

August 2, 2023

June 15, 2023

June 15, 2023

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

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



MPI 2.0: The evolution of how MPI delivers its mission

Final assessment report

September 9th, 2022

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

Agenda



Forces shaping P&C insurance

Financial performance benchmarks

Function-specific deep dives

Envisioning MPI 2.0

Cross-cutting foundations for change

Path forward



Industry trends

Six forces are shaping the P&C industry

Forces shaping the P&C industry



○ Deep dives to follow

MPI capabilities that will need improvement

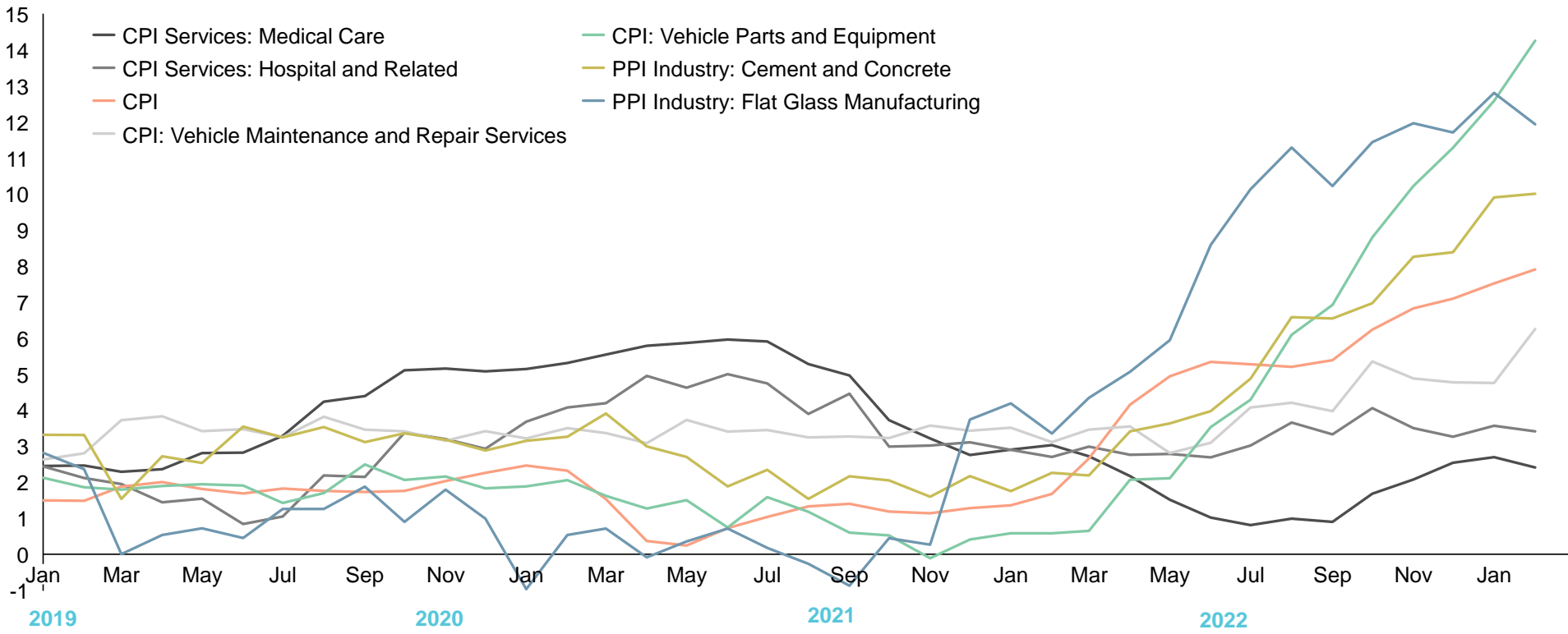
| | | | |
|---|---|---|--|
| | Digital channel and customer experience | The digital channel is growing in Auto , which is driven, at least in part, by changing customer preferences: more customers prefer to interact through digital self-service and with personalized touchpoints | Digital self-service offering |
| a | Cost reduction, efficiency gains, and inflationary pressures | While many other industries have reduced unit costs significantly over the past 15 years, the insurance industry in aggregate has not. There is a strong correlation between an insurance carrier's cost positioning and its growth Inflationary pressure on global commodity prices translates to price increases for key drivers of claims cost (e.g., vehicle parts and equipment, repair services) | Ability to forecast costs and quickly shift pricing accordingly |
| b | Data and analytics | 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 |
| c | New business models (InsurTechs, OEM insurance, VCs) | Today's vertically integrated business model across capital, underwriting, servicing, and, in some cases, distribution and reinsurance, is fracturing. InsurTechs are becoming increasingly important, particularly in P&C distribution , while VC firms have invested in companies that support all areas of the insurance ecosystem. Vehicle manufactures are entering the P&C industry as auto-insurance carriers | Market intelligence and development of strategies for potential disruption |
| d | The future of mobility | 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 |



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



b. Data and analytics shaping Personal Lines



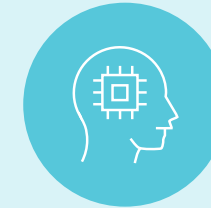
Explosion of data from connected devices

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)

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



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

Source: Press search

Most OEMs have begun to make a play in the UBI space by **partnering with telematics service providers**



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

Source: Press search

Most OEMs have begun to make a play in the UBI space by **partnering with telematics service providers**



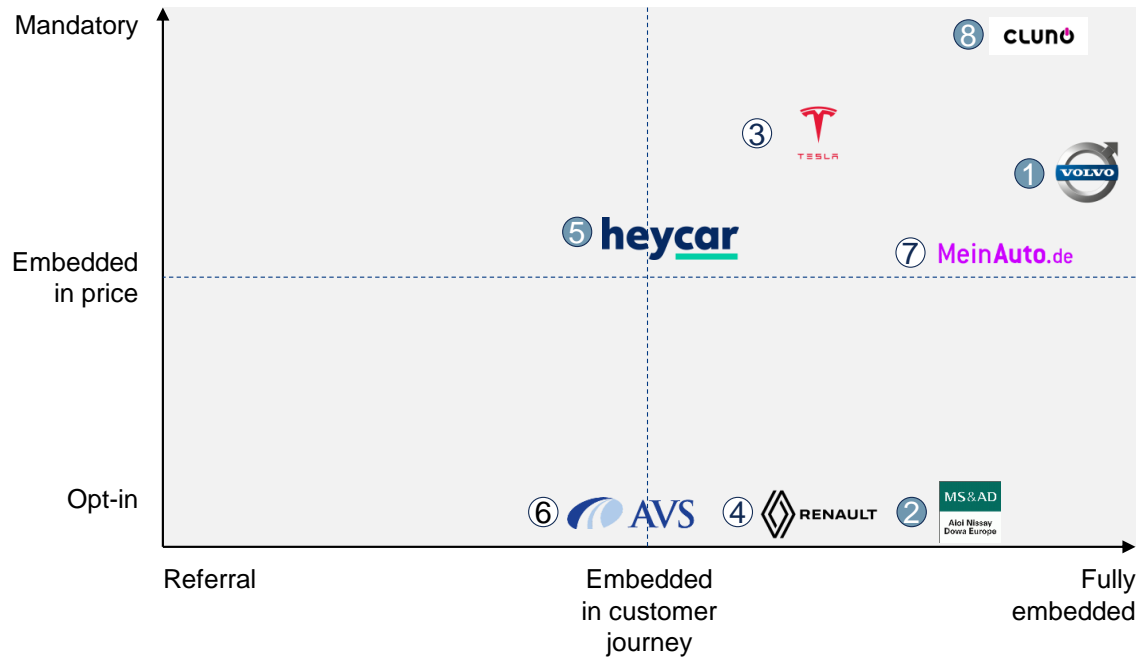
Industry trends

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

Illustrative examples

[Examples next](#)

Embedded Insurance Forecast, global P&C, GWP, USD bn



Description

Growing market around **embedded insurance** offerings for OEMs, dealers and platforms

OEM – embedded online

- 1 Volvo
- 2 Toyota AIOI
- 3 Tesla telematics insurance
- 4 Renault

Car platforms – embedded online

- 5 HeyCar – used car platform

Dealerships – embedded offline

- 6 AVS – embedded dealer solution (offline)

Subscription & Co – embedded online

- 7 MeinAuto.de
- 8 Cluno

Source: Market research



Industry trends

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




Volvo: Fully embedded opt-out insurance offering



Description

Ihr Volvo XC40 Recharge 45.080,00 € 0 g/km WLTP **PRÜFUNG**



Abonnieren 599,00 €/ Mt.
Flexibler Fahrzeugbesitz, kein Preisvergleich notwendig. Versicherung und Service eingebunden.


Online kaufen 45.080,00 €
Kaufen Sie das Fahrzeug online und profitieren Sie von unseren Vorteilen.

PRÜFEN SIE IHRE BESTELLUNG

Entdecken Sie die Vorteile

- Versicherung, Service & Garantie**
Ihr Online-Kauf beinhaltet Versicherungsschutz, Service und Garantie für bis zu 3 Jahre. Die Garantielaufzeit für Ihre Batterie beträgt bis zu 8 Jahre.
- Verschleiß & Abnutzung**
Ihr Fahrzeug ist außerdem für 3 Jahre (oder 100.000 km, je nachdem, was zuerst eintritt) gegen Abnutzung und Verschleiß versichert. Dies beinhaltet den jährlichen Austausch von Wischerblättern und je nach Bedarf den Austausch von Bremscheiben und Bremsbelägen.
- Stets verbunden bleiben**
Erhalten Sie Ladewarnungen, finden Sie Ladestationen in Ihrer Nähe oder bitten Sie um Hilfe, wenn Sie vergessen haben zu laden - Google Assistant und Maps, eine Plugsurfing-Karte und 3 Jahre Pannenhilfe sind inklusive.

Vollkaskoversicherung
Ihr Online-Kauf beinhaltet einen inkludierten Versicherungsschutz mit einer Laufzeit von 3 Jahren. Sie müssen in dieser Zeit keinen Versicherungsbeitrag für die Kfz-Haftpflicht- und Vollkaskoversicherung entrichten. Der Selbstbehalt der Kaskoversicherung beträgt 1.000 EUR in der Vollkasko- und 150 EUR in der Teilkaskoversicherung. Bitte beachten Sie, dass diese Option nur für Fahrer ab 25 Jahren besteht.



