic Auto, therefore commissions are not measurable

Source: MSA (Market-Security Analysis & Research Inc.) & MPI 2021 GRA (General Rate Application) Pre-Filed Testimony Filed on Behalf of IBAM

MPI's top quartile ER performance is primarily driven by significantly lower broker commissions than average across Canada (e.g., 6% vs. 13% for industry average)

MPI's general expenses are at par with industry average, and 4p.p. lower than top quartile ER peers, indicating opportunity to further streamline through e.g., automation of key processes

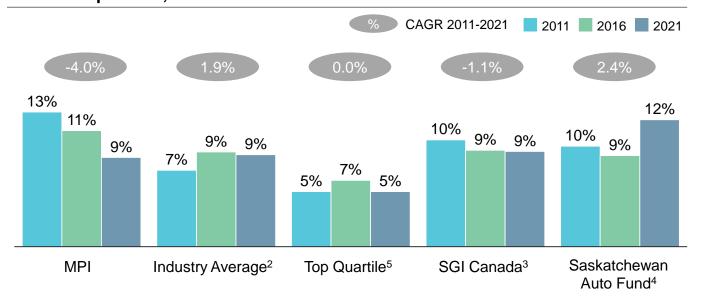


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In the past 10 years, MPI has decreased general expenses, reaching industry average costs

General expenses¹, % of NPW



Over the last 10 years, MPI dramatically decreased general expenses, meeting industry average 2021

Over the same period, peers (on average) maintained consistent general expenses as a percent of NPW

Source: MSA (Market-Security Analysis & Research Inc.) & MPI 2021 GRA (General Rate Application) Pre-Filed Testimony Filed on Behalf of IBAM

^{1.} For MPI, includes Operation and Regulatory/ Appeal expenses; Other peers as reported at MSA

^{2.} Does not include MPI; 19 private players across Canada with at least \$250M NPW plus SGI and Saskatchewan Auto Fund; ICBC is not included in 2021 due to data unavailability

^{3.} Property and casualty insurance division of Saskatchewan Government Insurance (SGI) which offers products in 5 of Canada's provinces

^{4.} Province's compulsory auto insurance program, operating the driver licensing and vehicle registration system

^{5.} Considers historical performance of top quartile peers as per ER performance in 2021

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There are opportunities to evolve capabilities across all functions

Function	Evolutions to reach MPI 2.0 Limited opportunity Moderate opportunity Significant opportunity		
Actuarial & Underwriting	Pricing capabilities using advanced analytics (e.g., shifting from minimum-bias to generalized linear modeling, enhancing rating variables and customer segmentation)		
Claims Management	Digital service offerings (e.g., FNOL and claim status check), automation (e.g., straight-through processing for simple claims)		
Policy Admin	Digital service offerings (e.g., add a new driver, change address)		
Finance	Strategic business partnership and forecasting capabilities		
Risk	Risk management and compliance capabilities; comprehensive risk appetite framework; forward-looking reporting; economic and reputational risk-reward trade-offs		
HR	Role of the HRBP as a strategic partner		
Product	Understanding of Manitoban needs and product fit; optimization of product portfolio		
Sales and Distribution	Oversight of customer experience, and support for brokers (e.g., next best product)		
Road safety	Analytics to drive road safety investment; telematics to influence driving behavior		
Legal	Legal engagement in RFP process and talent mix including balanced tenures		
IT	N/A - Please refer to Jan 2022 Nova diagnostic document for deep dive		

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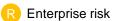
Actuarial & Underwriting

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The maturity of actuarial and underwriting practices is low, resulting in ineffective pricing and potential risk to meet claim obligations

E Customer/employee/broker experience





MPI Fxhibit #20

Current state & opportunities

MPI's 2021 LR at 68% is ~9 p.p. higher than industry average

One-size fits all pricing (e.g., when adding a 16-year-old to policy, price increase of \$45 CAD vs. ~\$2100 CAD in Calgary and ~\$2300 CAD in Toronto)

Limited governance and auditing in pricing execution has led to operational errors (e.g., 16M lost due to misapplication of discount)

Actuarial methods are decades behind industry (e.g., 50-year-old pricing modeling technique, 25-yearold mortality table, 4 rating variables vs. industry average >10)

Impact

- Inadequate pricing can lead to underreserving; recent spikes in severity significantly increase risk of being unable to pay out claims
- E Low-risk drivers currently subsidize the cost of high-risk driving behavior; improving pricing accuracy can further MPI's ability to deliver on its mission of affordable rates
- E While it is critical MPI maintains affordability for high-risk drivers, the current limited differentiation in pricing does not disincentivize unsafe driving behavior
- S Potential financial opportunity of CAD 40-70M from evolving minimum-bias model to generalized linear model (GLM) and improving rate-adequacy process (~3-5p.p. LR improvement)

Key levers to mitigate risks

Evolve the following capabilities:



Reserve management (e.g., claims forecasting, implications to required reserves)



Pricing (e.g., data management, technical pricing, market pricing, Pricing strategy & execution)



Workflow and Processes (e.g., quote journey and customer experience, speed-to-market for rate adequacy)



Underwriting (e.g., underwriting productivity & accuracy for SRE)



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Actuarial & Underwriting

There is significant opportunity to improve maturity of pricing practices

across all areas Limited opportunity Moderate opportunity Significant opportunity Deep dives to follow

Capability

Pricing

Maturity of key levers

Data management

Observations driving opportunity

External data usage **limited to CLEAR**¹; data fragmented between excel files and SAP BusinessObjects

Path to best-in-class capabilities

- Integrate additional external data sources to improve risk prediction (e.g., credit score, telematics, weather)²
 - BIC carriers have analytics capabilities to test over **10K data** elements / year, and include at least 20-30 significant rating variables

Technical a pricing



- Using minimum-bias model
- Mortality tables not updated in 25 years
- Consider owner driver safety rating (DSR) vs driver's which can lead to inaccurate true risk prediction
- Shift to generalized linear models (GLMs) and model frequency and severity by claim type to meet industry standards
- Carriers who evolve beyond GLMs to use unconstrained loss models (ULMs) and by-peril modelling see up to a 40% increase in accuracy
- Consider new rating variables (e.g., driver DSR, credit score)², and use existing software solutions (e.g., Radar, Emblem) to improve risk prediction accuracy

Market pricing



- Competitor and market price data for commercial lines is not collected
- For competitive products (e.g., SRE), monitor competitor rate filings and marketing / broker communication collateral

Pricing strategy & execution

- Lost \$16M due to discount being misplaced during implementation
- No automated checks to audit and verify rate updates in IT systems
- Develop auditing processes and automated checks (e.g., establish process owner, excel macros) to ensure highquality execution of rate changes
- 1. Canadian claims database: "Canadian Loss Experience Automobile Rating" (claims loss experience for each make, model and model-year of private passenger
- 2. Incorporating additional rating factors as allowed by Manitoba province regulations

Source: MPI 2023 GRA (General Rate Application)



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Actuarial & Underwriting

There is an opportunity to improve speed-to-market for rate adjustment and improve customer experience through process automation

Limited opportunity Moderate opportunity Significant opportunity Deep dives to follow

MPI Fxhibit #20

Capability

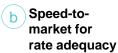
Maturity of key levers

Observations driving opportunity

Path to best-in-class capabilities



Workflow and **Processes**



- Modelling done **manually in excel**, increasing risk and limiting productivity
- Loss trends are analyzed only at high-level. without detailed indications
- Pricing team manually updates significant portions of the ~3500-page rate-adjustment document
- Price tables are handed-off to IT team for update on the system and manually verified by rate-modelers

- Rate filings are based on indications calculated in the preceding 1-3 months
- Current effective rates consistent with indications calculated in preceding 12-18 months; prices updated at least annually
- Current price performance monitored at least monthly
- Price changes are reviewed by business committee (e.g., underwriting, actuarial, finance) with a formal rate change sign-off and process owner



Underwriting

Underwriting productivity and accuracy



- Low proportion of new SRE policies processed through STP1
- No actuarial support to SRE team, underwriters generate rates themselves
- Improve underwriter efficiency in SRE by implementing STP and reducing time spent on noncore UW activities (e.g., creating rates, administrative work)
- Benchmark for small commercial STP is ~70-75%.

1. Straight-through processing

Source: MPI 2023 GRA (General Rate Application)



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MPI Fxhibit #20

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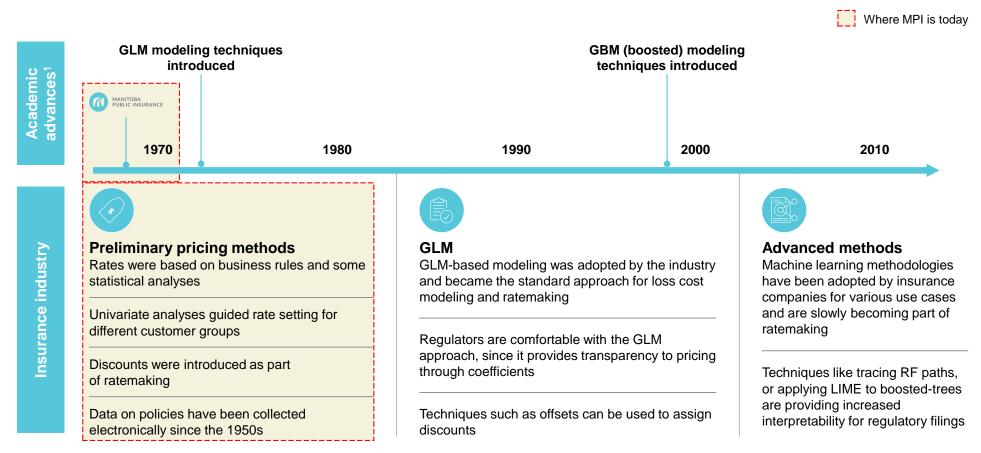
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Actuarial & Underwriting

a. MPI's actuarial models are based on 50-year-old techniques

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1. Generally, not insurance specific

Source: Basic Ratemaking, Fifth Edition, May 2016; Werner and Modlin; https://www.esurance.com/info/car/the-history-of-car-insurance



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Actuarial & Underwriting

a. MPI could increase pricing accuracy by modifying the existing DSR rating variable and by evaluating the potential to introduce new variables

Current Rating Variables



Vehicle attributes



Living location



Vehicle usage



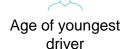
Driving record (DSR)

Potential Rating Variables to Consider¹



Credit score







Annual mileage



Age of vehicles



Vehicle group

Potential to evolve the way MPI considers DSR to Declared Driver Model

In the current state, only the DSR of the **registered owner** is considered when determining rates, even if **more risky drivers** use the insured vehicle. Using a **Declared Driver DSR** model, considering the weighted average, could increase **pricing accuracy**

Declared Driver	DSR	Weight
Driver 1	+7	0.15
Driver 2	-5	0.60
Driver 3	+13	0.25
Weighte	ed Avg. D	SR +1.3

MPI has already released a **public memo** proposing four ways the DSR variable could be updated to better consider **driver risk vs owner risk**

Evaluate all potential rating variables based on feasibility to meet **regulatory requirements**, alignment with **MPI's mission**, and potential to improve **pricing accuracy**

^{1.} To be confirmed with Manitoba regulation on allowable rating variables

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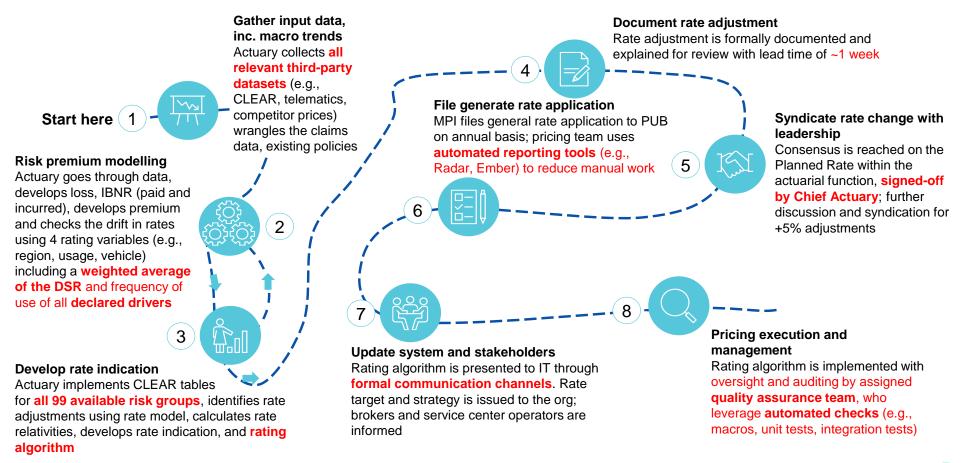
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Actuarial & Underwriting

b. MPI's rate-taking process has multiple gaps vs. industry leading practices

xxxxx Improvement to reach best-in-class practices



Source: MPI 2023 GRA (General Rate Application)



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Limited opportunity Moderate opportunity Significant opportunity

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Actuarial & Underwriting

b. The maturity of MPI's rate-taking process is low, presenting significant opportunity for improvement

		Limited opportunity Wioderate opportunity	organicant opportunit
Rating process	MPI current state	Best-in-class	Maturity assessmen
Gather input data, inc. macro trends	No automated claims reporting; poor data infrastructure and external data use is limited to CLEAR; limited capture of macro trends	Compilation and use of all available transaction data ; intensive use of external data (e.g., credit rating, risk characteristic databases)	
Risk premium modelling	High-level compilation and analysis of loss trends when making forward-looking projections	Analysis of all relevant trends on base rates and accurate projection to the future	
3 Develop rate indication	Frequency and severity considered at aggregate level; minimum bias model with CLEAR tables and 4 rating variables, not using GLM , credit score, or telematics	Technical, behavioral, and market-based pricing; separate modeling of frequency and severity for individual risk types	
Document rate adjustment	Mortality and rate tables not updated in 25 years; single spreadsheet calculating major liability on balance sheet; limited automation and productivity aids	Discuss rate change proposals with underwriters; review, update, and document rate and rate table adjustments at least once a year	
Syndicate rate change with leadership	Rate change discussions outside actuarial function are limited and not well understood by EC; "nobody outside of actuarial understands the process or urgency to change "	Entire leadership team reviews indication and aligns on rate changes; at least monthly exchange on observations and claims trends	
File general rate application	File general rate application to PUB (Public Utilities Board) once a year	File rate change documents to insurance authorities when required; limited "back-and-forth"	
Update system and stakeholders	Handoff rate table through informal process and communication channels to IT team for update on the system; broader leadership is notified of rate approval	Rate target and strategy is issued to the org-1) agents/brokers are informed 2) automated rules are implemented	
Pricing execution and management	No auditing, oversight, or automated checks for rate table implementation; mistakes lead to significant losses (e.g., misplaced discount leads to \$16M loss)	Changes are closely audited, including rate execution and in-force monitoring	
Source: MPI 2023 GRA (General Rate Application)			

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Actuarial & Underwriting

b. Some initiatives to close gaps within the rate-taking process are inflight but will not be enough to reach best-in-class

Rating process	In-flight Initiatives
Gather input data, inc. macro trends	Beginning executive claims reporting to increase claims understanding; updating mortality tables which haven't been updated in 25 years
Risk premium modelling	Updating pricing models and standardizing spreadsheets to increase readability; purchasing software to aid in implementing GLMs , improve reserving, asset liability management, and data cleansing
Develop rate indication	NA
Document rate adjustment	Automated reporting from Radar and Emblem will enable some level of automation for documentation
Syndicate rate change with leadership	NA
File general rate application	NA
7 Update system and stakeholders	Process for next audit by contractor will be reviewed, documented, and revised
Pricing execution and management	Beginning manual verification of hardcoded premiums; NOVA completion will be an enabler for automation
Source: MPI 2023 GRA (General Rate Application)	

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Actuarial & Underwriting

MPI can prioritize four initiatives to improve pricing accuracy, enhance customer experience, and reduce pricing execution risk

Evaluate rating variables and increase market segmentation granularity

Evaluate additional **rating variables** (e.g., credit score, driving history) and leveraging **external data**

Engage Legal early to evaluate regulatory constraints

Partner with marketing to create **public** communications

Automate pricing execution checks

After adopting **Duck Creek**, implement **automated testing** to verify the rating algorithm and any premiums hardcoded into the system

Before the adoption of Duck Creek, assign a **member of the risk team** to verify the correctness of the **current rating implementation**

Establish process owners to audit new changes on an ongoing basis

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02

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Partially enabled by completion of Nova

Switch from minimum bias model to GLMs

Shift to GLMs, which are **significantly more accurate** than the current minimum-bias technique, **as soon as possible**

GLMs are the minimum accepted standard for pricing

03

Potentially create digital quote and binding process for extension products

Once NOVA is completed, develop a digital quote process for **extension products** (e.g., layup, off-road) that can increase cross-sell and average customer value

04

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Claims management

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There are multiple opportunities to enhance claims management capabilities



Customer/employee/broker experience



Financial opportunity



Enterprise risk

Current state & opportunities

MPI currently cannot serve all customers in their preferred channel –Customers must call the contact centre to report claims (FNOL) or check their claim status

Furthermore, contact centres are backlogged; customers are subjected to **up to 3 hour wait times and often cannot reach MPI at all** (~30K calls / month in Q1 2022 asked to call back later)

Customers also face long wait times to meet with an adjuster (~10-15 days); similarly, MPI has a significant backlog of estimation to be performed

Fraud detection for physical damage claims is 100% manual (automatic detection limited to bodily injury claims)

Impact

- MPI has a legal obligation to pay customers what they are owed in a prompt and timely fashion; systematic claims delays can pose legal risks
- Claims is one of the most stressful interaction points for customers; empathetic and prompt support throughout the claims value chain is critical for a positive customer experience
 - Today, MPI cannot support customers in their desired channel (e.g., online)
 - Current contact centre, adjuster, and estimator capacity constraints hurt resolution times
- Optimizing fraud detection, acceptance, and conversion could represent a CAD 80-120M opportunity

Key levers to mitigate risks

Evolve the following capabilities:



FNOL and call centre process (e.g., channel offering, call process)



Claim segmentation/assignment (e.g., segmentation model and assignment process)



Claim adjusting/settlement (e.g., estimating and adjusting, STP)



Fraud management (e.g., automatic fraud detection, triage, investigation methods)



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Claims management

MPI can enhance its FNOL capabilities with the adoption of digital selfservice and streamlining the call process

 Limited opportunity
 Moderate opportunity
 Significant opportunity
 Deep dives to follow Maturity of key Capability **Observations driving opportunity** Path to best-in-class capabilities levers Offer digital FNOL and status check options, and allow for FNOL/ Channel FNOL cannot be done online; customers full self-service where possible: must contact call centres for offering Call submissions Centre BIC carriers offer FNOL, status tracking, vendor Customers cannot check claim status selection, and appointment scheduling digitally online and instead must call contact - BIC carriers handle 100% of claims status requests online, centers for updates improving customer experience and minimizing demands on the call centre Call process Reporting a claim requires wait times of Industry average wait times are ~60-80 seconds, and upwards of 3 hours1 percentage of missed calls is ~5-7% - MPI service is significantly behind benchmarks Customers often asked to call back if • Set up dynamic FNOL questionnaire that is driven by type of the backlog is too long (average of 30k calls missed per month in the first quarter claim and information received to minimize call time of 2022, around 15% of all calls²) Optimize staffing models to meet peaks of demand at call FNOL call avg. duration is 11-13 minutes centres (e.g., continuous hiring/training of new staff) Customers reporting a bodily injury claim often need to repeat information to multiple reps Call containment functionality limited to Implement call containment functionality with voice-enabled **Technology** touch tone IVR **IVR** enablement

^{1.} Based on interviews, mystery shopping | 2. Percentage calculated by considering the average of calls per quarter of FY2021 (latest full period available)

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Claims management

MPI can increase estimating and adjusting efficiency through technology (photo-based estimating, straight through processing, etc.)