Ihr XC40 Recharge Pure Electric

Getriebe Automatic
Kraftstoffart Elektrisch
Antrieb FWD

Ihre Bestellung

| | |
|--------------------|--------------------|
| Anzahlung | 500,00 € |
| Gesamtpreis | 45.080,00 € |

Der Preis versteht sich inklusive MwSt., Transport- und Lieferkosten. Sie erhalten Ihre Bestellgebühr zurück und Ihnen wird später der volle Betrag in Rechnung gestellt.

Preisübersicht

| | |
|----------------------------------|--------------------|
| Fahrzeugpreis | 48.650,00 € |
| Herstellereanteil am Umweltbonus | -3.570,00 € |
| Gesamtpreis | 45.080,00 € |
| Inkl.MwSt. | 7.197,65 € |

Mit dem Kauf des Volvo Fahrzeugs beantrage ich die für die Dauer von 3 Jahren inkludierte Versicherung der Allianz Versicherungs-AG. Das Fahrzeug ist auch ohne Versicherung erhältlich. Wenn Sie den Kauf ohne Versicherung wünschen, kontaktieren Sie bitte den Care by Volvo Kundendienst innerhalb von 14 Tagen nach der Online-Bestellung Ihres Fahrzeugs. Der Gesamtpreis des Fahrzeugs wird dann um 1.260 EUR reduziert.

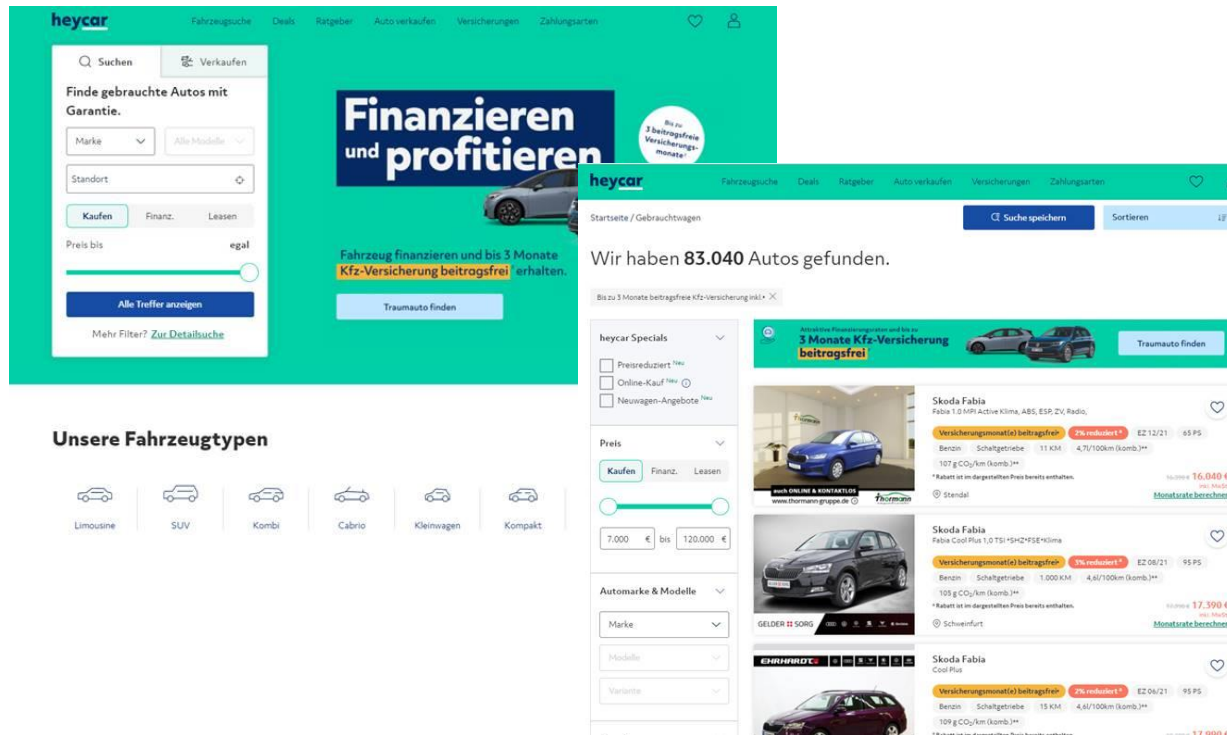
- **Customer journey: fully embedded (invisible) opt-out solution** for leasing and online purchases, seamlessly integrated – opt-out only possible post-purchase via customer service within 14 days
- **Pricing:** insurance offer directly integrated in final vehicle price, not separately listed – upon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



Industry trends

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

Buy & Drive – live on Heycar



The concept behind

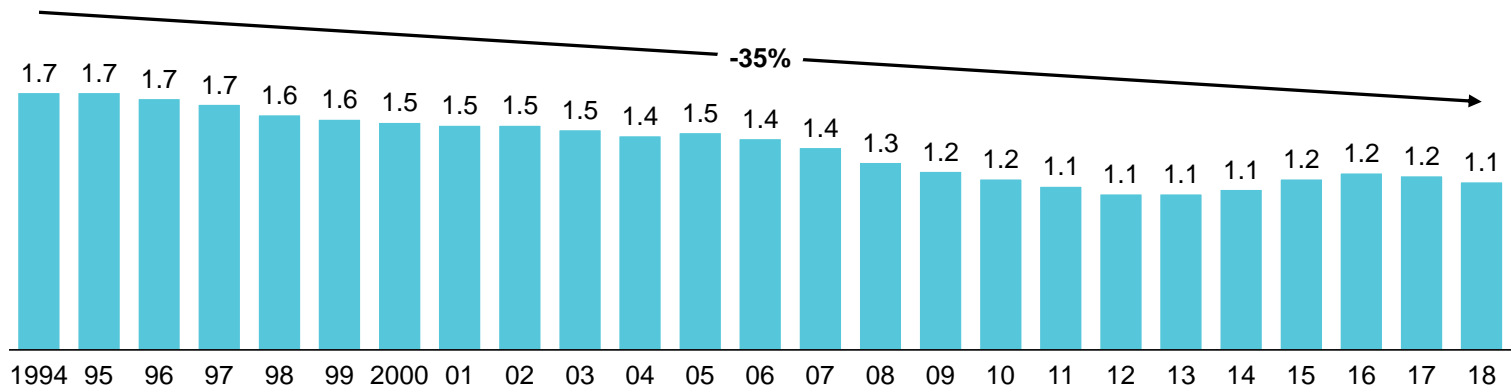
- All Heycar customers, buying a car from a Volkswagen Group dealer receive **1 month free insurance** – in case of financing by VW Financial Services, the customers will even get 3 months of free insurance
- **Within this trial period customers are contacted to be converted into a full policy (paid 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**



Industry trends

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

Fatalities in the U.S. per 100 million vehicle miles travelled¹, Number



Widespread use of

| | | | | | |
|------------------------|----------------|------------------|-------------------------|--------------------------|------------|
| Highway warning tracks | Front air bags | Anti-lock brakes | Traction control system | Accident warning systems | Telematics |
| | | | | | |

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

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

Source: Third party consulting firm analysis; NHTSA; Press search; Expert interviews; Preparing a Nation for Autonomous Vehicles, 2013, National Transportation Safety Board



Agenda



Forces shaping P&C insurance

Financial performance benchmarks

Function-specific deep dives

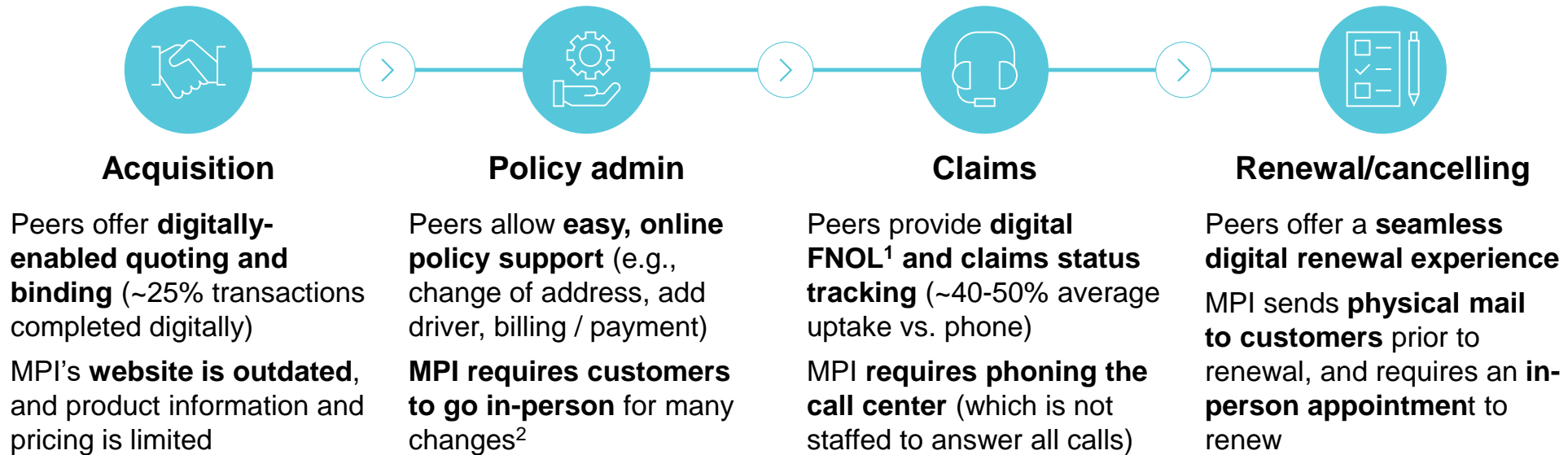
Envisioning MPI 2.0

Cross-cutting foundations for change

Path forward



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

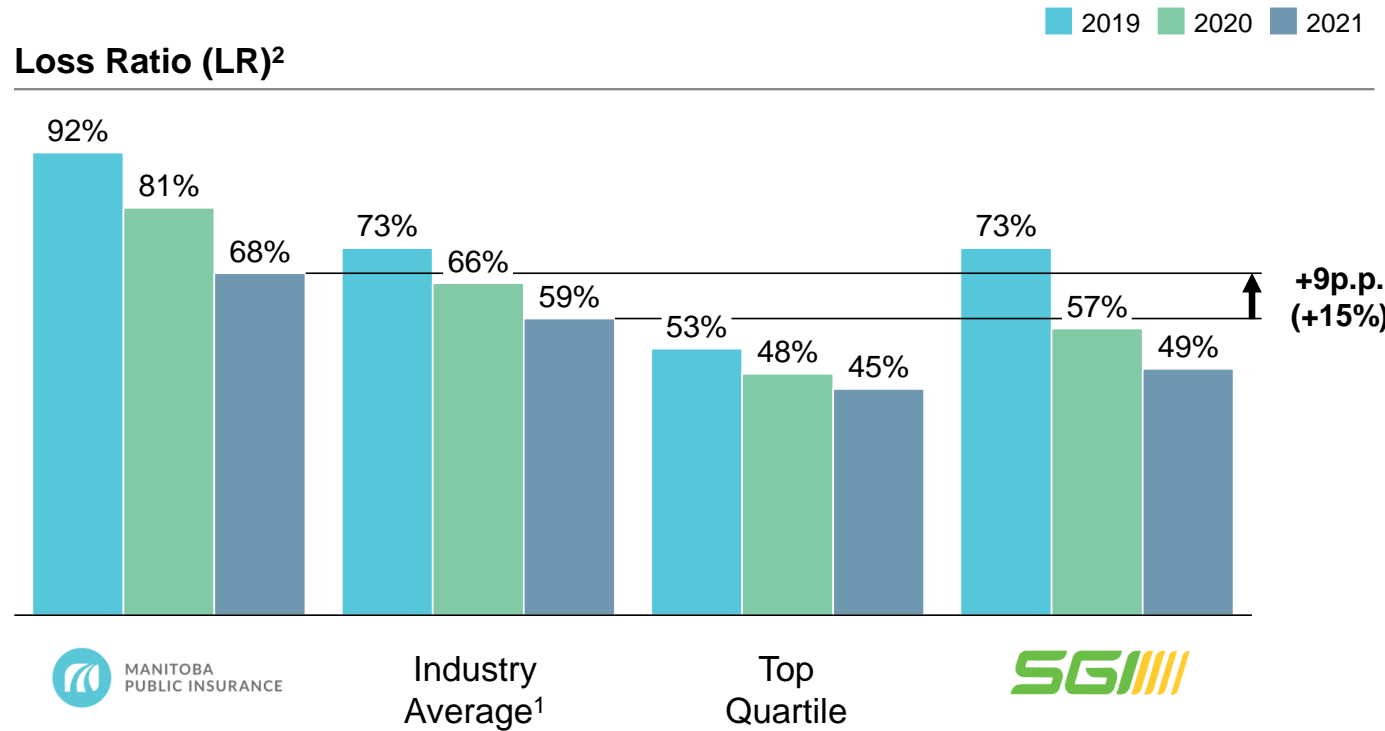


Customer expectations are evolving, demanding seamless omni-channel interactions
Limited digital self-service offerings and long wait times for servicing (e.g., call center, claims estimation) **hinder MPI's ability to fulfill its mission of providing excellent services to Manitobans**

1. First notice of loss
 2. MPI offers online billing for some services (e.g., reassessment), however uptake is limited (9%)



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



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

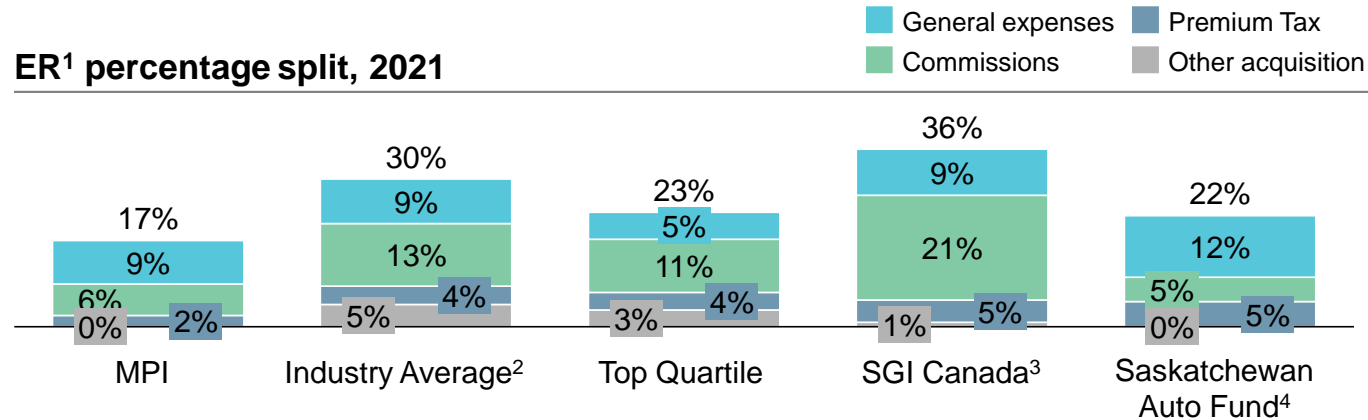
Without rate intervention, LR will likely further increase in 2022 due to spikes in severity (e.g., inflation, parts shortage)

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

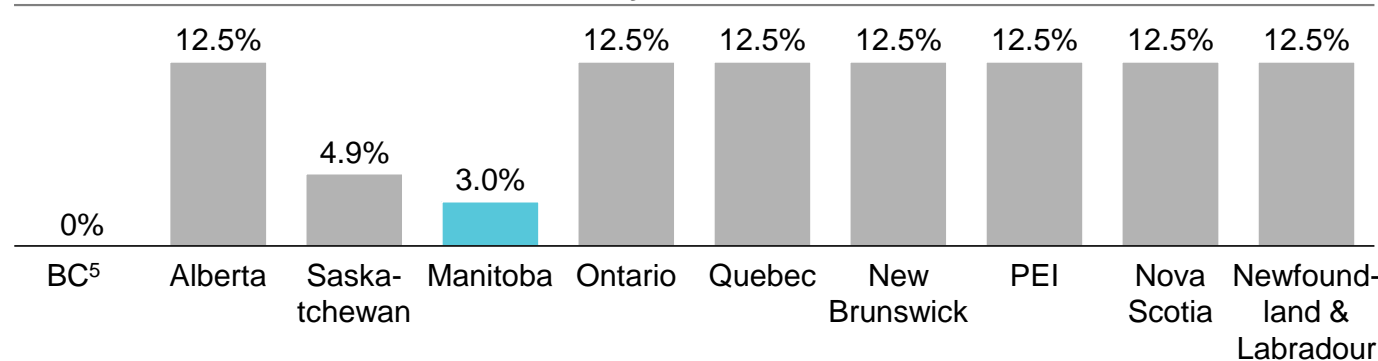
Source: MSA (Market-Security Analysis & Research Inc.)

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

ER¹ percentage split, 2021



% Commission on Basic Premiums by Province, 2021



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

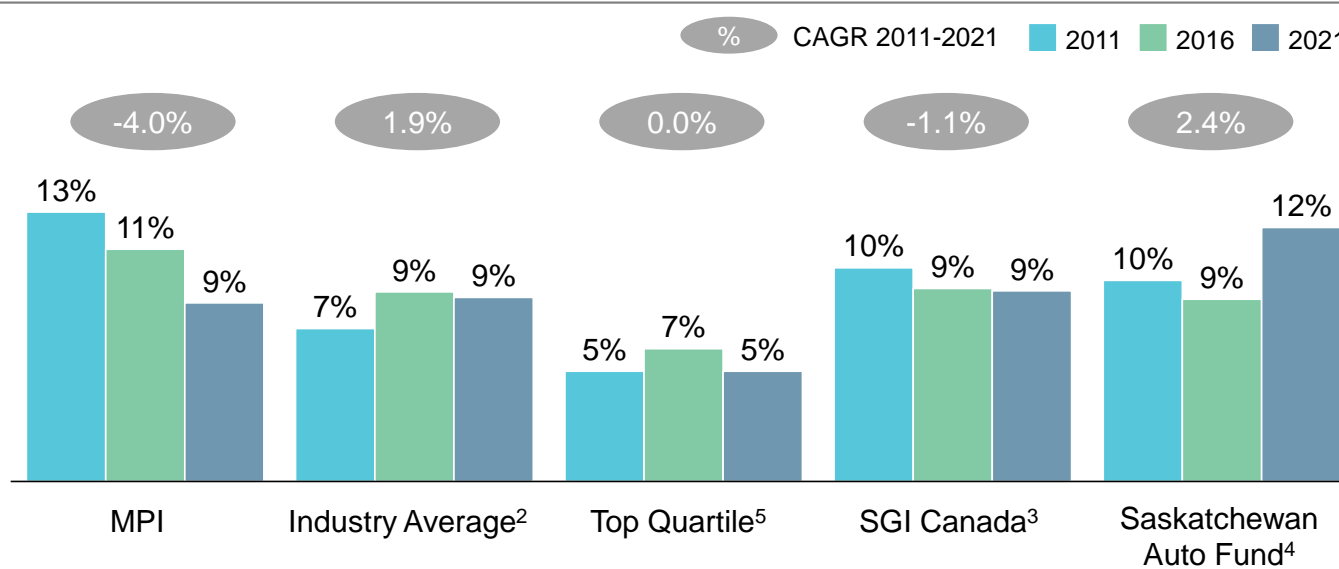
MPI's top quartile ER performance is primarily driven by **significantly lower broker commissions** than average across Canada (e.g., 6% vs. 13% for industry average)

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



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

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

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



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There are opportunities to evolve capabilities across all functions

● Limited opportunity ● Moderate opportunity ● Significant opportunity

| Function | Evolutions to reach MPI 2.0 |
|-------------------------------------|---|
| 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 | ● Limited opportunity: 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 |



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 **\$** Financial opportunity **R** Enterprise risk

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-year-old mortality table, 4 rating variables vs. industry average >10)

Impact

R Inadequate pricing can lead to **under-reserving**; 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**


\$ 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)