 Limited opportunity
 Moderate opportunity
 Significant opportunity
 Deep dives to follow Maturity of key **Capability Observations driving opportunity** Path to best-in-class capabilities levers Segmentation and assignment processes Build dynamic segmentation models leveraging advanced Assign Segmentation **analytics** (e.g., by fraud or litigation propensity, by severity) and are manual ment assignment Implement fully automated assignment rules based on capacity and skill set Space constraints in the physical damage Shift estimating to photo-based vs. field inspection where **Adjusti Estimating** compound lead to inefficiencies in the ng and and adjusting possible (currently 14% vs. auto PD industry average of 54%) estimating process (e.g., cars must be pulled settle-Build Al-assisted virtual estimating capabilities (e.g., photos out for estimators) ment received and analyzed by AI with AI generated initial estimate, Backlog is building, and estimators are reviewed by human; industry benchmark is ~24%) stretched thin Enhance ability to forecast estimating demand and adjust Booking appointments with adjusters now estimator and physical space capacity accordingly (e.g., use of takes 10-15 days independent adjusters for on-demand capacity) b STP Straight-through processing (STP) limited Implement STP for select cases in auto physical and bodily to glass-only claims **injury** (e.g., image-based estimating for simple claims) Enhance the model used in total loss determination and Customers don't readily accept vehicle **Total loss** management value provided by MPI, likely driven by customer compensation (e.g., use 10+ variables including the challenging used vehicle market vehicle value, salvage value, estimated repair costs, etc.) Total loss adjusters are operating at Improve the clarity of communication for vehicle valuation above capacity, with increased handling (e.g., how value is calculated, which sources are used, time (+43%) and touches per claim (+22%) supporting images)

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Claims management

MPI can significantly improve its fraud detection, through enhancing manual processes and adding automatic fraud detection systems

Limited opportunity
 Moderate opportunity
 Significant opportunity
 Deep dives to follow

Capability

Maturity of key levers

Observations driving opportunity

Path to best-in-class capabilities







- Fraud detection for physical damage is 100% manual; sources include MPI's tip line, adjusters and estimators
- Internal predictive analytics efforts have been used to identify potential fraud in bodily injury claims, and has the potential to be used for other claim types
- Best-in-class manual detection processes include: Dynamic scripting in FNOL to enable early detection
- Clear playbook that enables claims handlers to understand potential fraud indicators (by claim type)
- Regular, closed-loop feedback between claims handlers and SIU team
- Consistent focus in front-line training and performance management (e.g., # of leads detected, # accepted)
- Additionally, top carriers use rules-based automatic fraud detection systems to detect fraud in real-time, with feedback loops to improve algorithm performance

Fraud prevention



- Investigators set meetings primarily with **senior adjusters** to review fraud referrals
- MPI does not have a dedicated team focused on organized crime; however, MPI coordinates closely with the police department on fraud
- Communicate anti-fraud activities internally (across lines of business) and to service providers (e.g., repair shops)
- Establish a dedicated team focused organized fraud, including:
 - Use of advanced analytics for improved pattern recognition
 - Blacklisted vendors shared in regular cross-BU meetings
 - Externally communicate reputation for combatting fraud

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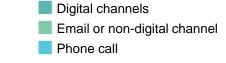
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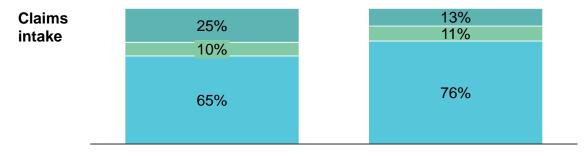
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Claims management

a. MPI lags industry average availability and adoption of digital claims intake and status requests

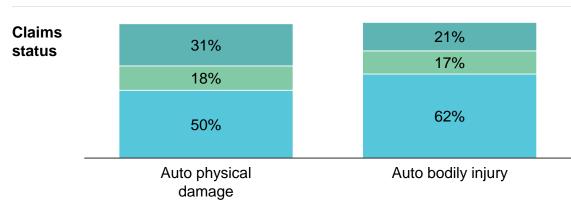
Frequency of communication by channel for claims intake and claims status, % of claims for current industry average





For peers, At MPI, 100% ~45%-75% of claims intake occurs via phone call

of claims intake via phone call



For peers, At MPI, 100% ~50%-70% of claims status inquiries occur via phone call

of claims status via phone call

Email or non-digital channel = Email or other non-digital channels (e.g., fax, mail); Digital channel = Website, mobile app, SMS text, or other digital channels (e.g., messaging apps) Source: Claims 2030 digital benchmark survey conducted in Q1 2022 (N = 12 unique carriers); responses were aggregated for carriers with multiple submissions

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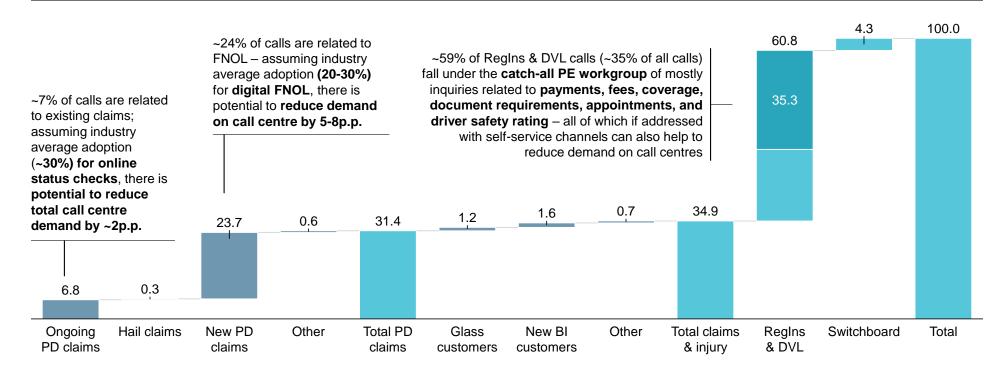
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Claims management

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a. Digital self-service for FNOL and claims status has the potential to reduce call centre volume by up to 10%

Call centre volumes by request type, %



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Current industry average Industry 3-year aspiration

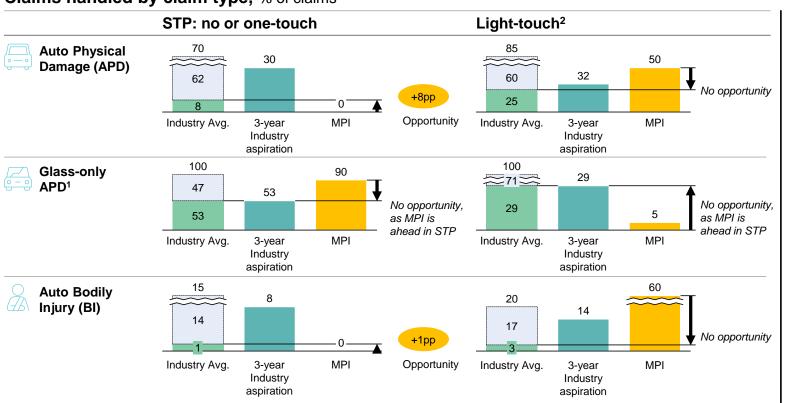
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Claims management

b. The industry is increasing use of straight-through processing for auto physical damage and bodily injury claims handling

MPI Best-in-class

Claims handled by claim type, % of claims



Key takeaways

MPI has begun to streamline the claims process and is above industry average for light-touch handling

However, MPI does not currently have the capability to fully automate (STP) APD or BI claims

The industry is quickly accelerating to further STP (30% of APD claims) in the next 3 years, before Nova is completed

Source: Claims 2030 digital benchmark survey conducted in Q1 2022 (N = 12 unique carriers); responses were aggregated for carriers with multiple submissions. MPI survey submission (August 2022)

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^{1. 3-}year aspiration information was not asked for Glass-only APD | 2. Streamlined process (using technology) that requires significantly (~30-40%) less effort by handlers to process vs. traditional claims processing

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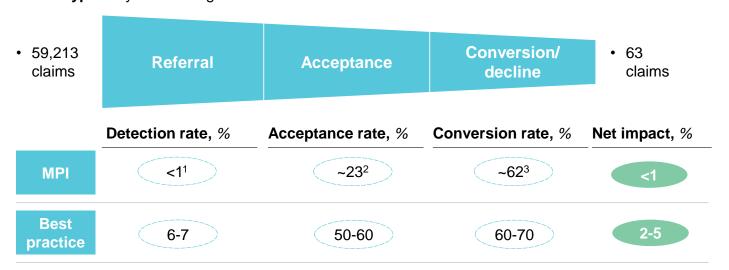
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MPI Fxhibit #20

Claims management

c. Optimizing accuracy for fraud could drive an additional ~ CAD 80-120M in fraud cost avoidance

Period: April – July 2022 Claim type: Physical damage



Optimizing accuracy for fraud avoidance could drive ~CAD 80-120M, assuming:

- Current fraud avoidance rate of 0.1% (~400 claims per year, ~\$4M in cost avoidance4)
- ~10K CAD average cost avoidance per claim⁴
- MPI could avoid 8-12k additional cases of fraud through optimizing referral, acceptance, and conversion rates

- Fraud detection rates significantly lag industry benchmarks, driven by:
 - Limited referrals from FNOL agents and claims handlers
 - No automatic detection to supplement manual referrals
- For every ~100 claims received, only 1-2 non-fraudulent cases are investigated in a well-managed fraud process: increasing referrals and investigations would have minimal impact on customer satisfaction

Source: Special Investigations Unit Annual Report FY2021



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^{1.} Based on 435 PD files referred to the SIU department in FY2022-23 | 2. Tracked by SIU investigators for FY2022-23 | 3. Percentage success rate tracked by SIU investigators for FY2022-23, not including pending/open files | 4. Figures based on FY2021-22 results from SIU investigators

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Claims management

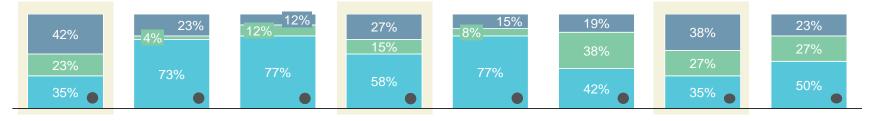
c. MPI has invested in limited digital, analytics, and automation use cases, lagging the industry in segmentation, payment and fraud



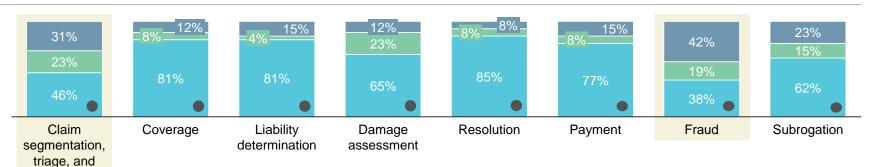
Tools used to remove human judgement in key claims decisions or use cases, % of carriers

Question: Automation, digital, and analytics/Al have the potential to remove the need for human judgment from the claim process. To what degree have you leveraged these capabilities in key claims decisions or use cases?





Analytics and Al



Low = 1 (rarely) or 2; Moderate = 3 (frequently, approximately half the time); High = 4 or 5 (always)

assignment

Source: Claims 2030 digital benchmark survey conducted in Q1 2022 (N = 13 unique carriers); responses were aggregated for carriers with multiple submissions.

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Policy Admin/In-force management

There are multiple opportunities to enhance policy administration capabilities to meet customer expectations



Customer/employee/broker experience



Financial opportunity



Enterprise risk

MPI Fxhibit #20

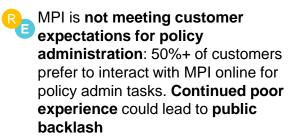
Current state & opportunities

Customers cannot complete most key transactions with MPI online (e.g., policy renewals can only be done in-person with an Autopac agent or at the service centre)

While MPI does provide an option for online payments, customer adoption is low (e.g., ~10% of payments are currently done online) despite customer preference for online transactions – indicating a challenging interface

Service/call centre operations and document processing is largely manual and paper-based

Impact



Automation of document processing could increase mailroom operational throughput by 4-5x, by moving 70-95% of transactions to straight-through processing

Key levers to mitigate risks

Evolve service delivery, in particular:



Enhance customer experience (E.g., availability of transactions on customers channel of choice, selfservice experience)



Streamline back-office processes (E.g., process automation, paperless initiatives, mailroom optimization)



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Deep dives to follow

MPI Exhibit #20

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Policy Admin/In-force management

MPI can improve customer experience through online tools and automation, while simultaneously managing costs

Limited opportunity

Capability

Service delivery

Maturity of key levers

a Policy administration customer experience

Observations driving opportunity

- Only 10% of payments are done online, despite the availability of this functionality
 Policy renewals can only be done with
 - Policy renewals can only be done with an Autopac agent or at the service centre, with limited transparency on steps required to complete the renewal process
 - No portal exists on FINEOS for vendors and customers to check their information

Path to best-in-class capabilities

Moderate opportunity

 Redesign online tools to optimize for customer experience (e.g., options/ease of payment, potential to renew policy while reviewing key facts/options on coverage)

Significant opportunity

- 47-52% of customers prefer interacting with MPI online, up from 23-27% pre-COVID¹
- Best-in-class carriers (e.g., with UX-focused interfaces, ability to seamlessly shift channels) complete over 50% of policy admin transactions online

Back-office processes

- Back-office processes are paper-based:
 - Driver fitness and licensing services are largely paper-based and require manual data entry
 - Reminders and documents are faxed or mailed to customers
- Call centre operations have limited automation – currently launching first automation initiative (email of FNOL information to customers)
- Develop a holistic view of automation for service delivery (e.g., service/call centre operations, driver fitness processing, customer reminders); identify quick wins that can be addressed pre-Nova
- Automate mailroom tasks: ingest documents from multiple sources (e.g., emails, PDFs, and scanned images) and use machine learning to extract relevant data
 - BIC carriers can increase mailroom throughput by 4-5x and shfit 70-95% of mailroom documents to straightthrough processing

^{1.} Figure provided by the MPI CX team on survey conducted on omnichannel preferences

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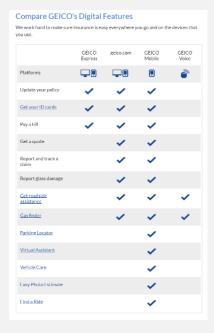
Policy Admin/In-force management

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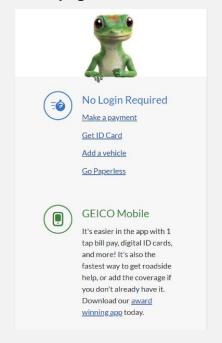
a. Case study: Geico has an exhaustive set of features available with or without login in digital channels

CHANNEL OFFERING

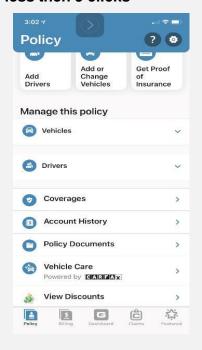
Targeted functionality based on channel



No login required express journeys highlighted on home page



All features accessible in less then 3 clicks





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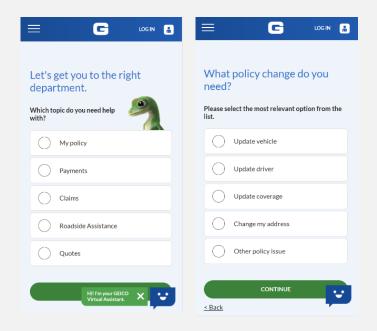
Policy Admin/In-force management

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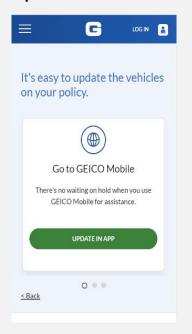
a. Case study: Geico heavily leverages channel steering and virtual agents to drive adoption to self-service

CONTACT US LANDING PAGE

Triage on contact reason before providing access to phone number or chat



Call to action to use digital before providing access to a phone number



Virtual assistant to navigate help center in parallel

GEIC	O Virtual Assistant	×
	assistant and a bit of an insurance nerd.	
0	I can answer questions about insurance or direct you to areas you're looking for.	
	Try typing a question below or select one of these popular options.	
	GET A NEW POLICY QUOTE	
	FIND MY ID CARD	
0	PAY MY BILL	
	FIND MY ID CARD	
0	You can request a copy of your ID card here.	
\equiv	What can I help you find?	>



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Finance

MPI can improve Finance by focusing on business intelligence and building forecasting capabilities



Customer/employee/broker experience



Financial opportunity



Enterprise risk

MPI Fxhibit #20

Current state & opportunities

MPI has a **lean Finance team** compared to the industry (i.e., ~50% leaner than the industry median, ~33% leaner than the industry top quartile) for **both strategic and transactional** functions

MPI's Finance team is under-invested in FP&A and Treasury, and the share of team's capacity dedicated to strategic tasks is ~26% (relative to insurance peers at ~38%)

The **level of automation** and use of **advanced analytical tools** is **limited** (currently only backward facing reporting is available)

Impact

R Lack of forecasting capability and the ability to inform business strategy (e.g., help the organization to prioritize across multiple initiatives), can lead to reputational risk from the board, government and public

Key levers to mitigate risks

Evolve the following capabilities:



Function Strategy (e.g., role as business partner, forward-looking intelligence, data quality and granularity)



Operating-model design (e.g., capacity and efficiency, team structure)



Process automation and optimization (e.g., lead time to close budget and general ledger, leverage of digital and automation tools)



Talent (e.g., business acumen)

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MPI Fxhibit #20

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Finance

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There is significant opportunity to improve Finance's ability to partner

strategically with the business and provide forward-looking intelligence

Capability

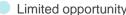
Function Strategy

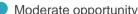
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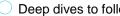
Role as business partner and advisor. including ability to provide forward-looking intelligence

Maturity of key









Observations driving opportunity

- Finance is under-invested in strategic functions such as FP&A and Treasury (MPI's share of valued-added Finance is ~30%), limiting its capability on Finance-supported business decision
- Limited capability to build reliable forecasts

Path to best-in-class capabilities

- Pivot towards value-adding activities (e.g., managing corporate governance and economic value capture, multi-year financial planning and forecasting) - Insurance peers typically spend ~45% of capacity in such activities
- Integrate Finance with business strategy planning (e.g., use insights from Finance to inform decision-making) to allow Finance to play the business partner role
- Invest in developing FP&A capabilities (e.g., free up capacity for FP&A through automation, training on FP&A modeling analysis, acquisition of talent to boost skills internally)

Data quality/ granularity



Lack of data quality/granularity that is needed for business insights (e.g., to be able to understand what is driving changes in severity and frequency of claims)

Clarify the level of details needed and set **policies** on how the data should be captured, documented, and communicated

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MPI Fxhibit #20

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Finance

There is moderate opportunity to improve Finance's operating model

Limited opportunity Moderate opportunity Significant opportunity Deep dives to follow **Maturity of key** Capability **Observations driving opportunity** Path to best-in-class capabilities levers • MPI's overall Finance team is ~50% Operating-Capacity and Prioritize building out strategic capacity, efficiency since it would be required to address significant model leaner than the industry median and design ~33% leaner than the industry top opportunity to mature function strategy capability quartile · Consider investing in automation of • All of MPI's transactional (e.g., general processes in Finance beyond DEPM (used in budgeting) to further reduce time spent on accounting, accounts payables, payroll), value-added (e.g., FP&A, treasury) and transactional tasks (e.g., payroll, accounts payables), and enable capacity shift to valuecontrol & compliance (e.g., financial controlling and external reporting) teams added activities are lean (or at worst median) compared to the top quartile Roles and responsibilities for Clearly define the responsibilities of FP&A **Team** transactional and strategic Finance and other more transactional roles, with strategic structure are comingled (e.g., the FP&A team responsibilities separated organizationally from overlaps with the Fin Ops, corporate more transactional activities controller team, and Financial reporting

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teams in terms of activities done, such as accounting, AP, FP&A, controlling and

reporting)

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Finance

There is moderate opportunity to improve the budgeting and general ledger process

Capability levers

Maturity of key

Observations driving opportunity

Path to best-in-class capabilities

Limited opportunity
 Moderate opportunity
 Significant opportunity
 Deep dives to follow

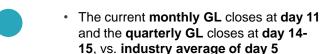


Lead time to close budget



- MPI's current budgeting cycling time (i.e., ~12 weeks) is 50% longer than the industry best practice
- The data roll up process relies on basic approaches (e.g., pivot tables)
- Commit to a single iteration of top-down targets/bottom-up budgets
- Streamline the data roll up process through tools such as Power BI; The best-in-class budgeting process typically takes a maximum of 8 weeks

Lead time to close general ledger (GL)



- Ensure aligned and system driven GL policies and procedures, reporting structures, and ledger interfaces
- Ensure a single reporting system is used
- Leverage tools/software (e.g., cloud-based data reconcile tools) to automate the data reconcile process

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MPI Fxhibit #20

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Finance

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There is moderate opportunity to improve the level of automation and

Finance team insurance acumen Limited opportunity Moderate opportunity Significant opportunity Deep dives to follow

Capability

Maturity of key levers

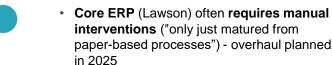


Path to best-in-class capabilities



(2/2)

Leverage of digital/ automation tools



- Self-service BI tools limited to expense data; no further ability of managers to drill into data without Finance team intervention
- Limited use of advanced automation or analytical tools (e.g., robotic process automation, machine learning, smart workflow, etc.) besides the use of DEPM for budgeting

- Configure foundational IT to limit manual interventions
- Boost BI capabilities for more dynamic forecasting and scenario planning
- Investigate robotic process automation (RPA) for transactional tasks within transactional areas such as AP, accounting and payroll - RPA tools that aggregate data across multiple systems, remove and/or flag anomalies, and deliver clean, validated data sets to end users. reducing manual work by 50%+
- Natural language generation tools to produce first draft insights from vast data sets, reducing manual writing by 70%+ for frequent reports



Talent

Business acumen

Lack of business acumen and the ability to drive KPI performance management in the current team (e.g., limited knowledge of insurance)

Boost skills development in business acumen and performance management by providing necessary training / acquiring talent with that caliber

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Finance

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a. MPI's FP&A function is still at early stages in the journey to become a value manager of the business



Where MPI is today



decisions to strategic implications

career model allows for skill

experiences

development across a variety of

source of truth data for some analysis

and insights that leads to identification

of value creation opportunities

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a. Each dimension of the FP&A function can be improved through a few specific levers

	Impact levers	Examples that we've seen
Org & Operating model	 Clearly define FP&A role in the organization, distinct from Accounting Drive decision making based on holistic view of the business and insightful analysis 	 Clearly separated different FP&A tasks: centralized forecasting CoE, SSC for routine report generation, corporate FP&A focused entirely on decision support
Information/ data	 Provide easily available, standardized and timely information as the 'single source of truth' in the organization Provide root cause drill downs and 'double clicks' 	 Automated report generation for routine reports produced by a centralized team Single ERP system to provide dynamic data access, facilitating rapid drill down to underlying drivers
Analytics/insight	 Provide clear-cut value-added insight into leading indicators, business scenarios and integration of historical and forecasts 	 Standardized and intuitive KPIs to track and benchmark performance Monthly review discussions focused exclusively on 'why' and 'next steps' rather than the 'what'
Strategy	 Act as keeper of the business model and owner of the economic model Integrate internal and external factors to link short term and long-term strategic plans 	 Strategic plans are owned and created by a central FP&A team, who own and govern the process, with timely inputs from BUs
Value creation	 Communicate value-creation framework externally and evangelize internally Improve corporate performance through initiative setting and holistic capital allocation 	FP&A benchmarks and reviews all investments using a matrix of high growth market vs internal project performance
People	 Provide a platform for attracting and retaining high performing talent Institute programs for upskilling and mobilizing finance talent across the organization 	 Formal, immersive FP&A rotations integrated with general management and finance programs Clear learning and development strategy with external trainers, transitioning into internal FP&A 'coaches'
Processes	 Implement lean and effective planning, budgeting and forecasting processes based on strong business fundamentals 	Rolling forecast implemented to complement a leaner budgeting cycle for greater accuracy and shorter turnaround

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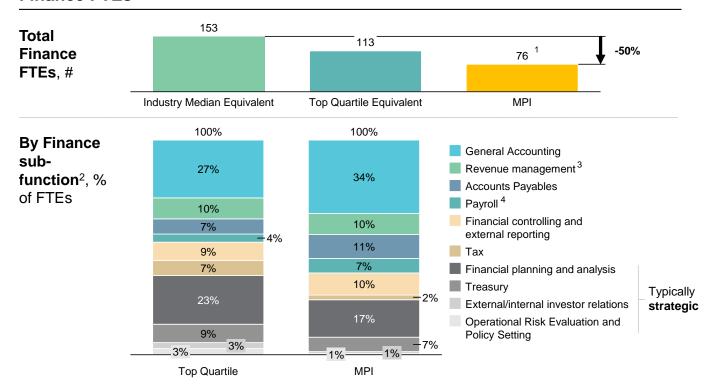
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b. MPI's Finance team is lean compared to industry peers and is under invested in FP&A and Treasury

Finance FTEs



- Subrogation, admin service, corporate services and premises are excluded from this analysis as the resources of these teams are not performing finance tasks such as the ones detailed on chart below; When not considering those functions, the total MPI Finance FTE goes down from 140 to 76
- 2. The FTEs by sub-function are calculated using the FTEs of MPI's sub-department (e.g., financial reporting, budgeting) and the weights (in %) assigned against each sub-function (e.g., general accounting, revenue management) as per discussed with the MPI team
- 3. Revenue management is not part of the insurance industry benchmark; for the purposes of this analysis, MPI's % was assumed for the top quartile
- 4. Payroll is typically part of HR function and the top quartile is 9-11% of HR's FTE count, which was assumed for the purpose of this analysis

Source: Benchmark across 12 insurance peers of similar size (revenue and FTE numbers considered), from Aug 2022

Key insights

MPI's Finance team is ~33% smaller than top quartile peers

Only ~26% of MPI's Finance team is focused on **strategic** activities (i.e., FP&A, Treasury) vs. ~38% for the top quartile

 Understaffing in FP&A is the largest driver (17% vs. 23%, ~13 FTEs short of topquartile staffing)

MPI has a higher ratio of staff focused on transactional activities vs. strategic, and there is opportunity to further automate. However, total FTEs for transactional activities is still below benchmark



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c. MPI's budget cycling time and lead time to close **GL** are longer than industry best practices



^{1.} The time needed for board approval in MPI is 12 weeks, but 38 weeks are typically needed for PUB approval

Key insights

MPI's budgeting process is 4 weeks longer (50%) than the industry best-in-class

There are likely opportunities to streamline the current process (e.g., enable automated budget updates with latest information before submission to PUB)

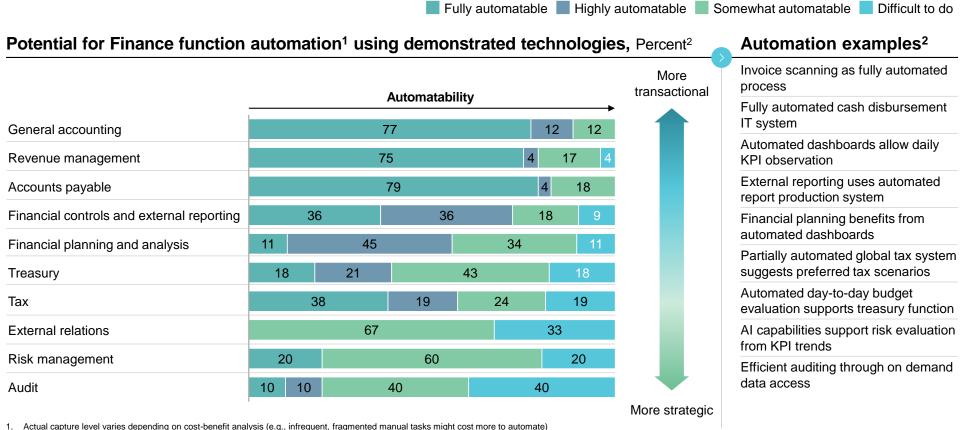
MPI's monthly GL close time is ~2x the industry best-inclass

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d. Several transactional Finance sub-functions can be heavily automated



Source: Global Institute analysis

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^{2.} Figures may not sum to 100 because of rounding, 2 Examples not exhaustive

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Risk

Business strategy-specific risk identification, risk appetite clarity, stress-testing abilities and team capacity are areas of improvement

Customer/employee/broker experience

S Financial opportunity

R Enterprise risk

MPI Fxhibit #20

Current state & opportunities

MPI recognizes that it has not prioritized the development of its risk management and compliance capabilities historically, but it urgently needs to do this now. For instance:

Strategic initiatives do not directly identify associated risks, limiting MPI's line of sight into risks it is incurring

The current risk appetite statement is aggregated at a high-level without enough granularity to inform actionable priorities

Forward-looking stress testing capabilities are very limited while most insurers have considerably strengthened those capabilities in recent years

MPI has a **lean Risk team** with 4 FTEs; selectively bringing in more talent to support the creation of a modern Risk function would be required

MPI does not have a strong risk culture, weakening the first line of defense

Impact

- Lack of oversight over what can hinder MPI's ability to deliver on its mission
 - It is important to quickly quantitatively determine the key risks linked to the top **5-10 processes** that create the most value and measurably reduce them
- Lack of comprehensive controls and clear remediation processes, leading to fear of having significant blind spots and potential misalignment over e.g., priorities, acceptability of processes/actions, which potentially lowers trust among the teams and external stakeholders
 - There is a need to assure that the risk control plan and the audit plan are truly comprehensive across key areas of MPI beyond accounting (e.g., pricing, reserving, data privacy, including technical review of underwriting and claims), and that remediation of issues is conducted promptly and transparently

Key levers to mitigate risks

Evolve the following capabilities:



Function strategy (e.g., alignment with business strategy, key risk indicators (KRIs) and risk tolerance, risk appetite)



Process automation and optimization (e.g., risk identification and monitoring, risk taxonomy, risk aggregation and prioritization, analytics and automation)



Operating-model design (e.g., risk organization and 3 lines of defense (LoD), risk culture, governance)



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Risk

Current state of risk and compliance evolution

There are 3 elements to consider:

- The risk topic is becoming more strategic and elevated to the CEO and Board agenda today. Insurers
 across Canada and globally have significantly modernized their risk and compliance functions in
 recent years as a result. That is often a multi-year journey that needs to be positioned truly strategically,
 not only as a control effort
- MPI has started to embark on this journey and has made early progress based on internal audit
 performed in 2021, especially on establishing a risk taxonomy and on Enterprise Risk Management
 (ERM)/Compliance organization and governance (e.g., creation of an ERM committee and of Board risk
 committee). The Risk function capacity is undersized compared to industry peers and given the potential
 reputational risk MPI carries given its unique role, function and ownership structure
- MPI should significantly accelerate the evolution of its Risk and Compliance functions. As it does
 this it is important to consider not only the evolving risk landscape and how to better protect the
 downside across the risks MPI faces but also how to play offense (capturing new risk protection
 opportunities for the Manitobans it serves)

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Risk

What does ERM maturity look like?

NON-EXHAUSTIVE

June 15, 2023

Processes and governance structures ensure that key risk decisions are appropriately evaluated and, when needed, escalated and challenged.

Risks are owned by the business, but the right checks and balances provide the necessary guardrails and challenges without preventing agile decision making.

Risk functions understand sources of value creation and translate technical risk concepts into novel insights that are useful to the business

Clear **sense of priorities and direction**, given the multiplicity of sometimes conflicting capital constraints (GAAP, STAT, economic capital regulatory requirement, etc.).

Systems and advanced analytics provide support and insights to monitor financial and nonfinancial risk positions across business units, functions, and geographies and at the enterprise level.

Risk capacity is measured transparently and allocated strategically.

Talent is hired and trained to provide expertise on well-known and emerging risks; internal as well as external sources of insights are leveraged for business decisions.



My job is to ensure that we collectively reach such a maturity by allocating adequate budget, hiring the required talent internally and externally, structuring the right operating model across lines of defense, and supporting adequate board-level governance. I also set the tone on our overall enterprise-level risk appetite.