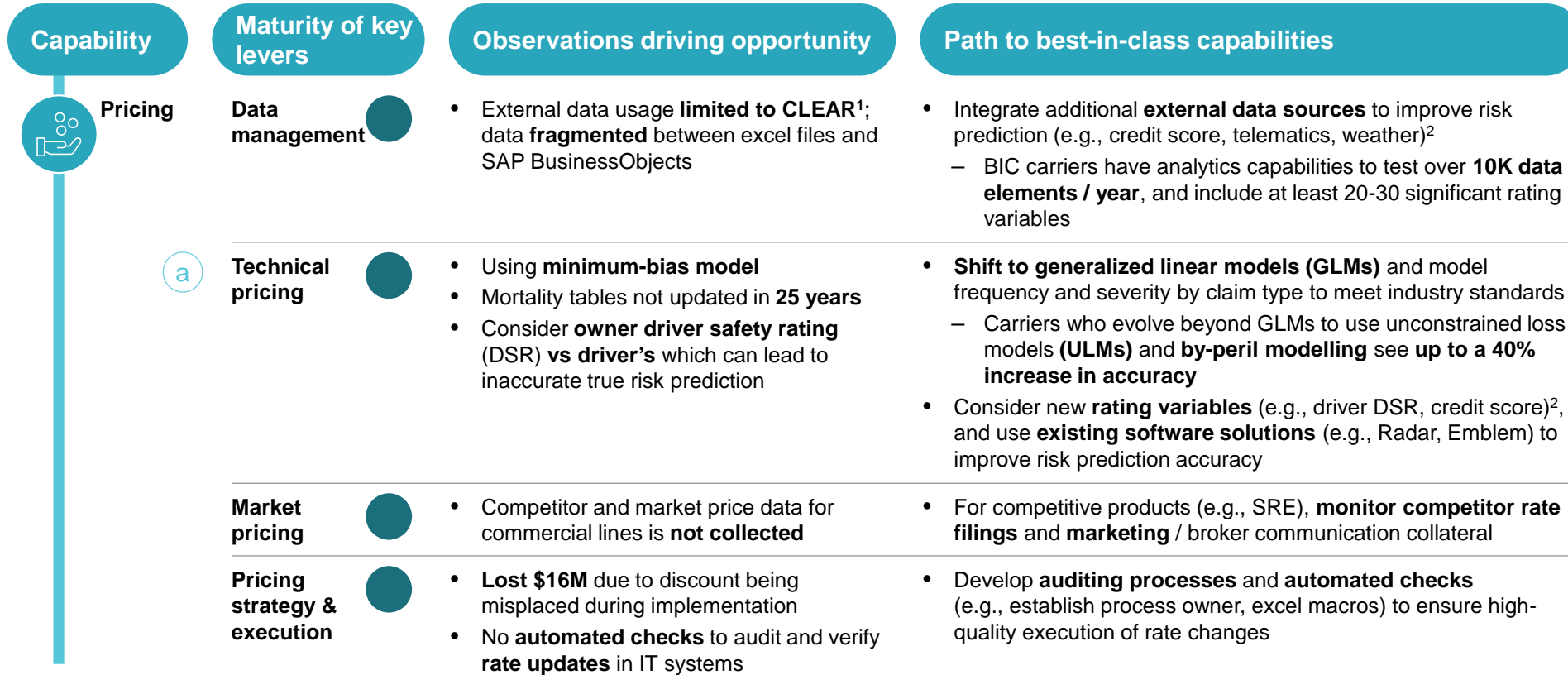
 **Workflow and Processes** (e.g., quote journey and customer experience, speed-to-market for rate adequacy)

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



There is significant opportunity to improve maturity of pricing practices across all areas

● Limited opportunity ● Moderate opportunity ● Significant opportunity | Deep dives to follow



1. Canadian claims database: "Canadian Loss Experience Automobile Rating" (claims loss experience for each make, model and model-year of private passenger vehicle)
 2. Incorporating additional rating factors as allowed by Manitoba province regulations

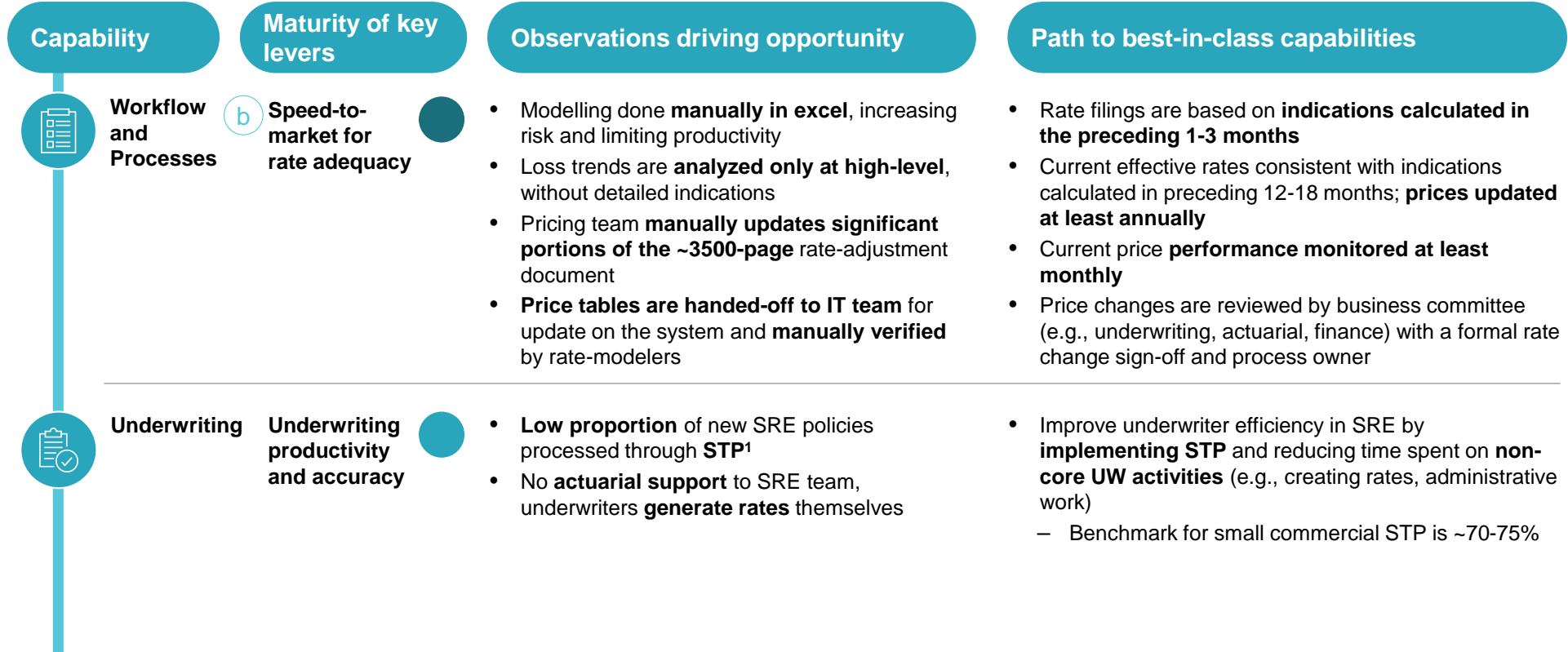
Source: MPI 2023 GRA (General Rate Application)



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




1. Straight-through processing

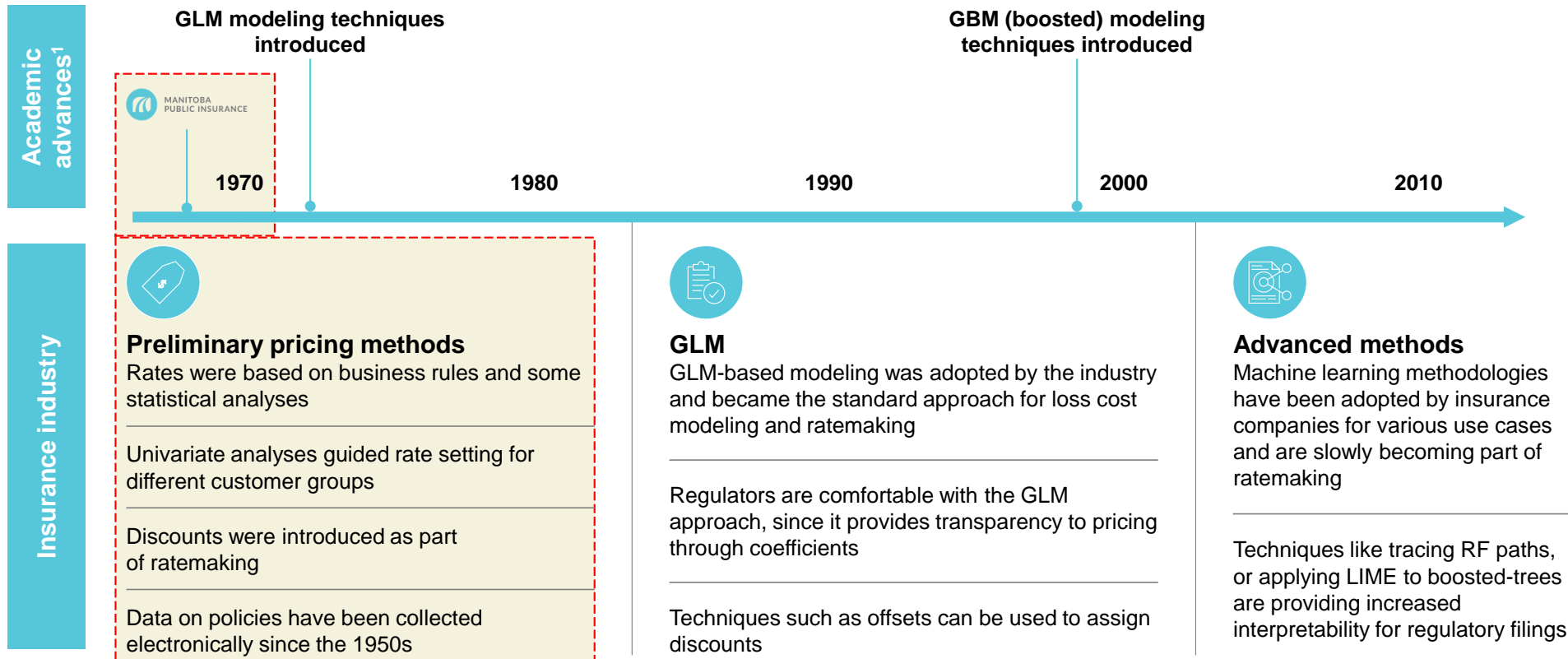
Source: MPI 2023 GRA (General Rate Application)



Actuarial & Underwriting

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

 Where MPI is today



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>



Actuarial & Underwriting

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

DRAFT

Current Rating Variables



Vehicle attributes



Living location



Vehicle usage



Driving record (DSR)