- Chief Executive of a large North America Insurer

MPI Fxhibit #20

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Risk

There is a significant opportunity to identify risks against each strategic initiative

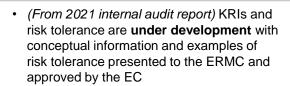
 Limited opportunity
 Moderate opportunity
 Significant opportunity
 Deep dives to follow **Maturity of key** Capability **Observations driving opportunity** levers (From 2021 internal audit report) Risks that Alignment with **Function** are against achieving the strategic strategy (1/2) strategic

- initiatives are not specifically identified (e.g., the draft Strategic Plan outlined initiatives on customer focus, but the risks that prevent MPI from achieving the initiatives were not identified)
- (Update from 2022) Risks related to strategic initiatives were mapped, but still miss linkage with strategic initiatives

- Path to best-in-class capabilities
- Integrate risk management with strategic planning upfront and during overall strategy development to allow risk-based decision making and resource allocation and enable successful achievement of strategic goals
- Strengthen value-added participation of Risk in business committee (e.g., claim, product committees)

Key risk indicators (KRIs) and risk tolerance

initiatives



- · Develop KRIs that can measure the risks associated with key functions across the organization and provide real-time reporting and continuous monitoring. Ideal indicators can also allow forwardlooking to prevent risks before they are materialized
- · Have clear quantitative definitions of risk tolerance that can be easily assessed

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Risk

There is significant opportunity to mature the risk appetite statement

 Limited opportunity
 Moderate opportunity
 Significant opportunity
 Deep dives to follow **Maturity of key** Capability **Observations driving opportunity** levers Risk appetite Risk appetite framework exists at an **Function** strategy (2/2)

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- aggregated level; no detailed risk appetite statement has been elaborated following best practices (e.g., the current appetite statement lists "medium appetite for non-basic interest rate risk, with partial mismatch of assets and liabilities for the Extension/SRE/Employee Future Benefit portfolios", whereas the best-inclass statement clarifies the specific metrics for medium appetite classification by business units)
- (From 2021 internal audit report) Recalling specific details of risk appetite statements is sometimes challenging when evaluating risks against risk appetite, indicating inadequate awareness of the risk appetite statements
- (From 2021 internal audit report) The risk appetite tracking reports provide no reference to the corresponding risks and if additional action is required in cases where risk appetite is exceeded

- Path to best-in-class capabilities
- Strengthen risk appetite statement to make it more granular, quantitative and cascaded across lines of business
- Include **non-financial risks** in the risk appetite statement (e.g., operational risk, cyber risk)
- Communicate risk appetite across all levels of the organization and make sure employees have a **clear understanding** of the statement
- Employ a risk appetite tracking tool that can track risks levels in real-time and have a clear protocol on how to act upon breached on limits



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There is significant opportunity to improve risk identification and monitoring

Capability



Maturity of key levers

Risk identification and monitoring



Observations driving opportunity

There is evidence of reactive risk identification (risks identified after having become issues, e.g., Cyber risk)

Path to best-in-class capabilities

- Regularly monitor the risk levels across the organization, e.g., through regular vulnerability testing
- · Develop clear early risk identification and reporting protocols and action plans to respond

Risk taxonomy



 The risk taxonomy in place doesn't clarify the ownerships/responsibilities for the front-line (i.e., functional units) and the second-line of defense (i.e., Risk/Compliance); currently only has clear ownerships at VP-level

- Include past incidences in the taxonomy (e.g., a past cyber attack that breached the data storage system)
- Tailor taxonomy to the reality of MPI's operations (e.g., align the categories with the organization's structure)
- Ensure risk taxonomy is embraced by the entire front-line vs. just the risk/compliance team (e.g., ensure the taxonomy is well understood by these teams); ensure the taxonomy has clear indications/ ownerships to the front-line and second-line

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Risk

There is moderate opportunity to improve risk aggregation, analytics and automation

Capability



Maturity of key levers

Risk aggregation and prioritization

Limited opportunity Moderate opportunity Significant opportunity Deep dives to follow

Observations driving opportunity

 The current risk matrix is defined at a high-level quantification of probability and impact without sufficient details to enable clear actions (e.g., Nova program related risks, such as business architect capacity, are assessed based on their frequency and impact, but it doesn't clarify which sub-team/step is facing the risks)

Path to best-in-class capabilities

- Quantify risks at a product-, customer segmentand overall MPI-level
- Leverage new developments in advanced risk analytics to enhance risk management and make more informed decisions (e.g., advanced analytics tools can monitor risks, establish a baseline for risk measurement, and enable predictive risk modeling)

C Analytics and automation



 (From 2021 internal audit report) Tools that are currently used (e.g., Excel, Word) are basic and not able to perform advanced analytics Use automation and advanced analytics to improve risk efficiency and customer experience (e.g., advanced analytics can enable automatic prioritization algorithms for risk assessment)

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MPI Fxhibit #20

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There is moderate opportunity to improve the risk organization structure and risk culture

Capability



Operatingmodel design (1/2) **Maturity of key** levers

Risk organization and 3 lines of defense (LoD)

- Limited opportunity
 Moderate opportunity
 Significant opportunity
 Deep dives to follow

Observations driving opportunity

- MPI has lean risk and compliance teams - the risk team of one manager and 3FTEs is ~75% smaller than industry average¹, and the compliance team of 3-4 FTEs is ~70% smaller than the industry average
- External auditors are only engaged as required by leadership; this operational model may lead to risks not being consistently and comprehensively audited
- Audits lack consistency and control in following-up on actions required (no "teeth" to drive change)

Path to best-in-class capabilities

- Have a CRO with clear mandate and responsibility and that directly reports to the CEO (best-in-class Risk functions are typically independent)
- Ensure clear roles and responsibilities across the 3LoDs (e.g., functional units, Risk/Compliance, internal audit)
- Build stronger partnership between 2LoD and 1LoD to ensure clear quidelines and effective feedback loop flowing into risk monitoring and risk reduction (business and functions as the 1LoD own the risks and Risk/Compliance as the 2LoD effectively provides oversight and standardizes controls)
- Clarify remediation protocols and accountability when incidents occur

Risk culture



 (From 2021 internal audit report) The risk awareness, including among new leadership and the board, needs to be improved to allow true ownerships of risks (e.g., currently a formal feedback loop to the SLT on strategic risks is absent. contributing to inconsistent awareness of ERM)

- Implement an efficient feedback process to ensure the SLT is aware of any identified strategic risks (e.g., set up formal regular meetings to update SLT on the latest status of risks)
- · Infuse a "risk management mindset" and protocol in core business processes (e.g., making sure front-line understand changing risk landscape and customer expectations)

^{1.} The industry average is calculated using the # of Risk and Compliance FTEs in insurance organizations with <5,000 total FTEs; Refer to "d" for details

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Risk

There is moderate opportunity to improve risk governance at MPI

 Limited opportunity
 Moderate opportunity
 Significant opportunity
 Deep dives to follow **Maturity of key** Capability **Observations driving opportunity** Path to best-in-class capabilities levers (From 2021 internal audit report) The ERM Consider engaging ERM lead at the EC level Operating-Governance Lead is not a member of the EC, making model • Define a clear role and responsibility for the SLT design (2/2) it challenging to integrate risk management and other employees on Risk to ensure their full with decisions at the EC meeting and engagement (e.g., AFRC is engaged in risk appetite prohibiting from agile and real-time risk statements approval) management · Increase the level of collaboration among Risk, (From 2021 internal audit report) Roles **Compliance and Audit** to allow more efficient and responsibilities for the Board, AFRC, problem-solving and management are not aligned with leading practice (e.g., AFRC receives the

> The level of alignment and clarification of role and responsibility across Risk, Compliance and Audit moving forward will need to be clarified

the risk appetite)

risk appetite as information and neither the AFRC nor Board roles include approval of

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Basic stress testing capability on one scenario

August 2, 2023 June 15, 2023

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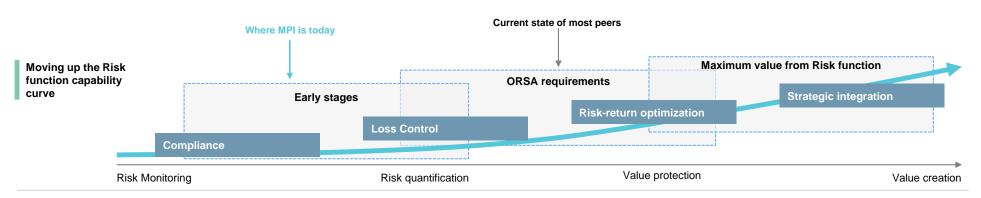
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Advanced risk analytics linked to key business processes

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Risk

a. MPI's Risk function is still at early stages of maturity and behind the industry



Risk capability an	d contribution level to overall strategy			
Risk function	Reactive on incidents and new regulations	Proactive identification of potential issues	Adding core value to strategic and operational decisions, sought after thought partner to the business	
role/ mindset		Challenges common practices		
		Ongoing dialogue with front-line		
Value added	Limited: focus on ex-post controls and compliance;	Audit Committee represents the board	Board is fully engaged	
by Risk/ Compliance	"check the box" functionality	Medium: Risk provides static inputs to the businesses	High: management makes informed decisions based on	
Compliance	At times: veto power, but rarely exercised	and gets consulted on ad hoc basis on specific strategic questions (in addition to veto power)	understanding of risk-return implications and potential trade-offs	
Capabilities	Typical compliance-focused capabilities because	Align management/Board on risk appetite statement	New talent mix; significant rotation program between	
required in	focus on monitoring statutory metrics	Several key processes have been mapped and	Risk and the business	
Risk/Compliance	A lot of manual work	automated	Automation at scale	

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More advanced stress testing capability

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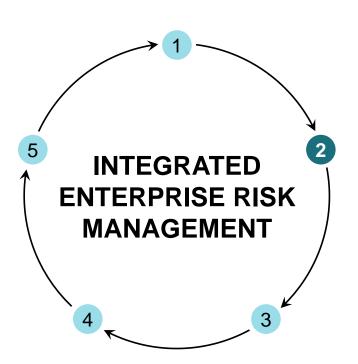
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Risl

b. Risk appetite determination is typically considered as a part of a broader strategic risk management framework



Detailed on Appendix



1 Insight and risk transparency

Does your organization understand its risks (in its current & new businesses)? Can you measure them? Does your organization have true insight into risks that matter most?

2 Risk appetite and strategy

What is your organization's overall appetite (or capacity) for risk? Does it support your overall strategic vision? Are the Board and management aligned? Which risks are you advantaged to own? Which should you transfer or mitigate?

3 Risk-related decisions & managerial processes

Are critical business decisions made with a clear view of how they change your organization's risk profile or is this siloed?

4 Risk organization and governance

Are structures, systems, controls, and infrastructure in place for your organization to manage risk across the whole business? Is your governance model robust? Proactive at detecting issues before they materialize, or mostly looking backwards?

5 Risk culture and performance transformation

Does your overall culture reinforce good risk management principles? How is it measured? What formal and informal mechanisms support the right mindsets and behaviours? Do you have the right talent?

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Risk

August 2, 2023

b2. Overview of risk appetite framework components

Enterprise- wide risk appetite	Enterprise appetite	 Actionable set of 5-10 top-level principles that define the insurer's overall approach to risk 5-10 qualitative statements, connected to top-level principles, that confine risk taking or commit to specific actions 10-15 enterprise-wide metrics & key indicators with limits, directly tied to the top-level principles
statement	Risk-type appetite	 Quantitative and qualitative statements of the insurer's risk appetite for each risk type 30-50 risk type-specific metrics & key indicators with limits, connected to enterprise metrics and top risk metrics 15-25 risk type-specific qualitative statements that confine risk taking (e.g., 'We do not engage in proprietary trading') or commit to specific actions (e.g., 'We continuously monitor competitor product innovations')
	Governance, monitoring & controls	 Risk profile is continuously monitored vs Board's desired risk appetite; holistic assessments take place periodically at the enterprise/ business/ subbusiness level, verifying whether the insurer operates within or outside of risk appetite Limit breaches are addressed with clear consequences, especially for units failing to remediate long-dated breaches RA statement has documented governance (e.g., roles and responsibilities, reporting, escalation) for the design, oversight and governance of risk appetite at the enterprise level, for each Risk type and within business units Control mechanisms ensure effective RA execution, continuous improvement and integration to policies/ processes
Lower-level risk appetite statements	Cascaded statements	 5-10 top-down metrics that are broken down across business lines, usually based on allocated risk capacity (e.g., maximum stressed UW losses) Qualitative statements cascaded through unit policies/ processes, consistent with that those of the enterprise-level
	BU specific statements	• Business/risk-type metrics & qualitative statements, reflecting risks or key drivers that are valid for that BU, but that may not be meaningful or relevant at the enterprise level
Connectivity to processes	o key	 Alignment with firm-wide processes, e.g., strategic planning, capital planning, stress testing, compensation Alignment to top risks and the output of risk identification BU-specific processes, e.g., setting and monitoring existing policy limits, incentive compensation
Limit management and stress testing		 Limit management framework, including limit identification, initial setting, ongoing recalibration, approval, and monitoring, breach escalation, remediation Integration of risk/return metrics that constrain management decision-making in business-as-usual processes Stress testing based on scenario design where results are used to recalibrate limits
Risk Appetite enablers		 Risk appetite & relevant assessments communicated internally to foster awareness and influence risk management Development of holistic limit management and workflow tools Enterprise-wide stress testing infrastructure and data to support utilization of stress testing in limit setting



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MPI Exhibit #20

Risk

b2. Developing a risk appetite framework is an iterative process

	Assess current risk appetite framework	Select quantitative metrics for Risk Appetite Statement	Draft a high-level Risk Appetite Statement	Build governance structure	Syndicate and refine Statement (iterative)	Create implementation roadmap
Key activities	Analyze risk appetite framework and synthesize current status of risk management policies (e.g., risk policies, limits) Interview key stakeholders (e.g., CEO, CRO, BU heads)	Select first draft of metrics to include in RAS based on: • Management/Boa rd inputs • Metrics tracked at the Firm Observed best practices	Analyze data on selected metrics to develop tolerance limits Choose relevant qualitative factors to include Draft high-level RAS using results from analysis and based on experience	Create a governance plan (e.g., monitoring frequency, ownership/ accountabilities, mitigating activities) to enforce and maintain the Risk Appetite Statement	Syndicate draft high-level RAS with internal stake- holders (e.g., management and BU Heads) and revise based on feedback Engage regulators to gather inputs and refine Develop final version of RAS and submit for Board approval	Develop action plan for embedding risk appetite into core processes (e.g., strategy, risk policies and capital planning, stress testing) Build monitoring dashboards to track key risks and adherence to limits
Outputs	Synthesis of status and stakeholder perspectives Draft of the guidelines to review RAS	Guidance on metrics Framework for targets and limits (e.g., target range, min/max threshold)	Metrics and associated limits/targets to include in the RAS High-level version of the RAS	Governance plan Risk appetite dashboard	Final version of RAS including • Hard risk tolerance limits for quantitative factors • Qualitative RA statements	Updated risk strategy and policies Implementation roadmap

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Risk

b2. The degree of sophistication of how risk appetite is developed and integrated has evolved over time through 3 generations

		1 st Generation	2 nd Generation	3 rd Generation
Content	Use of metrics	Enterprise RAS includes limited (1-3) metrics with a focus on pre-existing quantitative risk metrics	Enterprise RAS is expanded to include additional risk metrics (e.g., sub-risk types, operational risk losses)	Rebalancing of number of metrics between financial and non-financial risks, and focus on forward-looking indicators
	Use of qualitative statements	Subjective set of qualitative statements to provide guidance on the appetite for key risk types	Qualitative statements are utilized to define non-financial risks and harder-to quantify dimensions of financial risks	Qualitative statements are made more objective and detailed to describe the specific risks and the approach to manage the risks
	Stress testing	Most thresholds are established using deterministic stress scenario testing One to two scenarios are utilized	Most thresholds are established using Monte Carlo simulations to consider a large number of scenarios Several scenarios are utilized	Interdependencies between variables are modeled using advanced Monte Carlo techniques (e.g., conditional copula simulation) for systematic stress testing Many scenarios (e.g., 5-7) are utilized
Process	Stress scenario calculations	Scenarios are refreshed infrequently (e.g., annually) and are often highly manual and error-prone	Scenarios are refreshed quarterly, but often with a lag and requiring manual effort	Scenarios are refreshed very frequently and in an automated fashion with little-to-no lag or error
Application	Cascading	Only Enterprise RAS exists with limited or no connection to limit framework	Cascaded RAS are developed, with priority given to the largest or most heavily regulated entities	Enterprise and Cascaded RAS are tightly linked to the broader limit framework
	Use of RAS	RAS has limited utility for the organization, aside from fulfilling Board and regulatory expectations	RAS is utilized by the Board to set broad guardrails for risk-taking through business operations	RAS is actively utilized to facilitate risk-based decision-making with both the Board and senior management

Sources: 2018 Global Insurance Risk Appetite survey (n = 12)



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Risk

c. Three main forces are driving change in the risk and compliance functions

		Description	Example Compliance use cases
Advanced	Machine learning –	Identify patterns in data for a known and specific	Transaction monitoring
Analytics	Supervised learning	outcome, e.g., identify a fraudulent behavior (supervised learning)	Conduct risk monitoring e.g., detection of fraudulent activities
	Machine learning –	Identify unusual patterns in data, e.g., detection of	Conduct risk monitoring (e.g., trade surveillance)
	Unsupervised learning	different employee behaviors (unsupervised learning)	Unknown risk monitoring
	Natural language processing (NLP)	Create seamless interactions between humans and technology (e.g., voice transcription and analysis, text analysis)	Conduct risk monitoring e.g., analysis of platform messages, complaint analysis
	Cognitive agents	Computerized interaction with humans that allows for higher productivity of employees	Build a virtual workforce supporting employees for Compliance advisory (e.g., support to sales force)
Automation	Workflow automation	Automate full process incl. interfaces and tasks done manually (usually possible only for people	Automate testing, e.g., availability of client regulatory info
		intensive processes)	Automation of onboarding process
	Robotic process automation	Develop script robots to manage a repetitive task (business case threshold usually lower than full process automation)	Automate filing of external reports and paper trail
Data digitization	Data management & infrastructure	Redesign and digitize data management processes to facilitate data access and use (e.g., client complaints, controls)	Centralized repository of up-to-date policies, procedures and contracts
	Relevant digital tools (smart visualization)	Build appropriate tools to facilitate tasks and communication of Compliance function	Consolidate all 1st Line of Defense tests results in one tool to facilitate 2nd Line of Defense Monitoring & Testing
Source: IIF report "Future	of risk management in the digital era"		

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Risk

c. Use cases and typical potential impact of automation, data and advanced analytics levers for select risk and compliance processes

H High M Medium L Lo	W
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	Typical potential impact of digital levers			<u>; </u>	
Compliance oversight processes	Adv. data & tools	Automa- tion	Advanced Analytics	Use cases	
1 Policy, Governance & Organization	М	M	L	Central, digital policy repository	
2 Regulatory change management	Н	М	L	Use of cognitive agents & natural language processing to review regulations	
3 Risk identification and assessment	М	L	L	Automatic prioritization algorithms as per risk assessment	
4 Monitoring, testing & controls	Н	М	Н	Machine learning tool to identify systemic material risks	
5 Issue management	М	L	L	Automated escalation procedure to for issue prioritization	
6 Business advisory	M	М	M	Virtual workforce supporting in Compliance advisory	
7 Reporting	Н	Н	L	Use of natural language generation to create reports	
8 Training	Н	L	L	E-learning and automated Compliance training tracking	



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Risk

d. The size of MPI's current Risk, Compliance and Internal Audit functions are on the low end of insurance peer benchmarks

	Industry average ¹	MPI
# of FTEs in Compliance	11-12	3-4 (total budgeted)
# of FTEs in Risk	14-17	4
# of FTEs in Internal Audit	5-6	0

Mid-sized insurers who started building their Risk and Compliance functions 5-10 years ago are more likely to have reached a certain maturity level in their number of FTE; those numbers are **indicative only**. The "right" answer for MPI will **have to be tailored** to its needs and priorities over time

1. Calculated using the percentage of Risk and Compliance FTEs in organizations with <5000 FTEs and the total FTEs of MPI (i.e., 1800)

The most common reason to expand Compliance, Risk, and Internal Audit functions is an increase of risk exposure due to:

- Organization's growth
- Breadth of product offering
- · Complexity of products
- Complexity of distribution channels
- Distribution of workforce (e.g., work from home)
- Number of jurisdictions served
- Changing regulatory environment
- Recent risk-related incidents and losses demonstrating failure of the controls



Source: Insurance Practice benchmarks, expert interviews

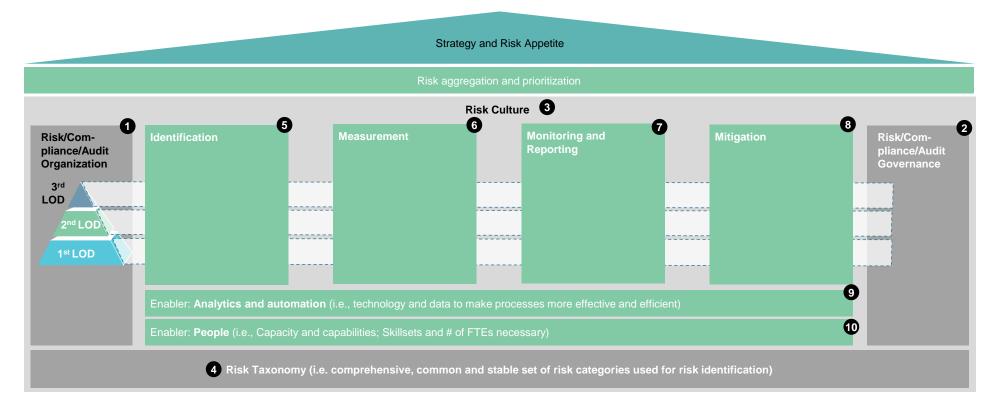
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Risk

d. A best-in-class risk organization is centered around 3 lines of defense (LOD) and has 10 major components



Note: 1st Line of Defense (LOD): Functional units - 2nd Line of Defense: CRO Office and Legal/Compliance - 3rd Line of Defense: Internal Audit



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Risk

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e. ERM governance supports the interactions across the 3 Lines of Defense (3LOD) and clarifies roles and accountability

EXAMPLE



1st & 2nd line towards 3rd line

Provide required information and documentation – including policies, procedures, reporting, and results of 1st and 2nd line control monitoring (e.g., QA) – to the 3rd line

Remediate findings identified by the 3rd

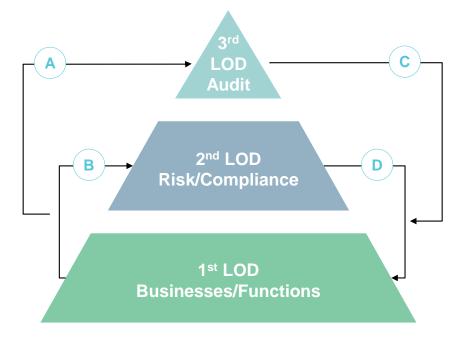


1st line towards 2nd line

Own all risks and controls. Remediate breakdowns

Perform risk identification, measurement, monitoring, and mitigation within the insurer Risk Framework, as defined by the 2nd Line of Defense

Conduct 1st line quality assurance (QA) and control effectiveness assessments. Provide those assessments to the 2nd line



C 3rd lir

3rd line towards 1st and 2nd line

Ensure that the insurer Risk Management Framework implemented by the 1st and 2nd lines is adequate, providing assurance to the Board of Directors and Senior Management

Assess the 1st line and 2nd line controls for design effectiveness (e.g., are the right controls in place?) and operational effectiveness (e.g., are the controls working as expected?) to identify any material weaknesses



2nd line towards 1st line

Define the Enterprise Risk Management Framework within which the 1st line operates (e.g., define the taxonomy, key controls, elevation)

Provide checks and balances of 1st line activities - including testing of 1st line processes and QA

Advise 1st line across activities

Aggregate and ensure standardization of risk across the 1st line functional units throughout the Enterprise

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HE

HR capabilities are limited by the absence of talent strategies, limited workforce analytics, and capacity to act as business partners



Customer/employee/broker experience



Financial opportunity



Enterprise risk

Current state & opportunities

Lack of workforce planning, competency mapping and talent strategies limits the ability to identify and address talent gaps

Nascent compensation strategy hinders competitiveness to attract and retain the best talent

HRBP role as a business partner hindered from ~40% of the team's capacity spent on operational tasks (e.g., employee relations and labour relations, HR admin) relative to best-in-class peers whose HRBPs focus the majority of time on strategic HR (e.g., talent strategy, planning and management)

Workforce analytics mostly manual, consuming time and capacity while producing suboptimal insights (e.g., for a specific team/talent pool vs. organization overall)

 MPI's HR team is increasing from 40 to 55 FTEs vs. the industry average of 36 FTEs, indicating potential for efficiency gain

Impact

- Operating without the right talent hinders MPI's ability to deliver excellent services and keep pace with industry developments
- Foresight over business talent requirements and lack of workforce analytics may limit the ability to attract, develop and retain the right talent
- E HRIS overhaul could improve employee satisfaction by enabling the HR team to focus on more strategic tasks; it could also potentially avoid some FTE additions

Key levers to mitigate risks

Evolve the following capabilities:



Function Strategy (e.g., workforce planning, total rewards strategy)



Operating-model design (e.g., team structure)



Process automation and optimization (e.g., workforce analytics, self-service, HRMS configuration and integration)



Demand and capacity management (e.g., talent acquisition)



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HF

Establishing a workforce planning strategy would support MPI in identifying and staffing for the talent needs of the future

 Limited opportunity
 Moderate opportunity
 Significant opportunity
 Deep dives to follow Maturity of key Capability **Observations driving opportunity** Path to best-in-class capabilities levers **Function** Workforce Short-term (e.g., to back fill for BAU Establish workforce planning strategies by Strategy operations) and longer-term (for strategic planning understanding current talent gaps, what talent is advantage) workforce planning is absent needed in future, and how to fill the gaps (e.g., hiring, training to upskill) in both short-term (e.g., next year backfill) and long-term (e.g., by fostering relationships with campus hires) Currently, MPI does not have a total • Develop a total rewards strategy and path to **Total rewards** rewards strategy; however: strategy implementation o MPI is adding additional • Tie incentives to both short-term operational compensation analysts, considering performance and long-term value creation incentive programs and using the • Incentivize executives for results that they have Mercer job evaluation tool as a salary impact/influence on and are aligned to the objectives benchmark of shareholders People HR's ability to identify and address talent • Craft a **talent strategy** to fill capability gaps by hiring or upskilling required talent (e.g., in CX) gaps to enable MPI's strategy is limited strategy

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There is opportunity to improve the HR team structure and the focus of the HRBP team

Capability

Operating-

model

design

Talent

Maturity of key levers

Team structur

Observations driving opportunity

- There is inadequate capacity of leadership to both run the operations effectively and to work on continuous improvement/transformation - E.g., managers from different sub-departments are reporting directly to the CPO
 - The team is aware of this issue and is assigning a director for each sub-department (e.g., talent management, L&D), as well as adding management roles
- HRBPs are currently spending ~40% of their time on operational work (e.g., employee and labour relations, HR Admin) vs. more strategic work (e.g., workforce planning)
- MPI's L&D team has limited capacity and relies on partnerships with vendors to deliver training

Path to best-in-class capabilities

Limited opportunity
 Moderate opportunity
 Significant opportunity
 Deep dives to follow

- Regularly re-evaluate structure at the leadership level to ensure the reporting structure is reasonable and aligned to the business strategy
- Redefine the HR Business Partner (HRBP) role to be more strategic and migrate employee relations and transactional work to centralized teams
- Invest in capability building for HRBPs (e.g., ability to align HR activities with business priorities) to support business on strategic issues (e.g., talent planning, workforce planning and total rewards planning)
- Segment work by activity types and establish a tiered delivery model for HR services to safeguard HRBP focus on strategic HR

- development
 - Learnin q & development (L&D)

- Manage training admin and/or training vendors to ensure a good match between attendees to course content and low rates of cancellation
- Measure learning effectiveness by the immediate reactions of employees (e.g., observations that employees have adopted desired behavior); use digital tools (e.g., digital dashboard showing performance of desired employee results) to support evaluation of learning programs
- Review learning content and journey design at least annually and update as necessary

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HE

There is significant opportunity to improve HR efficiency and efficacy in workforce analytics

Significant opportunity Limited opportunity Moderate opportunity Deep dives to follow **Maturity of** Capability **Observations driving opportunity** Path to best-in-class capabilities key levers HR analytics are limited to Tableau Workforce • Use HR analytics to drive strategic talent decisions such as **Process** dashboards (e.g., open positions, eligibility for automation analytics workforce planning retirements, diversity statistics) and • HR analytics leader is involved in senior management optimization Enterprise-level workforce planning, forecasting, conversations related to talent strategy and productivity optimization are limited by lack House HR data in a centralized HRIS with full talent cycle of the right tools (current analysis is done via information including recruiting (from Applicant Tracking Excel) System), training, performance, retention and succession Simple analyses take significant HR team Make proactive HR decisions (e.g., predict staffing levels and time to complete (e.g., 5 days map vacancies adjust recruiting plan accordingly) with predictive analytics across MPI) capabilities • Have a clear and documented HR analytics vision and have HR analytics widely perceived as an integral part of how the organization pursues its strategy Self-service Self-service intranet is in place, but employees Boost employee and manager self service capabilities via claim it lacks usability and is missing a main built in online portal available out of the box from most HRMS systems. Ensure fresh content and policy information is available point of contact (HRBP is currently the first point of contact) to save HRBP triaging excessive transactional queries **HRMS** Core HRIS (Lawson) does not allow for Overhaul HRMS to maximize functionality from out of the box system (e.g., data management, workflow, self service configuration seamless hire to retire processes capabilities) and improve integration between modules (e.g., and Lack of integration between systems (e.g., onboarding, offboarding, automated reporting, etc.) integration ICIMS to HRIS) requires time-consuming MPI has planned an HRIS transformation that should manual intervention (e.g., to move candidate address the above and enable data-driven HR function from ATS to employee in HRIS)

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MPI can further improve the talent acquisition and turnover capabilities

 Limited opportunity
 Moderate opportunity
 Significant opportunity
 Deep dives to follow **Maturity of key** Capability **Observations driving opportunity** Path to best-in-class capabilities levers MPI has a corporate talent pipeline strategy Efficiently use intermediaries (e.g., executive Demand and **Talent** in place, but the current internal search) for hard-to-find role capacity acquisition headhunting capabilities are limited, Incorporate sourcing strategy with advanced management leading to overreliance/utilization of technologies and analytics to efficiently find talent vendors Offer competitive salaries (many companies MPI has an internal job market that budgeted for up to 5% increase in merit due to seems to be transparent and open to all increasing wage) within the acceptable ranges for a qualified candidates - Following best-incrown corporation (subjected to regulations and class practices public scrutiny) Next steps to improve talent acquisition are in place (e.g., increase the use of LinkedIn, partner with external specialist on employer brand refresh on LinkedIn, corporate careers page, etc.) Even though MPI's overall turnover rate • Track and analyze the reasons why people leave, Talent (10-12%) is at par with industry average and further refine the employee value turnover in recent years (12-15% in 2021-22), MPI proposition to improve retention has lost key **specialty roles** (e.g., business architects who recently resigned)

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a. In order to get workforce planning right, organizations must address five main themes



Explicitly focus on the business strategy and value agenda

Develop the workforce plan in coordination with the business plan, ensuring clear links impact levers and value at stake



Analytics is more than "nice to have" and breaks through myths and biases

Manage people like you would any other part of the business - with data



Design a journey that engages and builds capabilities along the way

Build the right capabilities and engage all parts of the business to create sustainable change



Plan for multiple versions of the future

Consider historical trends, but keep your eye to changes on the horizon. Model multiple scenarios to create a robust plan for the future



Fully explore all solutions

Explore a range of options – a broad portfolio of solutions covering demand and supply levers is typically most effective



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HR

a. Both short-term and long-term workforce planning is important to drive HR performance

Workforce planning capability spectrum









Below standard (Level 1)

Performance of this activity has **little impact** on business/HR results

Effective and compliant (Level 2)

Performance of this activity has **limited impact** on business/HR results

Best practice (Level 3)

Performance of this activity is a key enabler for **superior** business results

Leading edge (Level 4)

Performance of this activity enables business to build/sustain **competitive advantage**

Short-term workforce planning and labor scheduling

- No short-term workforce planning process in place.
- No consistent perspective on workload and workforce needs over near term (<1 year).
- Pattern of miscalculating and missing true recruiting and labor deployment needs.
- Quantitative workforce planning process in place to assess workload and workforce needs over short-time horizons (e.g., next year).
- Labor scheduling generally ensures workers meet business demand for short-term labor
- Assessments of workload and workforce needs using both quantitative and qualitative (e.g., number and nature of talent) approaches in the immediate term (<6 months)
- Grounded in workload drivers
 (e.g., growth, strategy, budgets and
 productivity) and workforce drivers
 (e.g., attrition).
- Labor scheduling is seamless and business leaders always find their short-term labor needs met.
- Level 3 plus frequent updates from analytic tool providing up-to-date insights that incorporate changes in organizational plans/economic conditions/labor markets.
- Analysis and implications closely coordinated with strategic planning.

Long-term workforce planning and forecasting

- No formalized workforce planning process in place. No consistent perspective on workload and workforce needs over medium-term (>6 months).
- Pattern of miscalculating and missing true recruiting and advancement needs.
- No understanding of future gaps between talent demand and supply.
- Quantitative workforce planning process in place to assess workload and workforce needs over medium time horizons (e.g., next 3 years)
- High level analysis of workload drivers (primarily growth & budgets) and workforce drivers (primarily attrition).
- Some understanding of potential future gaps between talent demand and supply.
- Assessments of workload and workforce needs using both quantitative and qualitative (e.g., number and nature of talent) approaches over multiple horizons (e.g., 5-10 years and 1-2 years)
- Grounded in workload drivers
 (e.g., growth, strategy, budgets and
 productivity) and workforce drivers
 (e.g., attrition, transfers, promotion &
 hiring success rates).
- Clear understanding of potential future gaps between talent demand and supply.
- Level 3 plus frequent updates from analytic tool providing up-to-date insights that incorporate changes in organizational plans/economic conditions/labor markets
- Analysis and implications closely coordinated with strategic planning.
- Clear understanding of future gaps between talent demand and supply, plus understanding of how these gaps put value at risk for the organization.

MPI is here

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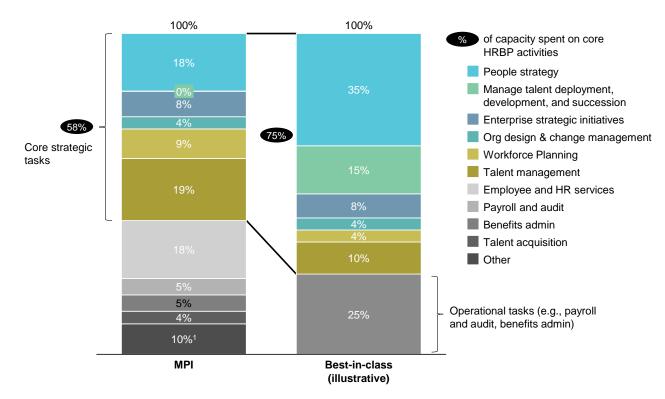
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HR

b. 58% of MPI's HRBP team is focused on core HRBP activities

ILLUSTRATIVE

HRBP capacity allocation across key tasks



¹ Other includes: Learning and skill development; Compensation, benefits, and rewards; Workforce data management and reporting; Employee Engagement & Organizational Health; Total rewards; Performance management

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Key insights

~58% of HRBP's time is focused on core strategic activities relative to +75% for best-in-class peers in the role

MPI's main HRBP capacity shortfalls vs. best-in-class are time spent on people strategy (i.e., 18% vs. 35%) and managing talent deployment, development, and succession (i.e., 0.1% vs. 15%)

MPI HRBPs allocate more time than the best-in-class to workforce planning (i.e., 9% vs. 4%) and talent management (i.e., 19% vs. 10%)

Activities such as benefits admin and employee and HR services can be streamlined through self-service/ automation tools to free up capacity of HRBPs to pivot towards more value-added activities (e.g., people strategy)

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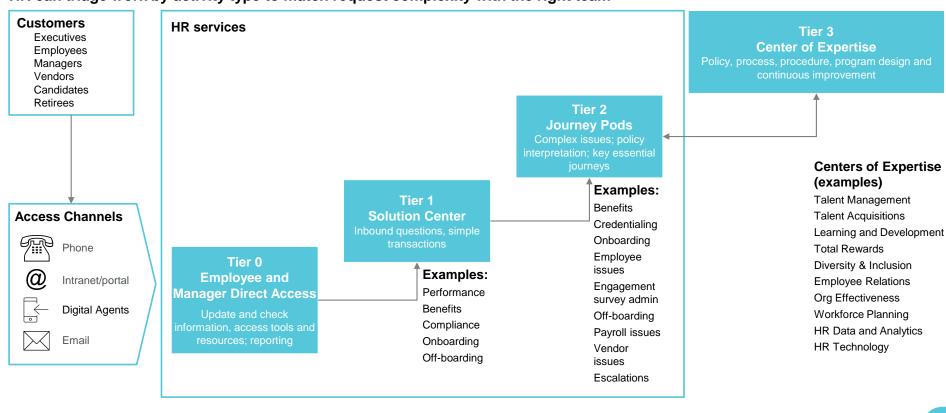
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b. HR services typically have a tiered delivery model to triage demand to the right team, allowing for greater focus on strategic HR

HR can triage work by activity type to match request complexity with the right team



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c. Data and analytics will drive better talent decisions – and more value – across the entire talent system

Talent levers









Workforce planning

Translate strategy into capabilities and pinpoint headcount and skill gaps



Identify hidden pockets of talent with granular and targeted labor market mapping

Selection

Identify who creates value and how to hire more of them; automate resume screening to drive yield

Onboarding

Identify steps and measures that make employees more productive faster









Learning and development

Determine ROI of learning and development; inform development agenda

Performance management

Define the right measures of performance and identify what drives them

Succession planning

Uncover high potential employees and identify which roles they are suited for

Retention

Identify individuals likely to leave and determine the underlying drivers of attrition