Potential Rating Variables to Consider¹



Credit score



Driving history



Age of youngest driver



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 |
| Weighted Avg. DSR | | +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**

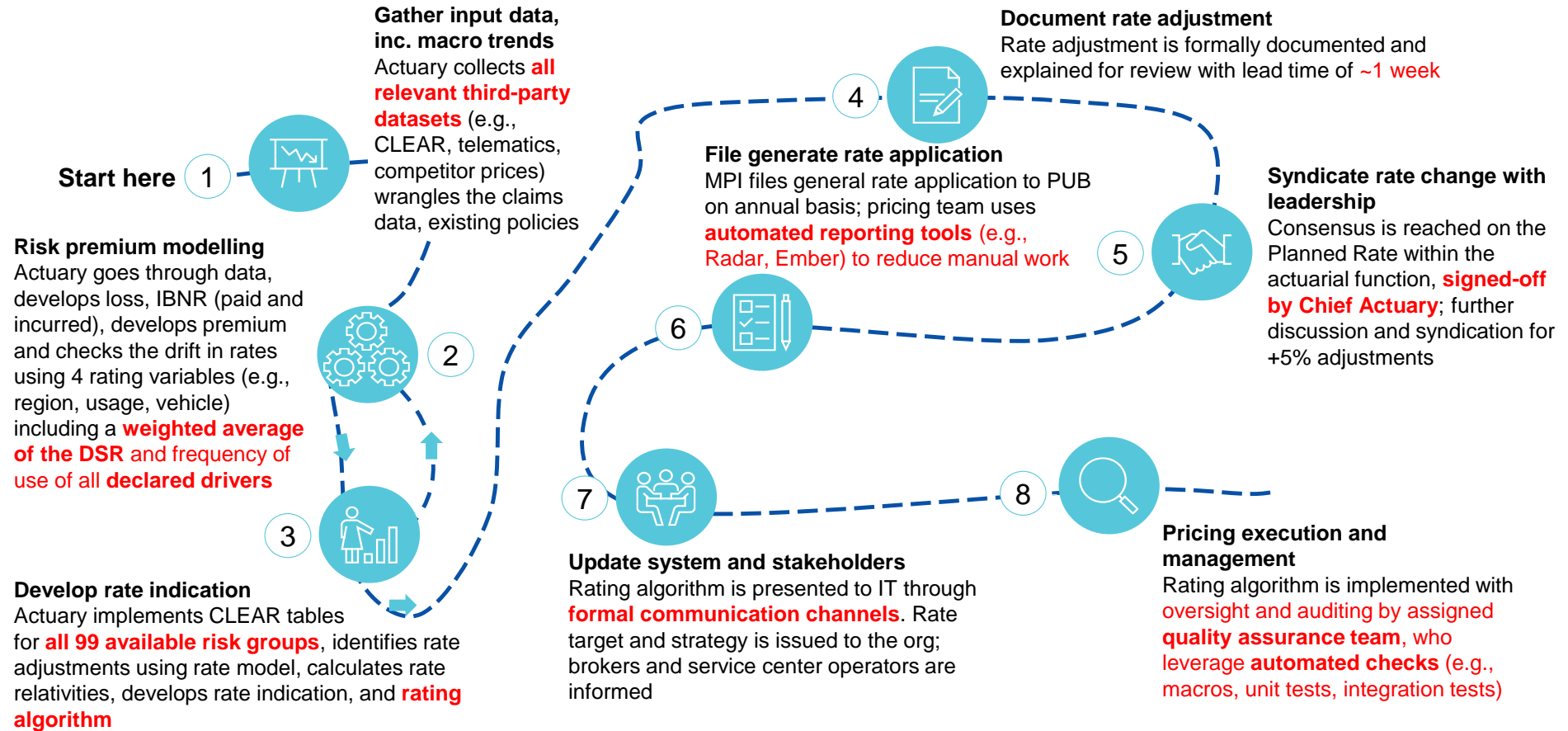
1. To be confirmed with Manitoba regulation on allowable rating variables



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)



Actuarial & Underwriting

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

DRAFT

● Limited opportunity ● Moderate opportunity ● Significant opportunity

| Rating process | MPI current state | Best-in-class | Maturity assessment |
|--|--|---|---------------------|
| 1 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) | ● |
| 2 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 | ● |
| 4 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 | ● |
| 5 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 | ● |
| 6 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” | ● |
| 7 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 | ● |
| 8 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)



Actuarial & Underwriting

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

DRAFT

| Rating process | In-flight Initiatives |
|---|--|
| 1  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 |
| 2  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 |
| 3  Develop rate indication | NA |
| 4  Document rate adjustment | Automated reporting from Radar and Emblem will enable some level of automation for documentation |
| 5  Syndicate rate change with leadership | NA |
| 6  File general rate application | NA |
| 7  Update system and stakeholders | Process for next audit by contractor will be reviewed, documented, and revised |
| 8  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)



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

■ Partially enabled by completion of Nova

01

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

02

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**

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

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



There are multiple opportunities to enhance claims management capabilities

E Customer/employee/broker experience **\$** Financial opportunity **R** 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

- R** 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**
- E** 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)



MPI can enhance its FNOL capabilities with the adoption of digital self-service and streamlining the call process

○ Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow

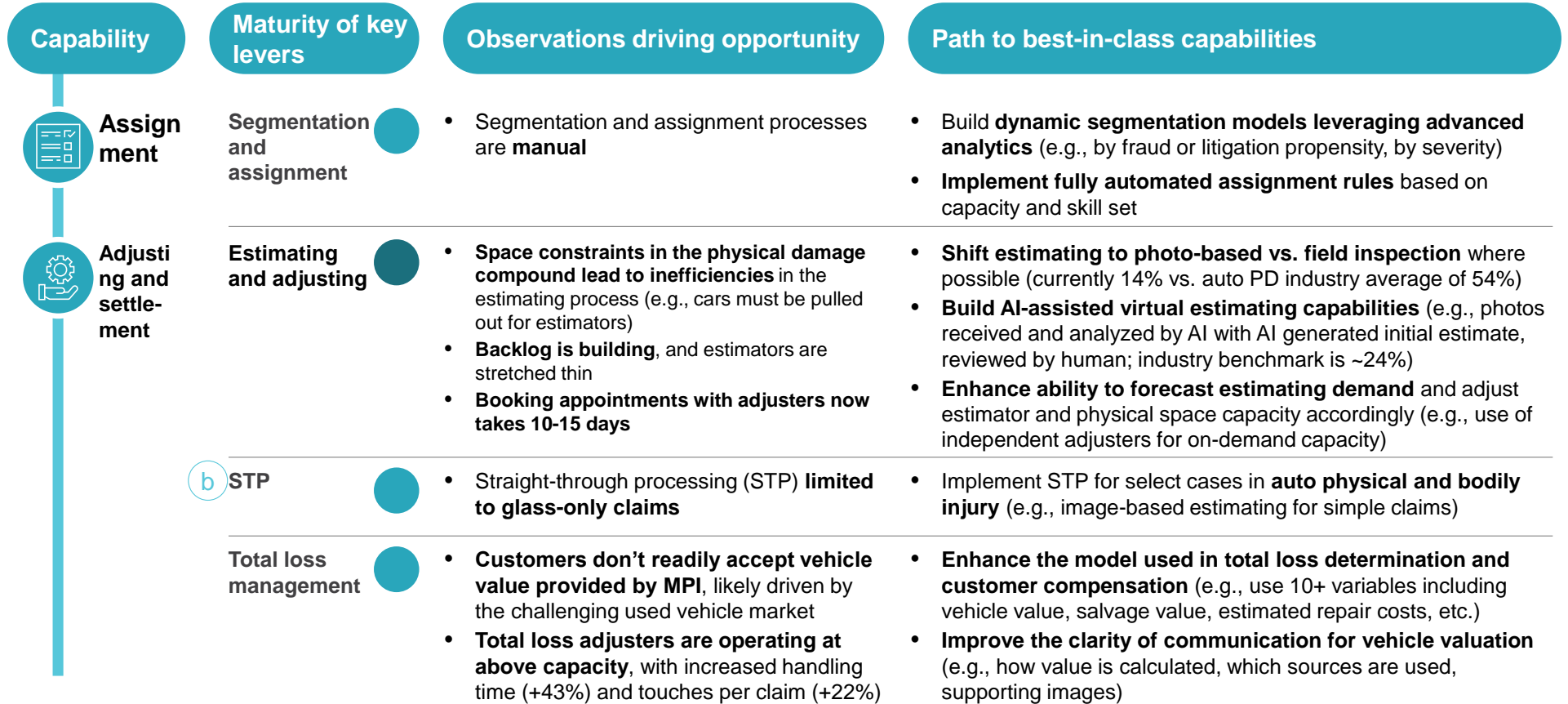


1. Based on interviews, mystery shopping | 2. Percentage calculated by considering the average of calls per quarter of FY2021 (latest full period available)