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HR

d. There are opportunities to use technology to enable self-service

NON-EXHAUSTIVE

HR self-service examples



Inquiries

General inquiries (e.g., questions on travel policies); time attendance and payroll



Recruiting

Vacancies identification; applicant profiles management and tracking



Training

Tailored training recommendations and self sign-up on training portal for eLearning; training status tracking and monitoring



Performance management

A platform with performance reviews that can be accessed directly by employees and edited by the reviewer



Employee benefits

A platform where employees can selfenroll and selfmanage their benefit programs



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HR

e. ~50% of HR tasks can be highly automated using current technologies



Potential for HR function automation using demonstrated technologies



Case Study

Context:

- Leading European utility player developed new strategy centered around digital, with HR playing crucial role
- HR Group set-up "Digital HR of the future" program with ambitious targets along digitization and automation
- As a part of automation in HR, client decided to run Proof of Concept before starting a full-scale transformation to

Outcomes:

- Automated ~80% of tasks in three cases
- New employee onboarding process
- Pension transfers
- SAP Success Factors mobile application authentication
- Improved cost efficiency by 20% and boost business performance
- Built foundational capabilities to continue automating
 - Set-up Robotic Process Automation solution on IT systems and designed target architecture
 - Developed hands on experience with automation, from selecting use case to final testing of automated process

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HR of the future: harnesses technology to improve efficiency and provide business leaders with new insights to drive people strategy

Talent planning and acquisition



Developing new channels and methods for acquiring talent and creating a flexible workforce

- Machine learning algorithms that use HRIS and other internal (e.g., business unit performance) and external (e.g., local hiring trends) data sources to predict retention risks 6+ months in advance, highest-impact retention actions, best internal succession candidates, key skills for critical roles
- Automated review of incoming resumes using machine learning algorithms to reduce manual screening workload by 90+%, reduce hiring biases by 10+%, and increase potential talent pools by factor of 2x+
- Compensation and benefits packages that result in industry leading employee value propositions and offer-to-accept ratios of 80+%
- · Workforce planning algorithms that accurately predict talent needs 9+ months out based on trends in market demand, operations capacity, and productivity achievement

Performance management and development



Using innovative career paths and analytics to grow the next generation of leaders

- Cloud-based platforms that facilitate enterprise-wide coordination of next-generation methodologies for performance reviews (e.g., real-time feedback, frequent performance dialogs)
- Real time business unit dashboards that provide immediate insights into key HR metrics, including hiring pipeline conversion, headcount trends, and employee engagement
- · Automated learning and development journeys customized based on machine learning algorithms that balance ingoing skills with potential career paths to suggest a corollary learning path

Employee services



Providing high quality services to employees using an efficient, scalable delivery model

- Self-service tools, including mobile apps, that allow employees to quickly find important information (e.g., 401k elections), submit requests (e.g., FMLA), and conduct "what if" analysis (e.g., benefits coverage)
- Chat-based cognitive agents to handle 70+% of inbound contact center cases (e.g., eligibility questions, learning program registration, HRIS information change requests)
- · Automated time and expense processing, including learning algorithms to speed up audit processes while improving identification of fraud
- Regional network of contact centers providing 24/7 employee support, employing sophisticated user and digital experience design to improve the employee experience



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Sales and distribution

There are multiple opportunities to enhance sales and distribution capabilities



Customer/employee/broker experience



Financial opportunity



Enterprise risk

Current state & opportunities

Brokers are the main distribution channel for MPI (~95% of transactions), providing province-wide physical branches at a relatively low cost (MPI commissions are ~6% of NPW¹, vs. 14% industry average)

However, MPI currently has **limited visibility into the customer and broker experience** (e.g., regular broker feedback on products)

There is significant technology driven opportunity to improve both broker and customer experience:

- Integrate SRE products into broker management systems
- Extend digital self-service opportunities for customers (e.g., for renewals)

Impact

- Commissions place MPI at the top quartile on ER Maintaining this relatively low-cost channel is fundamental for MPI financial health
- Broker satisfaction with MPI impacts the perception and experience of the customers they service
- Customers are increasingly expecting to interact with service providers digitally, and MPI is not meeting industry standards on digital offerings

Key levers to mitigate risks

Evolve the following capabilities:



Broker management (e.g., broker engagement, salesforce

agreements, tech integration and enablement)



Customer experience and engagement (e.g., overall experience, channel mix, and crossselling)

1. Net premiums written



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Deep dives to follow

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Sales and distribution

Salesforce challenges centered around the need to engage brokers and provide them with appropriate digital tools

Limited opportunity

Capability

Broker mgmt.

Maturity of key levers

Tech integration and enablement



- MPI is not integrated with broker management systems (BMS), leading to:
 - Potential errors when manually converting info between systems
 - Inefficiencies in the communication of updates and inquiries

Observations driving opportunity

Path to best-in-class capabilities

Moderate opportunity

• For commercial lines, integrate with broker management systems to better support information consistency and customer transparency (e.g., policy issuance, policy updates, service inquiry, claims inquiry)

Significant opportunity

Broker engagement

- Broker administrators meet monthly with brokers and use a scorecard to track performance and provide updates, with minimal automation and insights beyond financial performance, and limited focus on commercial lines
- Communication with brokers is done primarily over the phone, and the use of a chat function is limited at override requests
- Establish performance management practices with brokers using dashboard tools and tailored plan for each broker
 - Strong performance management is particularly critical for SRE and extension products
- Provide ongoing training and coaching on MPI products, sales techniques, and the customer experience consistent with MPI standards
- Ensure proactive and consistent communication with brokers (e.g., product changes, new processes)

Salesforce agreements

- MPI does not have single streamlined broker agreements; currently there are separate commercial, basic, and operating standards agreements with inconsistent terms
- Establish streamlined broker agreements that detail contract terms on behaviours, compensation, and responsibilities across all LOBs to meet industry best practices

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Sales and distribution

Customer experience low maturity driven by early stages of CX and lack of direct feedback from brokers or digital channels

Significant opportunity Limited opportunity Moderate opportunity Deep dives to follow **Maturity of Capability Observations driving opportunity** Path to best-in-class capabilities key levers Journey mapping opportunities have been Experience in • Allocate dedicated resources/capacity to initiatives Customer experience acquisition / identified (e.g., information on website is outdated identified via journey mapping process to ensure despite increasing website traffic volumes), but an sales process implementation of customer experience recommendations and implementation roadmap still needs to be Introduce formalized feedback sessions for broker engagement created administrators, CX team, and brokers to discuss customer • MPI does not receive comprehensive feedback experience on the customer experience from brokers Procure a system/tool to collect real-time feedback data • There is no system that collects and relays live and flag concerns back to the specific broker or location feedback and concerns from customers to manager brokerages **Channel mix** Digital self-service option for binding is not • Enable digital/self-service quote and consider enabling currently offered (~95% of sales is done digital binding options (industry average adoption is ~25%). through brokers today, with the remainder subjected to stakeholder impact study and focused on going through service centres) personal line offerings Online options for extended coverage are Add **online pricing** for optional coverage products and limited (e.g., reduced deductible, excess modernize UI (e.g., less blurry buttons, option to receive value coverage) quote by email) Customers manually print and bring online quotes to brokers Cross-selling Limited visibility of drivers behind differences Ensure customers are offered products that match their in cross-sell for extension products: potential needs (e.g., by enabling system for easy quoting of • ~95% of customers purchase deductible options linked to basic coverage/customer profile; recommending next-product-to-buy; broker performance extensions ~25% purchase loss of use management) ~8% purchase lay-up coverage

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Product

Current product portfolio strategy is limited by lack of visibility into customer needs for both commercial and personal lines



Customer/employee/broker experience



Financial opportunity



Enterprise risk

MPI Fxhibit #20

Current state & opportunities

MPI has limited visibility into whether their current product offerings meet customer needs

 Currently, MPI gathers limited customer and broker feedback on products (e.g., it is unclear if the 8% attachment rate of lay-up coverage is driven by product fit)

Product portfolio is rarely updated to meet shifting market needs (e.g., changes are made reactively vs. proactively in response to operational issues and regulator pushes)

Impact

- Without an understanding of their customers, MPI is at **risk of**:
 - Not meeting the basic auto and extension insurance needs of Manitobans (e.g., not being comprehensive of desired coverage)
 - Losing significant SRE market share to private players
- Increasing the market fit of extension and SRE products is critical to MPI's profitability:
 - Commercial products comprise ~50% MPI's insurance profit, while personal lines extension account for the other 50%
 - Increased demand for these products is critical for MPI growth

Key levers to mitigate risks

Evolve the following capabilities:



Product Portfolio (e.g., product strategy and market segmentation, rate plan design)



Third-Party Product Strategy Alignment (e.g., alignment with regulators)



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Product

There is significant opportunity to enhance product strategy for noncompulsory products using customer and competitor insights

compulsory products using customer and competitor insights PRELIMINARY Moderate opportunity Limited opportunity Significant opportunity Deep dives to follow **Maturity of** Capability Observations driving opportunity Path to best-in-class capabilities key levers **Limited customer data collection** to drive • Establish processes (e.g., broker panel, customer interviews) **Process** Product insights and segmentation; research planned incorporate **customer insights** into product strategy automation strategy and for 2H 2022 and market Regularly review product portfolio based on insights to optimization segmentation Portfolio decisions made reactively vs. identify any unmet needs proactively (e.g., operational fix, regulator • Include competitor coverages and endorsements as inputs push) to design • Create cross-functional agile teams between product and Rate plan Product and actuarial teams siloed actuarial to design new product coverages, endorsements, design Limited recent new product development rateplans, discount strategies, etc. Actuarial rateplan design hindered by Leverage modern actuarial techniques in rateplan design current modeling techniques (prior to shift to (e.g., by-peril modelling, more granular territory modelling) GLM) • Establish process to explain and align product strategy with **Third-Party** 80%+ of product coverages defined in Alignment regulators, ideally accelerating speed-to-market for new regulation and can only be altered through Product with products to match evolving customer demands (e.g., UBI, Strategy regulators1 lengthy formal review process that is Alignment typically ~18 months long EV/AV coverage)

Includes government and PUB



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Product

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a. MPI could potentially develop innovative products following the private sector

NOT EXHAUSTIVE

MPI already covers most optional products offered within Canada's public sector...

Product	Coverage	MANITOBA PUBLIC INSURANCE	ICBC	55 // //
Standard Automobile	Loss of use			
	Excess Value			
	New Vehicle Protection			
	Leased Vehicle Protection			
	Rental Vehicle Insurance			
	Lay-up			
	Family Security ¹	\otimes	×	
Small Commercial	Peer-to-Peer ²	\times		
Commercial	Road Hazard Glass			

Pays for costs of oneself or a family member if they're injured in a vehicle accident and the at-fault driver's insurance can't cover

Source: Company public websites and annual reports



Additional details to follow

... but MPI could follow the private sector and potentially develop products that meet specific **customer needs** and prepare for **emerging technology disruption**



Usage-based insurance (UBI) powered by telematics (e.g., Snapshot from Progressive measures and rewards good driving, SafeTeen by Hanover monitors teen's driving habits, Mile Auto specializes in pay-per-mile car insurance, Milewise from Allstate provides a daily base rate plus a per-mile rate)



Autonomous and electric vehicles (AV/EV) demand new types of coverages (e.g., contingent liability based on **level and usage of self-driving**, protection from **cybersecurity threats**, technology and computer **repairs**)



Niche offerings catered to particular risk segments (e.g., Progressive covers **food trucks**, Mobilitas covers all **rideshare** time bands, Cuna Mutual Group provides lending products such as **Guaranteed Asset Protection**)



^{2.} Blanket insurance products for peer-to-peer car rental services

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a-i. UBI Offerings in Canada (1/2)

	UBI App	Discount	Key Features				
Allstatė.	Drivewise	Save up to 30% in annual premiums	 Dashboard: Lets users see how much their safe driving has earned them Driving insights: Provides driving insights and real-time audible alerts Crash detection: Gives users access to assistance if a crash occurs My Trips: Provides personalized feedback on driving behaviour My Challenges: Allows users to earn Allstate Rewards points if they complete safe-drivin challenges Phone activity: Lets drivers know how much they use their phone behind the wheel 				
belairdirect.	Automerit	 10% enrolment discount for signing up for the program Save up to 15% in premiums by driving safely and up to 15% discount for driving less than 10,000km per year 	 Personalized dashboard: Allows users to view driving stats in real-time Trip details: Gives users a detailed description of each driving event while they were behind the wheel Safety score & tips: Provides users with a snapshot of how safe they are driving and personalized tips to help them improve 				
CAA	MyPace	 Up to 25% savings in annual premiums for drivers logging in 6,000km Threshold raised from 9,000 km to 12,000km per year (the percentage of savings decreases with the increase in distance driven) 	 Trip logs – View previous trips to track kilometre usage Sections include- Dashboard, Device Alerts, Notifications, Payment History 				
O Desjardins	Adjusto	 10% enrolment discount on premiums for the first six months Save up to 25% in annual premiums 	 Gives feedback on four driving behaviours: speed, fast acceleration, hard braking, cell phone distractions Also assesses driving habits: Distance travelled, time in car, daily routine Provides first score after five trips 				
intact	MyDrive	 Save up to 25% in annual premiums 	 Access to personalized dashboard with driving stats in real-time Provides customized tips to improve driving Allows users to see how they compare with other drivers Enables users to keep track of their Safety Score to understand how safely they drive 				

Source: Press search, company website and excerpts from insurancebusinessmag.com article



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a-i. UBI Offerings in Canada (2/2)

	UBI App	Discount	Key Features
Onlia 1 Insurance	Sense	 Up to \$40 in cashback every month Top 10 Drivers: Allows users to climb the leaderboard each month for a chance to rank in the top 10 and earn a gift card worth up to \$100) 	 Monthly challenges: Enables users to flex their safe driving skills with new challenges and earn gift cards every month Badges: Allows drivers to collect badges by consistently driving safe and earn points towards leaderboards
PEM BRIDGE [®] INSURANCE COMPANY	My_Bridge	 Save up to 30% in annual premiums 10% to 15% discount for signing up and an additional 5% discount for using the My_Bridge trial in the app 	 Free for all Pembridge customers Will not increase premiums Option to review driving history any time
TD Insurance	MyAdvantage	 Save up to 25% in annual premiums 	 Must use the app for at least 120 days and record 1,000km to be eligible Captures driving data such as speed, braking, and overall driving style Gives users feedback on their individual driving behaviour Provides helpful tips for safer driving Allows users to participate in driving challenges to earn badges
TRAVELERS	IntelliDrive	■ Save up to 30% in annual premiums	 App dashboard: Allows users to quickly check driving performance and most recent trips, and see safe driving tips Distraction-free streak: Enables users to see how many trips they have completed in a row without interacting with their phone Driving tips: Access articles to learn more about safe driving Trip details: Provides details about a specific trip, with a map that highlights where the users had a driving event such as a hard brake or fast acceleration

^{2.} Pembridge is backed by Allstate Insurance Company of Canada





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^{1.} Policies are underwritten by Verassure Insurance Company as part of the Achmea & Fairfax Financial group of insurance companies.

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No liability Sharing liability

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MPI Exhibit #20

Product

2. For L3 and above cars, they will be mostly EV

a-ii. Autonomous vehicle technology will reshape the insurance liability...

	Description	In-vehicle technology capabilities ¹				
vel of autonomy ²		ADAS Telematics	Telematics	Connectivity	Implication for carrier insurance liabilit	
L0 & L1 None & Driver Assistance	Full-time driving by human operator, with one driver assistance; expectation is that the human is responsible for the vehicle at all times					Human driver takes full liability covered by PL carrier
L2 Partial automation	Multiple driver assistance systems (incl. both steering and acceleration/deceleration) using info about the driving environment, with expectation that the human driver is responsible for vehicle at all times					Human driver takes full liability covered by carrier
L3² Conditional Automation	Conditional automated driving system allows human driver to divert attention from driving temporarily, however, with the expectation that the human must respond appropriately to system requests to intervene	⊘				Alternating liability between human driver (PL coverage) and system (CL coverage) depending on which party is driving
L4 ² & L5 ² High & Full Automation	Full-time performance by an automated driving system of most or all aspects of driving under all roadway and environmental conditions, even if human does not respond to a request to intervene					OEM/AV carries full liability covered by CL carrier

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Source: Expert Interviews, Press Search

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Product

a-ii. ... and the broader personal mobility insurance ecosystem for both short- and long-term

			3. Au revoir, vehicle ownership (2040+)		
		2. Liability limbo (2025 – 2040)	Robo-taxis reduce personal vehicle		
	1. Distribution dabblers (2020 to 2025)	Alternating liability for L3 vehicles	ownership		
No change on liability but disrupted value chain with potential OEM entrant		between human and system operation			
Personal mobility	L0-L2 vehicles make up majority of personal auto vehicle	L3 vehicles represent increasing portion of personal vehicle sales	L3 vehicles dominate personal vehicle ownership L4+ technology decreasing personal vehicle ownership as Robo-taxis offering much lower cost per mile Negligible personal AV (L4+) ownership given the cost of ownership		
Inobility	L3 vehicle emerges as the technology matures and production scales				
implication	Limited impact on insurance liability as human drivers take full responsibility for L0-L2 vehicles New in-car distribution channel and usage-based insurance for connected vehicles	Fundamentally disrupted risk pool due to complexity of liability, requiring accurate delineation between PL and CL exposures Emerging legal system challenges as precedents	Continued combination of PL and CL for L3 vehicles with established and mature legal/ regulatory guidelines Diminished PL for L4/L5 vehicle owners with all liability shift to OEM and AV/tech		
	Emerging OEM alliances	are set			
		Emerging OEM entry			
experts are saying	OEMs and AVs absolutely view insurance as an opportunityit will take time, capital, trust, and expertisethey will need to partner in near-term with well-known insurers Former AV & OEM leaders	Insurance could very well be30%, 40% of the value of the car business, frankly Elon Musk at Q3 2020 Earnings Call	Robotaxis are likely to reduce need for 2 nd and 3 rd vehicles owned, but not outright eliminate personal vehicle ownership Mobility Expert		
		Insurance is very an attractive revenue stream that			
	OEMs are in a stronger position to offer insuranceThey have analytics and know how to close the	also increases customer stickiness as long as the UBI is tied to safety and incentives Former AV & OEM leader	Most L4/L5 technology will be used in robotaxisPersor L4/L5 vehicle ownership is decades awaydue to prohibitive costs		
	loop to improve safety and reduce loss costsAs a result OEMs are going direct to reinsurers to partner, bypassing traditional carriers" -Former OEM AV and Connectivity leader	OEMs and AV players are terrified of the liability…It scares them because it is a departure from their comfort zone -Former AV & OEM leader	Former AV & OEM leader		

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Product

MPI may have to answer important questions across multiple functions to enable a customer-centric product development process

ILLUSTRATIVE

1 Product

"What are the right product features to include?"