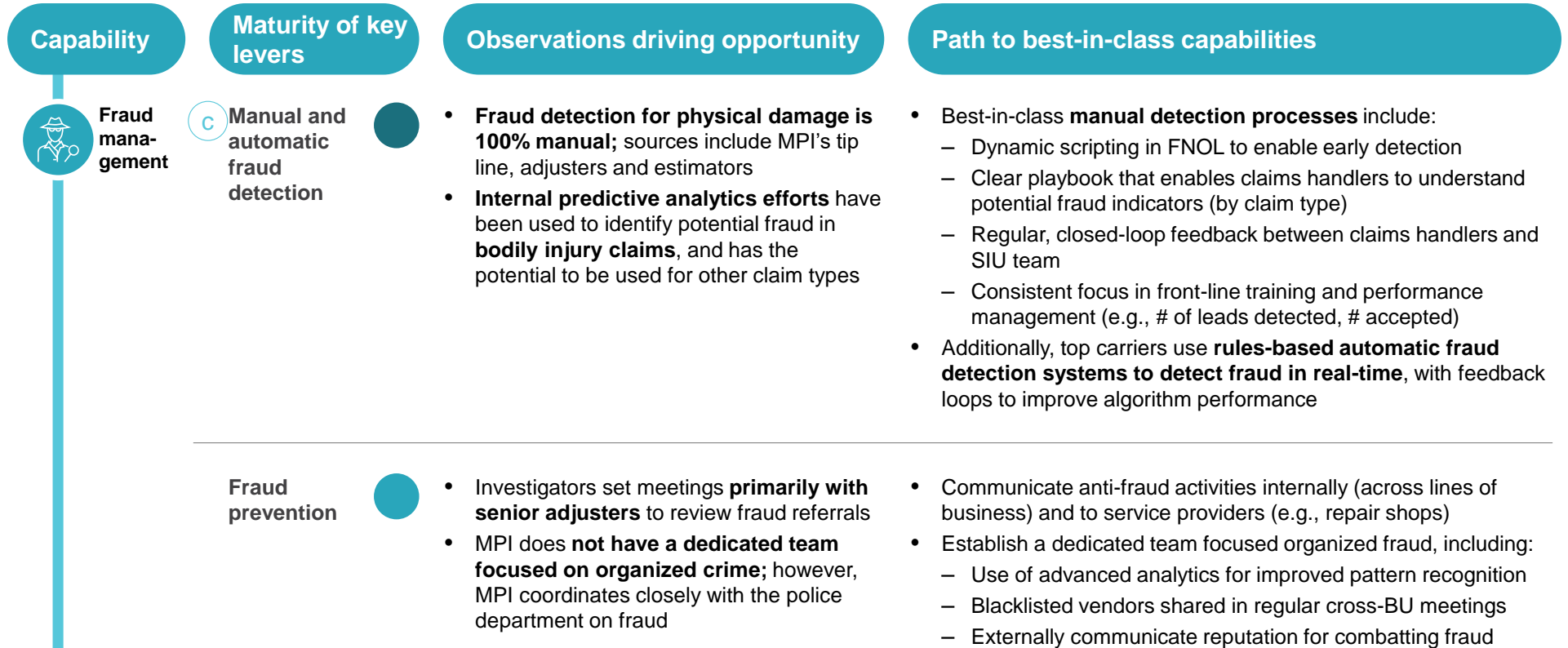
MPI can increase estimating and adjusting efficiency through technology (photo-based estimating, straight through processing, etc.)

● Limited opportunity ● Moderate opportunity ● Significant opportunity | Deep dives to follow



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



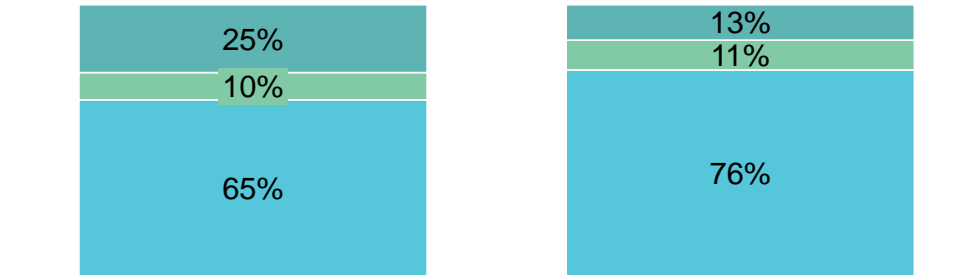
Claims management

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

- Digital channels
- Email or non-digital channel
- Phone call

Claims intake



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

At MPI, 100% of claims intake via phone call

Claims status



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

At MPI, 100% of claims status via phone call

Auto physical damage

Auto bodily injury

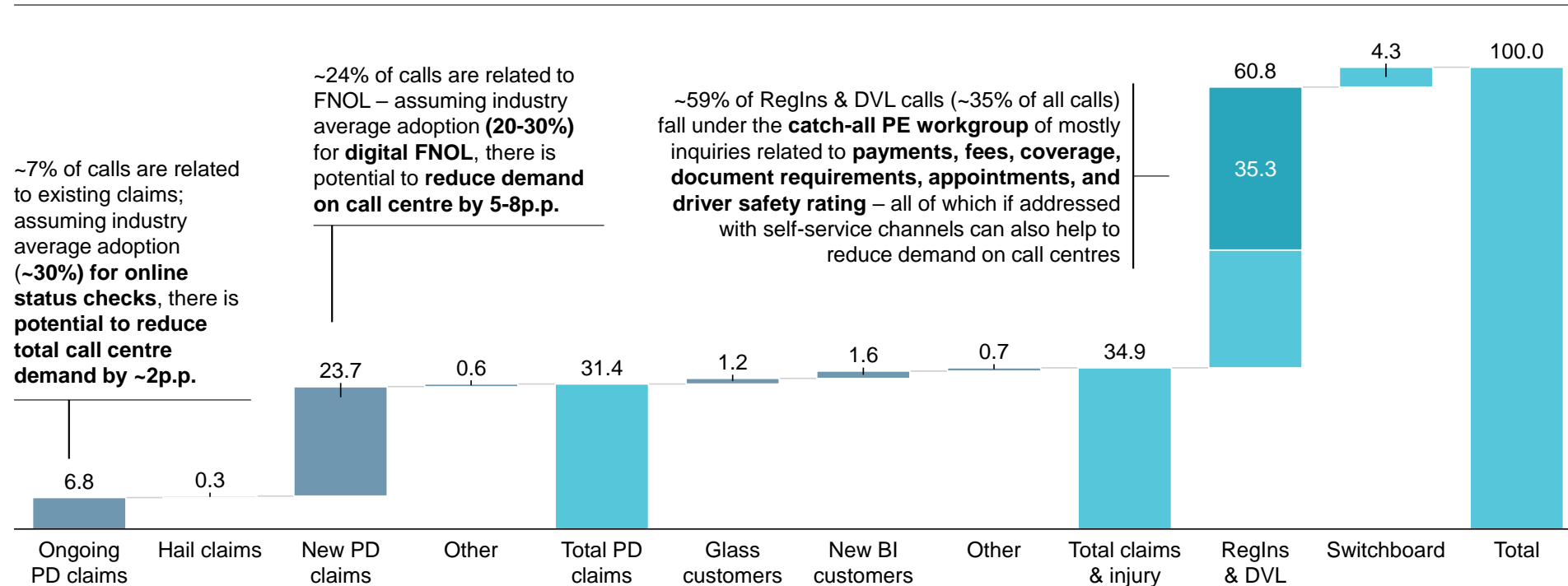
Email or non-digital channel = Email or other non-digital channels (e.g., fax, mail); Digital channel = Website, mobile app, SMS text, or other digital channels (e.g., messaging apps)
Source: Claims 2030 digital benchmark survey conducted in Q1 2022 (N = 12 unique carriers); responses were aggregated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

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Claims management

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, %

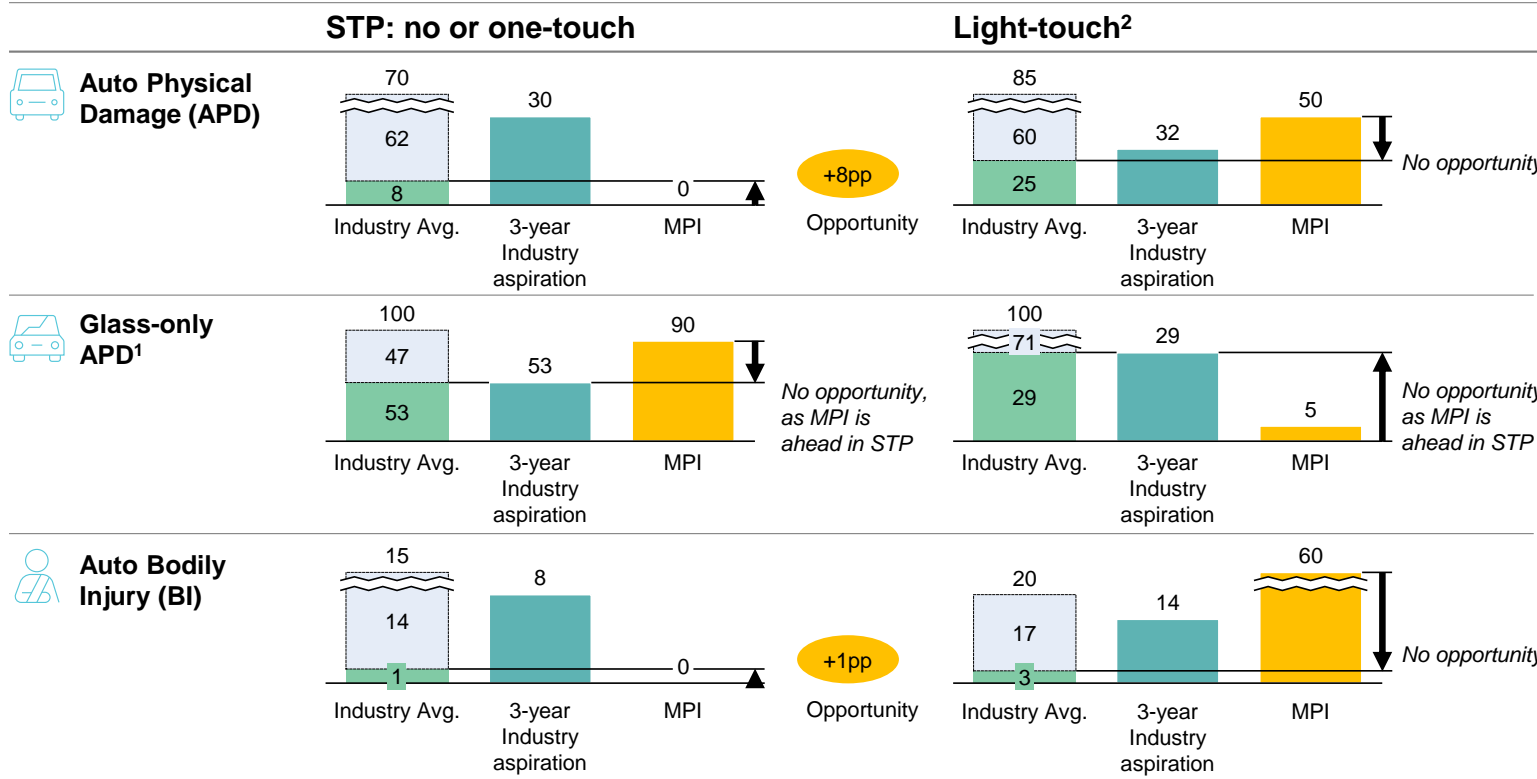


Claims management

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

Claims handled by claim type, % of claims

■ MPI ■ Best-in-class ■ Current industry average ■ Industry 3-year aspiration



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

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

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)

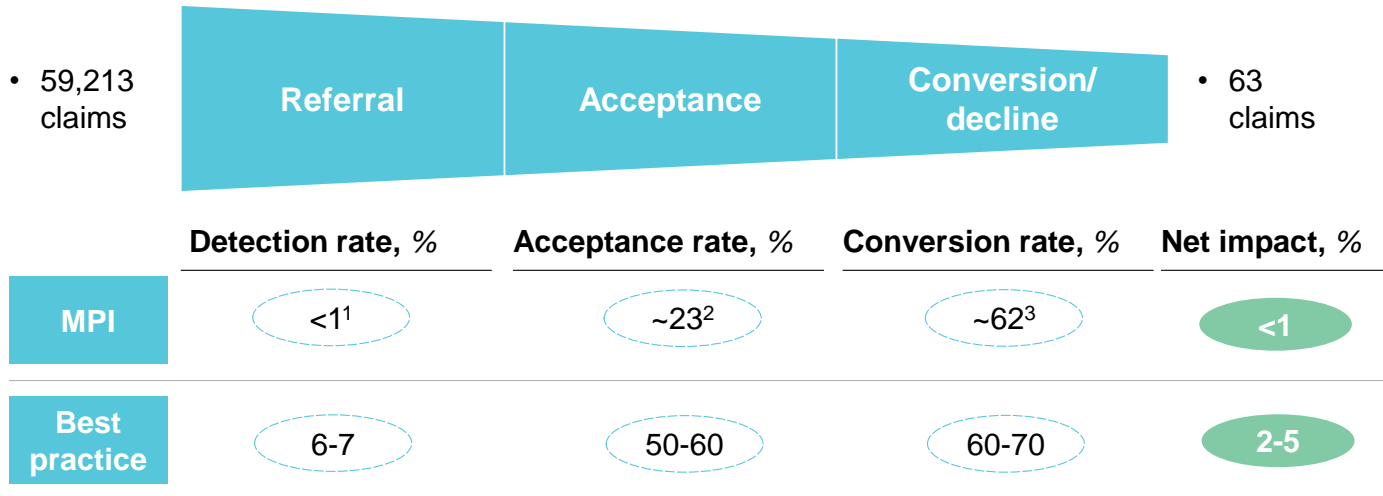


Claims management

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

Period: April – July 2022

Claim type: Physical damage



- 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**

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

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

Source: Special Investigations Unit Annual Report FY2021



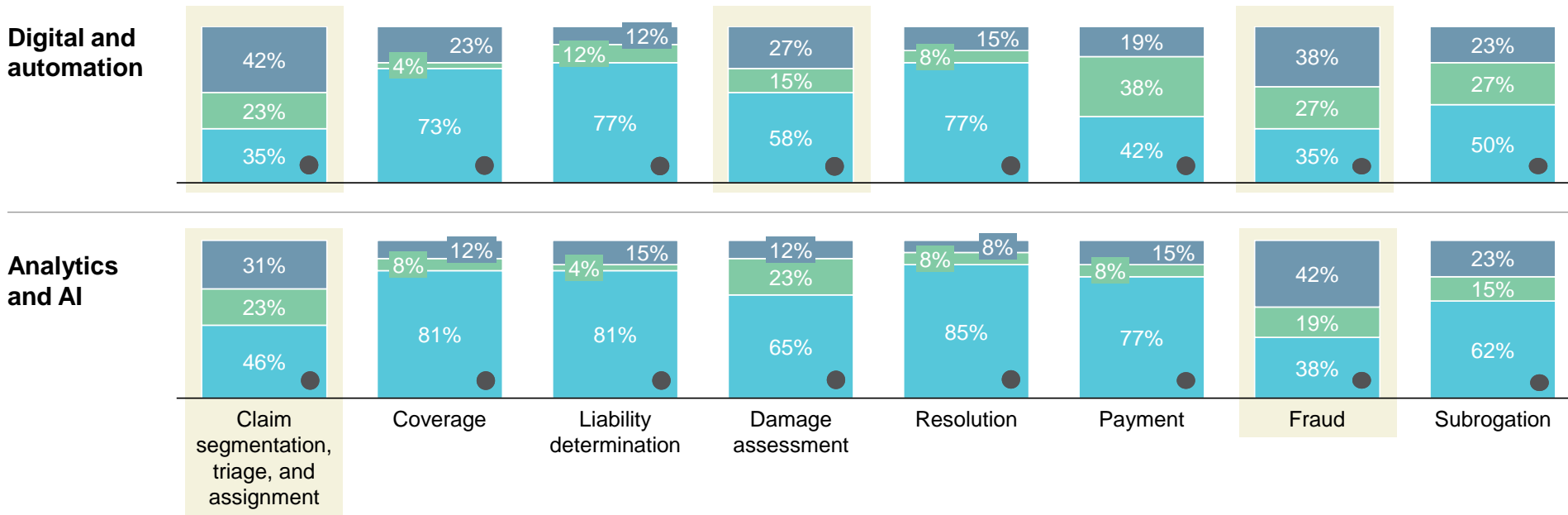
Claims management

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

● MPI's rating Low Moderate High Use cases with biggest tool engagement gaps

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

Question: Automation, digital, and analytics/AI 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?



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

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



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

E Customer/employee/broker experience **\$** Financial opportunity **R** Enterprise risk

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

- R E** MPI is **not meeting customer expectations for policy administration**: 50%+ of customers prefer to interact with MPI online for policy admin tasks. **Continued poor experience** could lead to **public backlash**
- \$** 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, self-service experience)



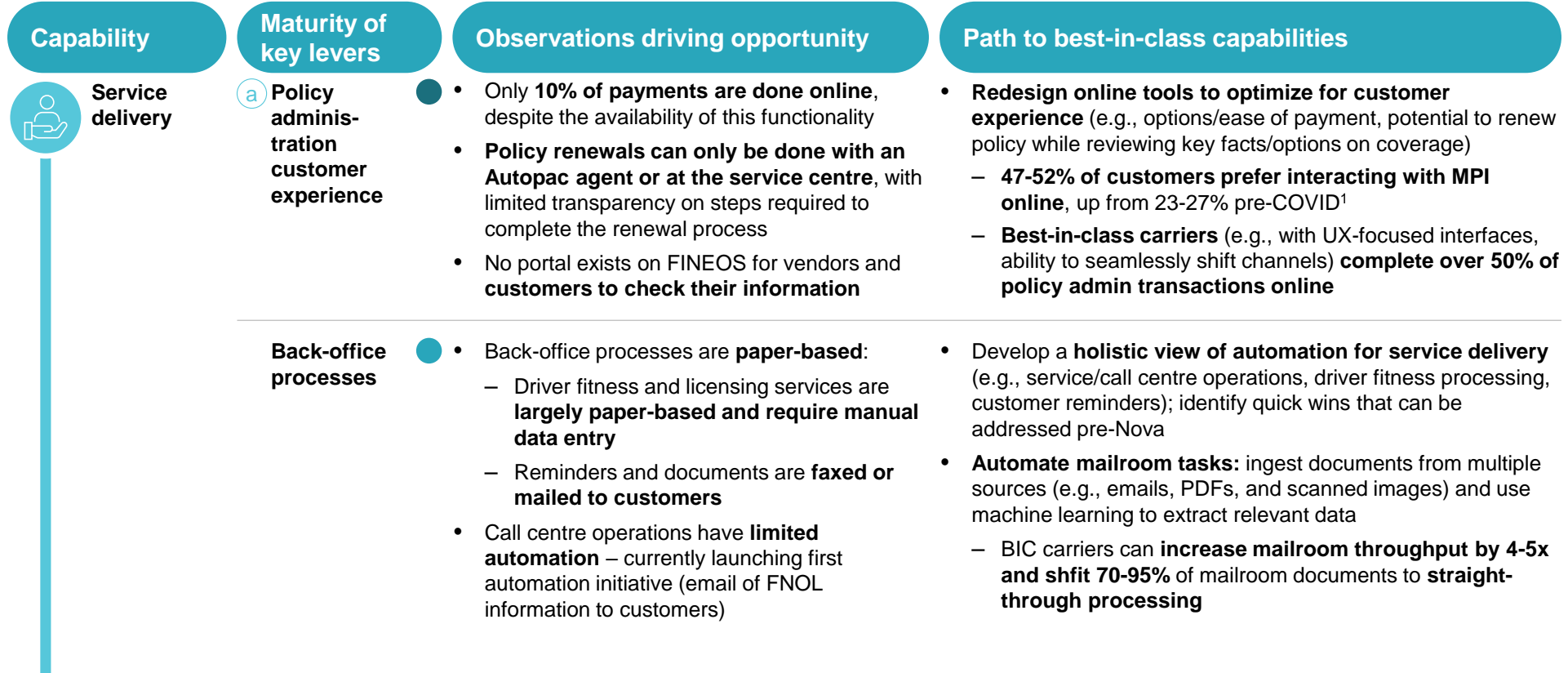
Streamline back-office processes
(E.g., process automation, paperless initiatives, mailroom optimization)



Policy Admin/In-force management

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

○ Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



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



Policy Admin/In-force management

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

| | GEICO Express | geico.com | GEICO Mobile | GEICO Voice |
|--------------------------|---------------|-----------|--------------|-------------|
| Update your policy | ✓ | ✓ | ✓ | |
| Get your ID cards | ✓ | ✓ | ✓ | |
| Pay a bill | ✓ | ✓ | ✓ | |
| Get a quote | | ✓ | ✓ | |
| Report and track a claim | | ✓ | ✓ | |
| Report glass damage | | ✓ | ✓ | |
| Get roadside assistance | | ✓ | ✓ | ✓ |
| Gas finder | | ✓ | ✓ | ✓ |
| Parking Locator | | | ✓ | |
| Virtual Assistant | | | ✓ | |
| Vehicle Care | | | ✓ | |
| Easy Photo Estimate | | | ✓ | |
| Find a Ride | | | ✓ | |

No login required express journeys highlighted on home page

No Login Required

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Policy

- Add Drivers
- Add or Change Vehicles
- Get Proof of Insurance

Manage this policy

- Vehicles
- Drivers
- Coverages
- Account History
- Policy Documents
- Vehicle Care (Powered by CARFAX)
- View Discounts

Policy | Billing | Dashboard | Claims | Featured



Policy Admin/In-force management

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



Finance

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

E Customer/employee/broker experience **\$** Financial opportunity **R** Enterprise risk