"How can we optimize across the different tradeoffs?"

"How do we grow our business?"

2 Actuarial

"How should premiums be set better?"

"How do we ensure customers are getting fair value for their money?"

"What is the right pricing flexibility for new business growth?"

"What actuarial and ratemaking factors do we need to consider?"

3) Tech

"What new capabilities need to be built out?"

"How do we best leverage existing (or new) tech infrastructure?"

"Do we need a crossfunctional 'translator' role to bring the product to market?"

Legal

"What statutory and legal factors need to be considered?"

"How can the changes be best rolled out across different markets?"

Change management

"In what ways do we need to shape agent and broker behavior?"

"How will the new product impact our ways of working?"



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Product

Optimizing the extension and SRE portfolio would require a product development process incorporating customer and actuarial insights

Process owned by actuarial team

Market segmentation and market scans

Rateplan design and development of actuarial insights

Product strategy, coverages, and endorsement development

Product Execution

- Identify **customer needs** and **competitor** products
- Send out survey to customer sample through digital channels and brokers; achieve balanced mix across demographics
- Run segmentation analysis (e.g., factor analysis to select variables, k-means cluster)
- Identify target segments for product development (e.g., segments with unmet needs from current product portfolio)

Process owned by product team

- Develop extension and SRE product offerings tailored to meet the needs of specific customer segments
- Define base coverages, endorsements, and packaging options
 - Include competitor coverages and endorsements as inputs in the product design process
 - Design billing and statement communication strategy
- Actuarial: Build the rating components (e.g., number of perils modeled, granularity of territory modeling), product interactions, and discounts
- Actuarial: Develop underwriting rules, considering customer experience for overrides, loss ratio performance of accepted policies, etc.

- Legal: Launch regulatory filing process
- IT: Implement changes to Policy and claims administration systems
- Operations & change management: Syndicate changes with brokers and monitor strategy execution
- Release new products and continuously monitor (e.g., for adverse selection)

Implementing a customer-centric product development process will require close partnership between the actuarial and product team, and alignment on the strategy with the PUB and brokers; alignment between all stakeholders will enable customer-driven product changes to be made accurately and efficiently

Source: Best-in-class product design practices



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Road Safety

MPI can improve its Road Safety program through investing in data and new technology, as well as clarifying roles and responsibilities



Customer/employee/broker experience



Financial opportunity



Enterprise risk

MPI Fxhibit #20

Current state & opportunities

Number of fatalities from collisions per licensed driver is 28% higher than the national average, which could be driven by differences in urban/rural composition of provinces, but still signals opportunity for improvement

Road safety metrics cannot be linked to road safety initiatives and campaigns, making it difficult to assess initiative/campaign-specific effectiveness in improving road safety

There is an opportunity to continue following the industry by **introducing new technologies** (e.g., expand the adoption of telematics beyond the taxi industry pilot) that improve driver behavior

Impact

- R Lack of data-driven performance management of road safety campaigns may hinder MPI's ability to deliver on its mission of providing safer roads
 - While MPI has recognized the need to be data driven in road safety and staffed a team of data analysts, it is important to accelerate building this capability
- Improvements in road safety can ultimately lead to reduction in frequency and severity of accidents, enhancing MPI's financial health

Key levers to mitigate risks

Evolve road safety capabilities, in particular:



Adoption of new technology (E.g., vehicle telematics)



Data and analytics (E.g., data availability and indicators, ability to link them with initiatives and campaigns)



Ownership of outcomes (E.g., clarifying KPIs for each team and ownership overall RACI for the organization)



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Road Safety

MPI's road safety program has significant opportunity to increase maturity in new technologies, data and analytics

 Limited opportunity
 Moderate opportunity
 Significant opportunity
 Deep dives to follow Maturity of key Capability **Observations driving opportunity** Path to best-in-class capabilities levers MPI has started to consider using Telematics products are a proven lever to improve road safety Vehicle Telematics telematics telematics (e.g., pilot with the taxi (e.g., through driver alerts) industry), and has an opportunity to - A carrier in Italy was able to reduce claims frequency and further expand its usage severity by 18% and 11%, respectively Data to assess campaign results is Ensure data critical for road safety insights (e.g., collision Data Data availability limited to customer insights surveys data per region including data and hour, main reason for the and accident, weather condition) is available and structured for and metrics focused on reach and relevance vs. road analysafety metrics (e.g., reduction in collisions) tics analysis • When making interventions aimed at specific KPIs (e.g., usage of seatbelt in specific locations), ensure consistent measurement of such metric to enable impact assessment **Analytics** Ad-hoc analysis performed manually by Systematically test campaign and intervention impact (e.g., capabilities the road safety team through A-B testing) to prioritize road safety investments (In-progress for improvement) 4 data Enhance analytical capabilities of the team (talent, tools, analysts working on gathering data and target variables as per KPIs defined) tools to analyze them effectively from 2022 Ope-**Ownership** Current road safety efforts split into two Review operating model and organizational structure to ratingover road teams (road safety team under legal, and ensure alignment on road safety efforts, from conception of marketing campaigns under customer), action/campaign to measure of results in the short and long-term model safety outleading to potential misalignments (e.g., (which KPIs, how often, etc.) design comes teams solving for different KPIs)

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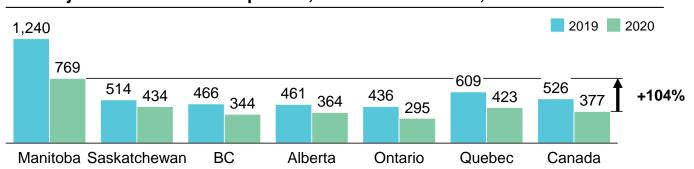
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Road Safety

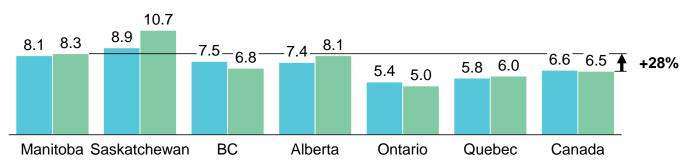
August 2, 2023

Manitoba currently experiences some of the highest levels of injury from collision per driver in Canada

Total injuries from collisions per 100,000 licensed drivers, number¹



Total fatalities from collisions per 100,000 licensed drivers, number



^{1.} As per the Road Safety team, there seems to be a difference in reporting leading to Manitoba numbers being higher than other provinces: "Other provinces underreport minor injuries because they rely solely on police reports, whereas we provide a full accounting of injuries using claims data."

Source: Government of Canada, MPI Website

MPI's reported number of injuries from collisions per licensed driver has improved significantly from 2019 to 2020, but is still 2x higher than the national average, and is the highest rate in Canada¹

Number of fatalities from collisions per licensed driver is also 28% higher than the national average, which could be driven by differences in urban/rural composition of provinces

Enhanced focus on road safety (e.g., through datadriven interventions, telematics products) would allow MPI to better deliver on its mission



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Road Safety

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a. In Italy, telematics played a key role in improving road safety and reducing the insurer's combined ratio by 12p.p.



Full integration of telematics data into core insurance systems

Sample list of services (not exhaustive):

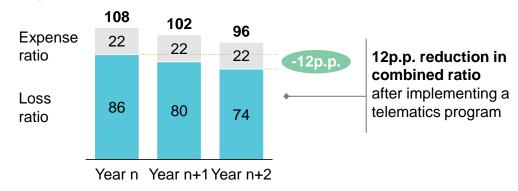
- **Automatic warning** to drivers of potential risks (e.g., tire pressure, geospatial)
- **Dynamically adjusted routes** based on data collected from other connected vehicles
- **Driver alerts and coaching** based on user behaviour (e.g., video monitoring)
- Sensor-enabled safety (e.g., braking, warning signs, and course corrections)

For MPI, telematics could help **mitigate the number of fatalities from collisions by the most prevalent factors**: distracted driving (49% mortality), impairment (26%), and speed (19%)

Impact on claims frequency and severity



Impact on combined ratio, %



Source: MPI 2020 Traffic Collision Statistics Report; Italian case study



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Legal

MPI's Legal function is mostly aligned to best-in-class practices (1/3)

PRELIMINARY Limited opportunity Moderate opportunity Significant opportunity **Maturity of key Capability Observations driving opportunity** Path to best-in-class capabilities levers Alignment to the The legal team has a "seat at the table" (GC is part of MPI already follows best-in-class practices **Function** strategic value of the EC) and hence has some level of influence over Strategy the business the business; being part of the EC also means that legal is always up to speed with the latest company's strategy, mission and priorities The framework of the business partner relationship is in Role as a Implement business partner roles, and ensure proper rituals are in place business partner place but the metrics tracking/measuring the to enable collaboration with the business as well as process/metrics to performance need to be improved to provide senior assess the effectiveness of such collaboration (e.g., business evaluates leaders and the executives with better visibility on the business partner) process Lawyers as % of The lawyer to total legal staff ratio is currently ~70% Increase the relative size of paraprofessional team to reduce the non-Demand and total legal staff legal work for lawyers (standard lawyer to total legal staff (e.g., including Even though legal tasks are segmented, lawyers still capacity paralegal and admin support for the legal function) ratio is ~50%) manifest to do a relatively large amount of management administrative work (cont'd on Current capacity is said to be sufficient to meet demand next page) Reduction of Legal is typically **involved when needed** and activities MPI already follows best-in-class practices legal matters are limited to legal scope overall • The growing legal corporate commercial team is involved proactively in the business to mitigate/manage legal matters and improve legal volume forecasting

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Legal

MPI's Legal function is mostly aligned to best-in-class practices (2/3)

PRELIMINARY Limited opportunity Moderate opportunity Significant opportunity **Maturity of key Capability Observations driving opportunity** Path to best-in-class capabilities levers MPI uses limited external counsel, and has specific MPI already follows best-in-class practices **Demand and** External legal spend triggers as for when to engage them (e.g., for bodily capacity injury claims in the US or when needs specific management jurisdictional expertise) Agility of the Legal team working on continuous improvement of Have clear SLAs that are understood across the organization, and Operatinghow they work with other functions (e.g., with the legal team to standardized touch points between the business and the Legal model respond to the regulatory affairs Finance team to ensure regulatory department design requests changes are timely and effectively communicated with the Legal department) Centralization of Legal function is centralized as it owns all major legal-Potential opportunity to better define legal role and lines of control vis the legal tasks related activities at MPI, and is leveraged by other a vis risk, audit and compliance with clear governance model functions when legal expertise is needed Talent Talent mix Most of the team is made of senior lawyers vs. a Have comparable number of junior lawyers to balance senior lawyers to balanced mix of entry, middle and senior levels foster knowledge sharing and enable succession strategy development Match skills levels of junior and senior lawyers to current activities and emerging demand

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Legal

MPI's Legal function is mostly aligned to best-in-class practices (3/3)

PRELIMINARY Significant opportunity Limited opportunity Moderate opportunity Deep dives to follow **Maturity of key Capability Observations driving opportunity** Path to best-in-class capabilities levers Digitization Leverage of Currently use Microsoft office suite and eCounsel • Enable self-service for e.g., the business to see the status of legal (with eDocs), shifting to SharePoint in the short-term digital/ matters and automation tools No automation in place – Legal team has been Implement external technology and internal process systems such as eautomation in the process working with IT to identify opportunities (focus on RFP billing, document and matter management, and contract repositories process), but limited capacity to implement in the short-Invest in the automation of RFP process term (e.g., use RFP software for centralized collaboration and real-time updates) No self-service tool for business to check status of legal matters Involvement in At times, the Legal department is perceived to be a Create standards and transparency in the RFP process including the RFP process bottleneck in the RFP process given the necessary, protocols for interaction such as pipeline of demand for capacity planning later stage involvement from the team and earlier stage involvement with Procurement team End-to-end Compliance MPI's compliance program is currently at the initial Create an enterprise-wide culture of integrity and compliance; set clear phase: it has 1 compliance specialist and doesn't policies and procedures to stay compliant to regulations program process have an overall compliance plan; the program is optimization Have a designated compliance officer and clear rules and regulation under continuous development and future structure is for the compliance team (e.g., issue identification) being built considering one director, one lead for privacy, one for compliance, one for policy framework, and one for regulatory

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DVA

There is moderate opportunity to improve MPI's driver license written testing through increasing scheduling and location optionality

Limited opportunity
Moderate opportunity
Significant opportunity

Deep dives to follow

MPI Exhibit #20

Capability

Testing availability and execution

Maturity of key levers

Scheduling and location options

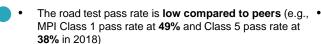
Observations driving opportunity

- Customers can schedule written tests through **brokers** (following best-in-class practices)
- However, there is a lack of walk-in options for both written and road tests
- Customers can only take the written tests during weekdays, except Winnipeg (Saturday appointments are available)
- Can only search available dates at 1 location at a time
- There is a wait of ~90 days to schedule a road test at
 - At SGI, ~90% of drivers can schedule a road test at a time convenient to them within 7 days
 - ICBC accommodates Class 5/7 tests within 50-60 days

Path to best-in-class capabilities

- Allow walk-in options for written tests (e.g., ICBC allows walk-in written tests at almost all offices during certain hours of the day) and standby for road tests
- Offer weekend appointments for written and road tests at multiple cities (e.g., ICBC has offices open on Saturdays in multiple cities including Vancouver and Victoria, Service Ontario offers Saturday road test appointments)
- Implement a searching and booking system that can search multiple locations and dates at once
- Extend operation hours, increase the number of examiners, or offer temporary test centers to keep up with the demand (e.g., ICBC added 2000 new appointments for road test in 2020 by adding new examiners and opening more sites)

Road test execution



- Develop knowledge on what influences driver's performance and act on those factors (e.g., one peer in Canada experienced increase in pass rate after updating the cancelation policy for inclement weather)
- Pass rate in Ontario reaches 90%+ in some locations (Ontario G2 pass rate at **47-93%** and G pass rate at **53-93%** in 2020-21)

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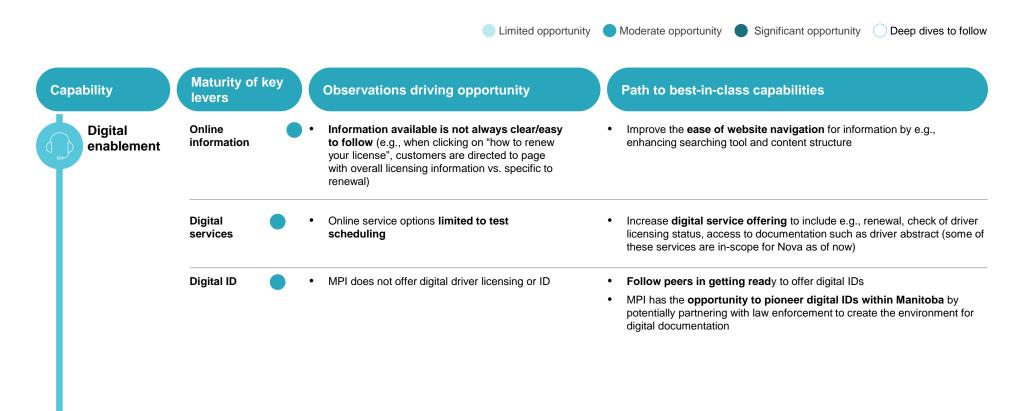
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DVA

There is moderate opportunity to improve digital DVA services



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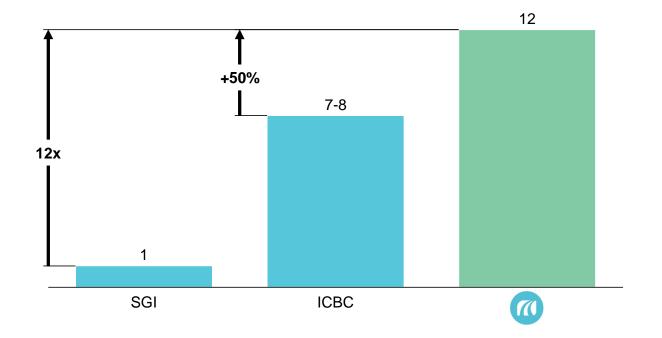
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DVA

a. MPI has a longer waiting time to schedule a road test than peers

ILLUSTRATIVE

Wait time to schedule a road test (in weeks)



Key insights

MPI's wait time to schedule a road test is ~50% longer than ICBC and 12x the waiting time at SGI

There are likely opportunities to reduce the current waiting time (e.g., recruit more examiners at existing locations)

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MPI 2.0 would allow MPI to continue to fulfill its mission in the future

What MPI 2.0 is

The evolution of how MPI delivers its mission:

- MPI continues to provide auto insurance, registration and driver licensing services in Manitoba
- Manitobans have options to be served on their channel of choice
- Modern products and services built on a modern technical foundation (Nova and IT enablers)
- MPI can ensure affordability, while maintaining low reserving risks
- Improve critical customer journeys to measurably improve customer experience and satisfaction (see next pages)

What MPI 2.0 is not

A revolution of MPI's business, including:

- Changing MPI's mission
- Expanding beyond Manitoba
- Offering services beyond auto insurance, registration and driver licensing

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We'll deep dive into 10 journeys to illustrate what MPI 2.0 could look like











Onboarding

MPI today lags peers on service delivery across multiple journeys Transaction



In approach of the interaction

Policy admin

0 • 50%+

In % of policy admin tasks performed digitally **Claims filing**

0 • 25%

In % of FNOL intake through digital channels

Claims processing

11+ 🖨 4-6

In # of days for decision²

Driver licensing

<40%**7**0%+

In % of drivers approved in the road test³

We'll illustrate select journeys to envision what the future could look like Buy insurance Understand options, chose products and pay Change address, policy renewal Update profile information as needed First notice of loss (FNOL)
Submit a new claim after e.g., a collision

Total loss
Learn about total
loss, receive
valuation and
payment

Schedule road test Find a location and time and book road test

Additionally, we'll illustrate 4 internal journeys: rate update (actuarial), talent acquisition (HR), closure of general ledger (finance), risk identification and communication (risk)

^{1.} Limited pricing variables put MPI at top quartile; 2. 4-6 is breakpoint in customer satisfaction; 3. Considering class 1 road test, first attempt

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Envisioning customer service excellence: Insurance onboarding

Insurance onboarding journey

MPI today



Ken buys a new car and needs to get registration and insurance from MPI at a nearby broker



The broker asks Ken for several pieces of information; Ken finds this unusual given MPI already has this information from his driver's license



The broker presents multiple options and quotes, overwhelming Ken with information



Ken chooses what the broker recommends, but walks away with the fear of not having made the best choice

Potential MPI 2.0 experience



Kate downloads the MPI app, logs in with her digital Drivers' License and finds the "vehicle registration and insurance" option



Kate fills in a few questions about her new vehicle and is presented with easy-to-understand comparisons between products



Kate is presented with options to buy on that channel, call for support or schedule an in-person appoint, and decides for the later



Kate visits an MPI agent, receives advice on product and additional coverage she may need, and confidently buys her policy

Insurers today handle 50%+ of policy administration tasks (change of address, add a new car, etc.) digitally

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Envisioning customer service excellence: Change of address

Change of address journey ILLUSTRATIVE

MPI today



Ken moved, and he searches online to understand how to change his registered address with MPI. He learns he **has to go in-person** to a service location



Ken goes to a service center to **verify his ID and present required documents** to be able to change his address



The MPI employee updates Ken's insurance policy and **prints a confirmation and temporary DL** for him

Potential MPI 2.0 experience



Kate opens her MPI app, and is **easily able to find** the option to **update her address**



Kate takes pictures of documents required and uploads them through the app – She sees a "thank you" message letting her know that her request is being processed



A few minutes later, Kate receives a notification confirming her address has been changed (enabled by Al document review), and that her new DL is in the mail

Insurers today handle 50%+ of policy administration tasks (change of address, add a new car, etc.) digitally

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Envisioning customer service excellence: First notice of loss

Start of a claim (first notice of loss) journey ILLUSTRATIVE

MPI today



Ken is in a car accident, and calls MPI from the side of the road to report his claim and get assistance with his vehicle



However, Ken is unable to get through to the call center and is asked to call back twice. Finally, he placed in a queue to speak to a representative



Ken **spends another 12 minutes** filing in his FNOL. The call center rep provides him with an **overwhelming amount of information**, leaving Ken unclear what he should do with his car next

Potential MPI 2.0 experience



Kate starts her claim process through the app, where she's guided through seamless steps to submit photos and supporting information



Kate is informed of next steps and timeline expectations based on claims like hers

If Kate wants further guidance, she **can call MPI** to speak to an **empathetic advisor**



Since her car is **still drivable** and nearby garages have **parts backlogs**, MPI tells Kate **when she can bring in** her car for immediate repair

On average, ~25% of auto physical damage claims intake is done via digital channels across major carriers today. However, some carriers go much further. Some use photo-based estimating for 100% of their claims. Others direct 100% of status inquiries to an easy-to-use online portal.



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^{1.} Industry average is 54% photo/video-based estimating | 2. Industry average is ~30% of status inquiries handled online

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Envisioning customer service excellence: Total loss

Total loss resolution journey ILLUSTRATIVE

MPI today



Ken finds the instructions for photo-based estimating confusing, but decides to try to do it anyways after learning an in-person appointment would only be possible in two weeks



After learning his car is a **total loss**, he schedules towing to take it to the **physical damage compound**, **where the car stays for weeks in a row**



Ken **learns** how much he'll be compensated for his vehicle, but **does not think it's fair** – he calls MPI multiple times to try to negotiate

Potential MPI 2.0 experience



Kate's handler determines her car is likely a total loss, using an AA model that leverages triangulated vehicle value, salvage value, and estimated repair costs, etc.



Kate is already **presented with a quote for her vehicle**, the one sentence version of how it was calculated, and a button to appeal



Once Kate's vehicle is picked up, her payment is released; since she has configured direct deposit, it's in her bank account on the next business day

~75% of carriers today leverage analytics and AI in claim triage (accelerating the total loss decision). Inspecting cars quickly is critical to experience – the breakpoint in customer satisfaction is ~4-6 days



^{1.} Industry average is 54% photo/video-based estimating | 2. Industry average is ~30% of status inquiries handled online

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Envisioning customer service excellence: Scheduling a road test

Scheduling a road test journey ILLUSTRATIVE

MPI today



Ken spends 30 minutes trying to schedule his road test online (going through each possible location, clicking on dates to see availability, etc.), and then decides to call MPI



However, Ken is unable to get through to the call center and is asked to call back twice. He then finds out he can leverage broker's help and decides to visit the closest branch.



While Ken is finally able to get his road test scheduled after visiting a broker in person, the first available appointment is three months from now...

Potential MPI 2.0 experience



Kate accesses the MPI app, allows the app to use her location, and inputs weekday and time preferences



Based on these inputs, Kate receives 3 options that could suit her, and quickly selects a location and timeslot next week



Kate has already saved her credit card on the app, and with one further click has her road test booked

Best-in-class peers can schedule 90%+ of road tests at the time desired by customers

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Envisioning customer service excellence: Policy renewal

Policy renewal journey

MPI today



Ken receives a letter from MPI saying his insurance renewal deadline is in 45 days – He attaches it to his fridge door, so he doesn't forget, but wonders why MPI hasn't sent an e-mail or text message



On the renewal date, Ken accesses the MPI website to check if he can renew that online (he remembers answering a survey about it), but is disappointed to not see that option



Ken **visits his broker**, and after parking and having wait for a while, **has his policy renewed in 2 min** – He really **doesn't think it justified the trip**...

Potential MPI 2.0 experience



Kate opts to receive renewal notifications on the MPI app, and also by text and e-mail

Upon **receiving a notification on the app about her upcoming renewal** in 45 days, she clicks to see more details



She reads about the rate change for her current coverage and clicks the "accept" button to automatically renew when the renewal date comes

She's also presented with the option to accept automatically rate increases of up to a percentage she choses, and selects "5%"



As a final step, Kate is **presented with upgrade options** that could be of her interest, and decides to include lay-up coverage –she's been driving less since started working from home and she's glad she was reminded of the optional coverage

Most insurers offer online self-service for renewal, and see adoption rates close to 100%

62% of MPI customers answered that they are likely to renew their insurance through a customer portal¹



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Envisioning internal execution capabilities: Updating rates

Rate update (actuarial) journey

MPI today



Bob inputs claims and customer data (region, usage, vehicle, DSR from vehicle owner) into a minimumbias model, and develops an indication for the rate update



He manually verifies outputs with his team for "inconsistencies" (e.g., unexpected decreases in rates), and starts to fill the PUB application (also mostly manual)



Once the rate is approved, Bob hands out the new price table to the IT team, and after implementation does select testing of it – He's not able to find errors, but he can't help wondering if he was just lucky with the small sample...

Potential MPI 2.0 experience



Ana gathers frequency and severity trends from the Claims team in an automated way, and uses an unconstrained loss model to determine rate indications



The **output is verified by an Al-algorithm** trained to spot inconsistencies that **triggers the automatic composition of the PUB document** – Ana is happy to see the document ready for her review



Once the rate is approved, Ana informs the IT team that the new rate is ready to be used; **new rates are then automatically updated on the insurance platform** with comprehensive testing prior to publishing

Most carriers already use GLMs (generalized linear models) and multiple variables to determine driver-related risk

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MPI Fxhibit #20

Envisioning internal execution capabilities: Talent acquisition

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Talent acquisition (HR) journey **ILLUSTRATIVE**

MPI today

June 15, 2023

June 15, 2023



The product team **reports to Josh** (in HR) that they urgently need to hire 3 more product managers (non-executive) to keep up with demand



Josh posts the job opening on the internal job market and the channels MPI normally uses; however, it has taken a long time and Josh is still not able to find the right candidates. Josh decides to rely on a 3rd party vendor to find candidates



The 3rd party vendor is able to find the right candidates, but now 2 months have passed since the business signaled an urgent need

Potential MPI 2.0 experience



Suzy (in HR) accesses the workforce analytics software and realizes that the product team needs 3-4 more product managers in 3-6 months to keep up with demand



Suzy aligns with the product team on the specific number and roles of FTEs needed and starts to post the job opening on the internal job market, the channels MPI normally uses, and also invest in newer channels such as LinkedIn. Suzy plans to use 3rd party vendors if a hard-to-find role is needed



Suzy is able to secure the right FTEs and have them onboard on time to fill the gap in the product team

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MPI Fxhibit #20

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Envisioning internal execution capabilities: Closing the GL

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Closing the general ledger (finance) journey **ILLUSTRATIVE**

MPI today



Sam awaits the transaction data needed for closing the general ledger (GL) which are reported through different sources/systems and integrated via an interface with occasional delays (e.g., last interface comes in on business day 4)



Sam and his team provide the high-level (corporate not LOB) P&L analysis on day 7, then continue with complex and sometimes manual (e.g., corporate expense allocation done via excel) allocations of the expenses into each line of business and the review of the analysis



Sam and his team provide a full executive package of the monthly GL with analysis on day 11. There are limitations to his ability to drill down into data and explain variances

Potential MPI 2.0 experience



Jen and her accounting team receive the transaction data needed for closing the GL through a single reporting system



The data are cleaned and reconciled automatically using a cloud-based data reconciliation tool, and expenses are automatically allocated. Jen and the team enter the software and validate the data reconciliation and allocation. Jen is able to drill into the data to see source details for improved analysis



The executives have access to the software anytime to view the analysis. Jen and her team close the monthly GL with analysis on day 5 with high quality results and explainable variances.

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MPI Fxhibit #20

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Envisioning internal execution capabilities: Risk identification

Risk identification and communication journey

MPI today



Ben identifies a cyber threat risk affecting a product after speaking with the sales team, but worries the risk has already materialized into an issue



Ben tries to register the risk but cannot point to the exact product/step the root cause is or identify who in the division or in Risk should own such risk since it is transversal across MPI. He documents it anyway, and tags senior leadership as responsible



When the tag gets to the senior leadership, they have a difficult time understanding which of their strategic initiatives is really at risk, how material it could be and hence how much of a priority it is; is IT responsible? Is product responsible? Is distribution responsible?

Potential MPI 2.0 experience



As part of a now regular and well-defined emerging risk scan, Rachel proactively identifies, for each one of the top 10 value-creating processes at MPI, financial and non-financial risks that quantitatively deviate from the "normal" tolerance levels defined in the Board-approved RAS



Rachel reports those at the product/step-level and there are clear risk owners in the 1st and 2nd LoD. Kate and the team also use advanced analytics to support her prioritization; she establishes a remediation process, with a clear timeline to bring back the risk level below the "heightened" tolerance level



The senior leadership team is updated about the evolution of the risk levels in their bi-weekly meeting with the Risk team; the Board/Audit Committee is also kept informed for situations that might become material

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Beyond addressing function-specific capability gaps, organizations need to build the cross-cutting foundations to enable transformative growth

a Talent and capabilities









MPI Exhibit #20

Transformation requires investment in the capabilities required to build a new way of working, while simultaneously sustaining current operations.

These talent requirements include:

- 1. Function-specific **skillsets** and crossfunctional leadership capabilities
- **2. Dedication** (both capacity and willpower) to the transformation
- **3. Mindset shifts** to new cultural norms (e.g., building a risk culture)
- **4. Incentives** to motivate the right behavior

Executing a transformation also requires a **shift** in the enterprise-wide operating model.

This includes **building the performance infrastructure** that will ensure value delivery to
the bottom line:

- 5. Strong **central governance** to drive the transformation vision and execution
- **6. Data and reporting capabilities** to provide real-time transparency into process
- 7. A rigorous **cadence and operating rhythm** to keep the organization moving at pace
- 8. Communications and change management

MPI Exhibit #20

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a. Talent and capabilities deep dive: Organizations require a strong talent foundation prior to embarking on transformational change

Organizations fail to transform without the right talent:

1. Capabilities and skillsets

Employees with skillsets matched to their role in the transformation, including:

- Topic expertise (e.g., seasoned actuaries)
- Ability to take an initiative from idea to execution
- Ability to lead cross-functional teams

3. Mindsets

Enterprise-wide mindset shifts to new cultural norms, including:

- Performance-driven culture (e.g., KPIs are tracked and incentivised)
- Risk-forward culture
- Buy-in on the future vision (e.g., MPI 2.0)

2. Dedication

Capacity to dedicate to the transformation (beyond running business as usual):

- 30-40%+ capacity for executive sponsors
- 100% dedicated leader for each function
- Capacity within working teams to execute

Paired with willpower and dedication to learn a new way of working

4. Incentives

Structural incentivization of new behaviours required for the transformation, through both:

- Financial incentives (e.g., compensation structure tied to performance)
- Non-financial incentives (e.g., career growth opportunities, societal benefit)





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a. When bridging the talent gap internally is a challenge, we've seen organizations taking alternative approaches

Key levers to improve talent organically

- Build capabilities within existing team
- Create capacity at the leadership and team level
- Bring-in talent to fill specific gaps
- Refine the end-to-end employee value proposition

Alternative approaches we've seen organizations facing talent challenges pursuing

- Outsource capabilities E.g., MGA market proves the effectiveness of outsourcing actuarial, claims management
- Rely on partners resources Benefit from best practices by "renting" talent temporally as internal capabilities are built
- Reinvent value proposition Perform throughout review of value proposition to enable talent attraction (what would it take to get top talent excited about MPI?)
- Create external service providers Spin-off select functions into separate organizations to allow for increased flexibility on compensation and distinct value proposition



How far could MPI go organically? Which of the alternative options could work?



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b. Performance infrastructure deep dive: Transformation requires adding significant rigor to the operating model

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Organizations fail to transform without supporting infrastructure:

5. Central governance

Strong central governance (e.g., Value Assurance team) to coordinate and drive the transformation, including:

- A dedicated central team focused on the transformation (not run-the-business)
- Clearly delineated spans of control and responsibilities for new roles (including connecting the business to the centre)

7. Cadence

A new, rigorous operating rhythm to keep the organization moving at pace:

- Weekly meetings with a standard charter for each function
- Meetings focus on solving problems / removing roadblocks vs. status updates
- Closed-loop tracking of action items

6. Data and reporting

Rigorous performance management, creating real-time transparency into both execution and value capture progress, through:

- Initiative-level leading and lagging KPI tracking
- Monthly P&L reconciliation
- Operating dashboards by function

8. Communications and CM

Thoughtful communications and change management underly transformations, driving the ultimate buy-in and shift in employee behaviour





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b5. Central governance is critical to coordinate and drive the transformation



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b5.The Transformation Office / CTO are at the backbone of the Performance Infrastructure

000	Distinct entity from the line	Independent, unbiased perspective on all issues Challenging the thinking of everyone in organization Jumps in to drive the problem-solving when needed
Г _ _	Clear focus on moving busi- ness forward	Relentless in tracking initiatives to bottom line
		Decisive in escalating issues to leadership
		Unyielding in ensuring uncomfortable decisions made
	New culture of delivery	Transparent on commitments made and delivered
		Encouraging in celebrating successes
		Demanding of accountability for repeated misses
	The leader of the turnaround	Keeper of turnaround roadmap (High level progress, health and sustainability) Single source of truth for all numbers—no hiding Steward of available resources

August 2, 2023

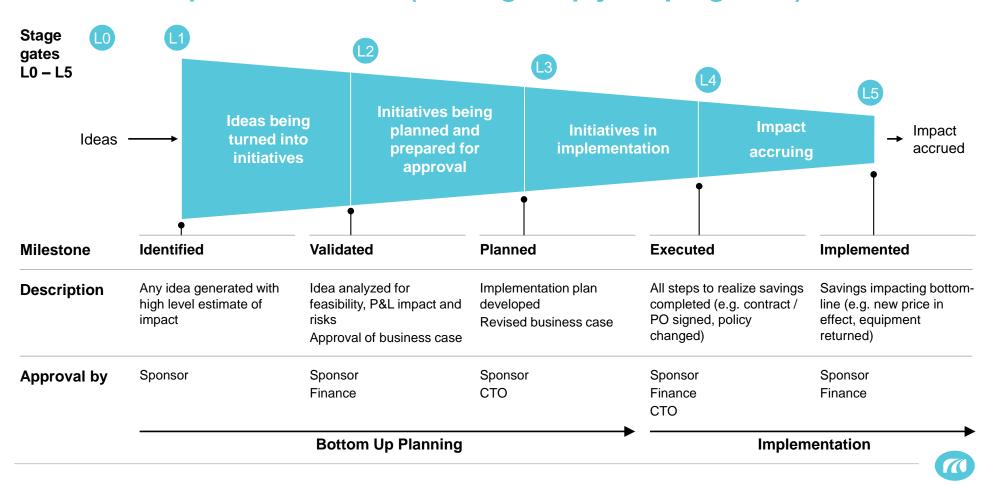
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b6. Each initiative moves through a structured stage gate process to create a sharp view on status (nothing simply "in progress")



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Transforming MPI will be an exciting journey that can be staggered over the next 3-5 years

ILLUSTRATIVE



Outperform the industry in select areas



Strengthen the foundation

Build cross-cutting foundation, Implement Nova, start to get functional proficiency and reduce risk

2021 - 2025



Meet the industry standard

Start to deliver on modern customer expectations and evolve functional proficiency to industry standard

2025 - 2026

Become distinctive in certain areas, and a "fast follower" in others to keep pace with industry advancements

2027+

MPI Exhibit #20 2024 GENERAL RATE APPLICATION, Part IX – EXP Appendix 23e

June 15, 2023

June 15, 2023

CONFIDENTIAL CONFIDENTIAL

PUBLIC

2024 GENERAL RATE APPLICATION, Part IX – EXP Appendix 23e - Confidential
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Part IX - EXP Appendix 23e - Confidential



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