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)

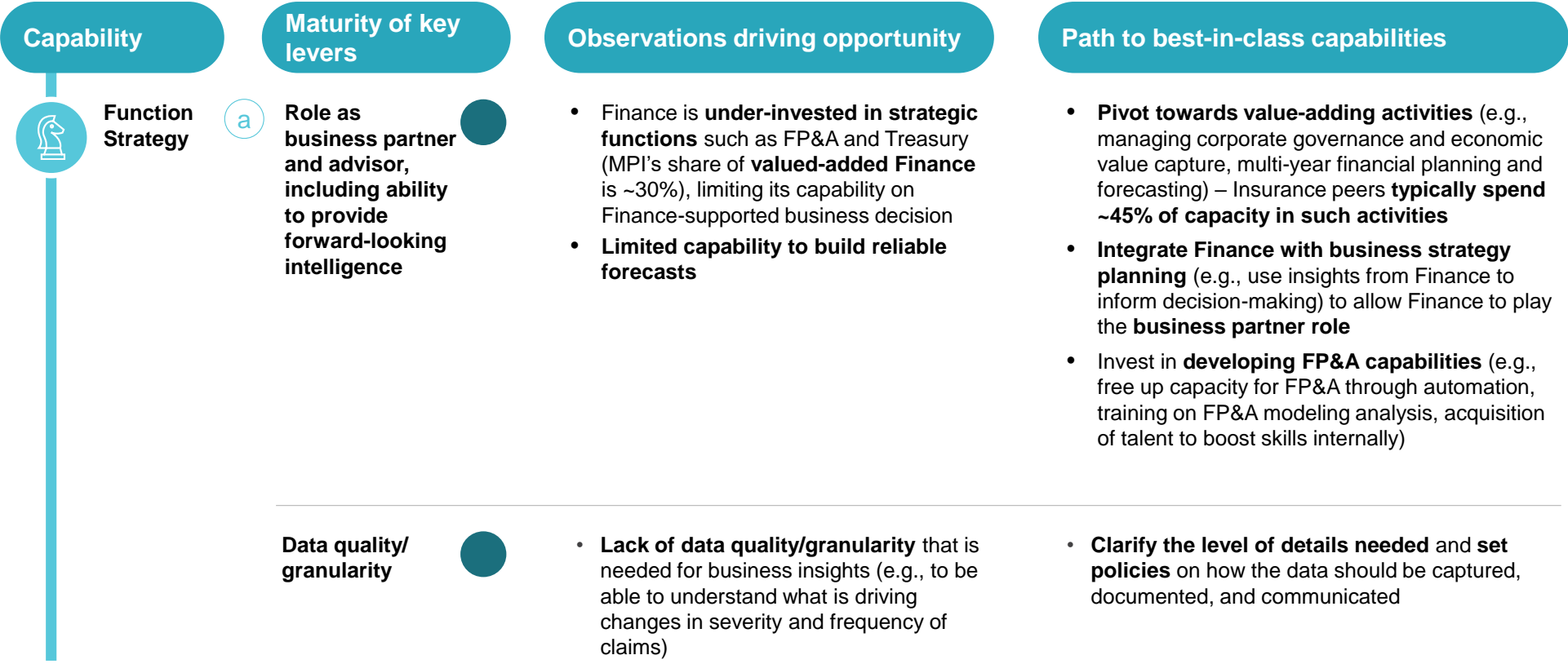


Talent (e.g., business acumen)



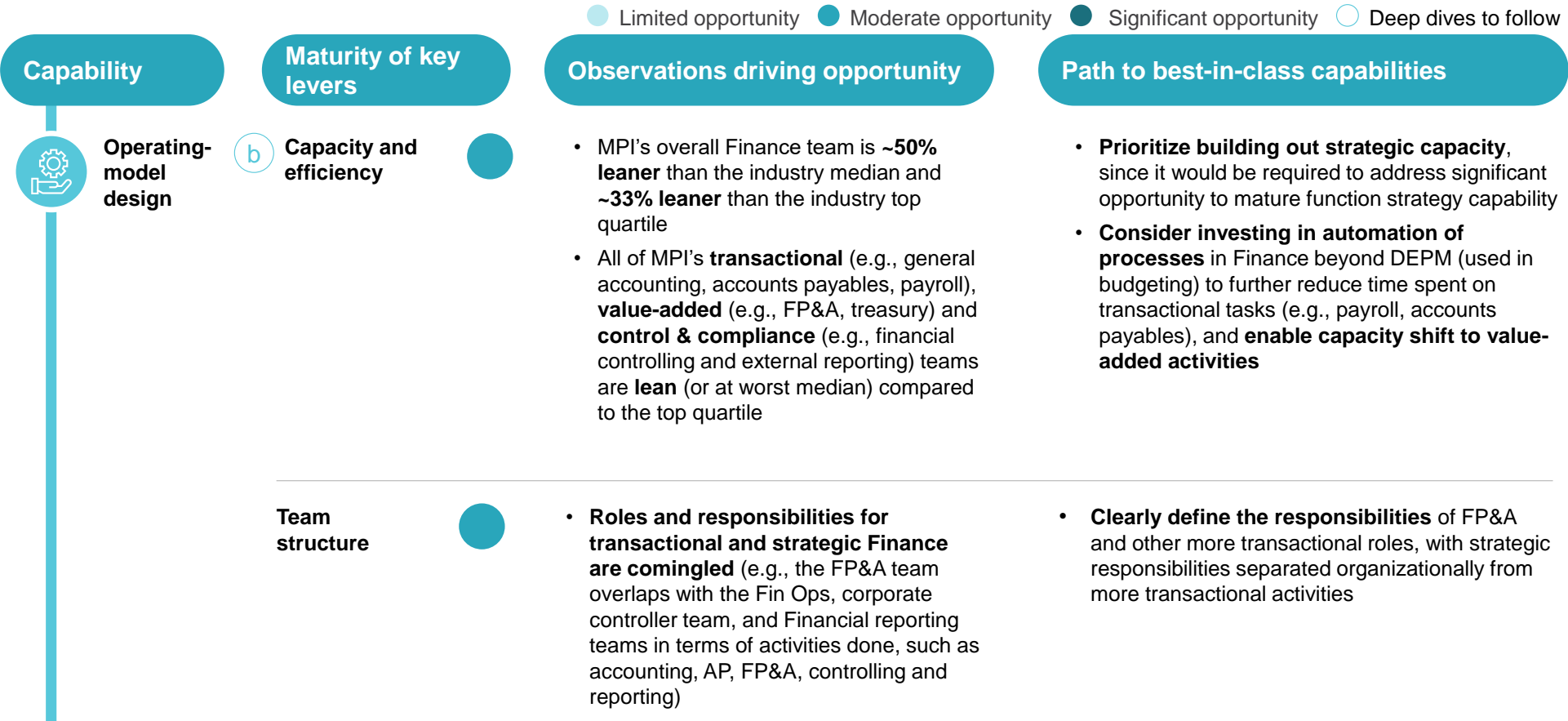
There is significant opportunity to improve Finance’s ability to partner strategically with the business and provide forward-looking intelligence

● Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



Finance

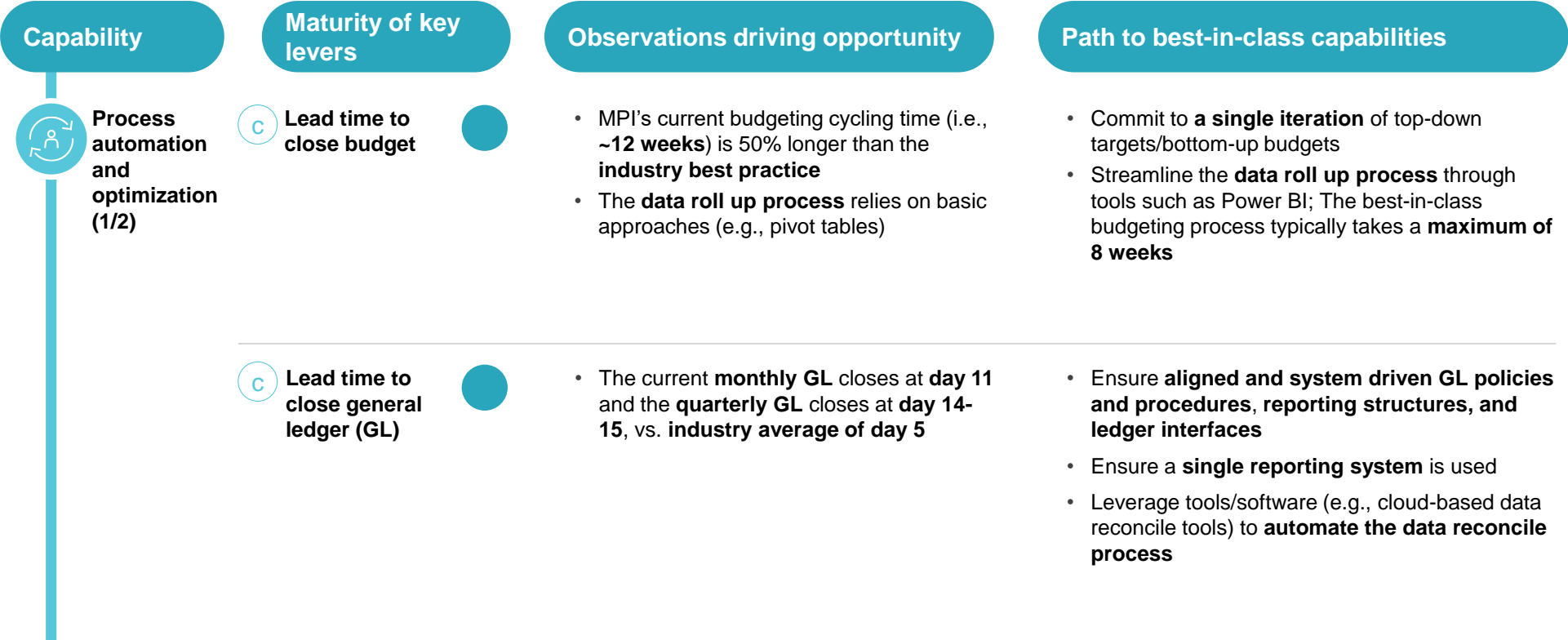
There is moderate opportunity to improve Finance’s operating model



Finance

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

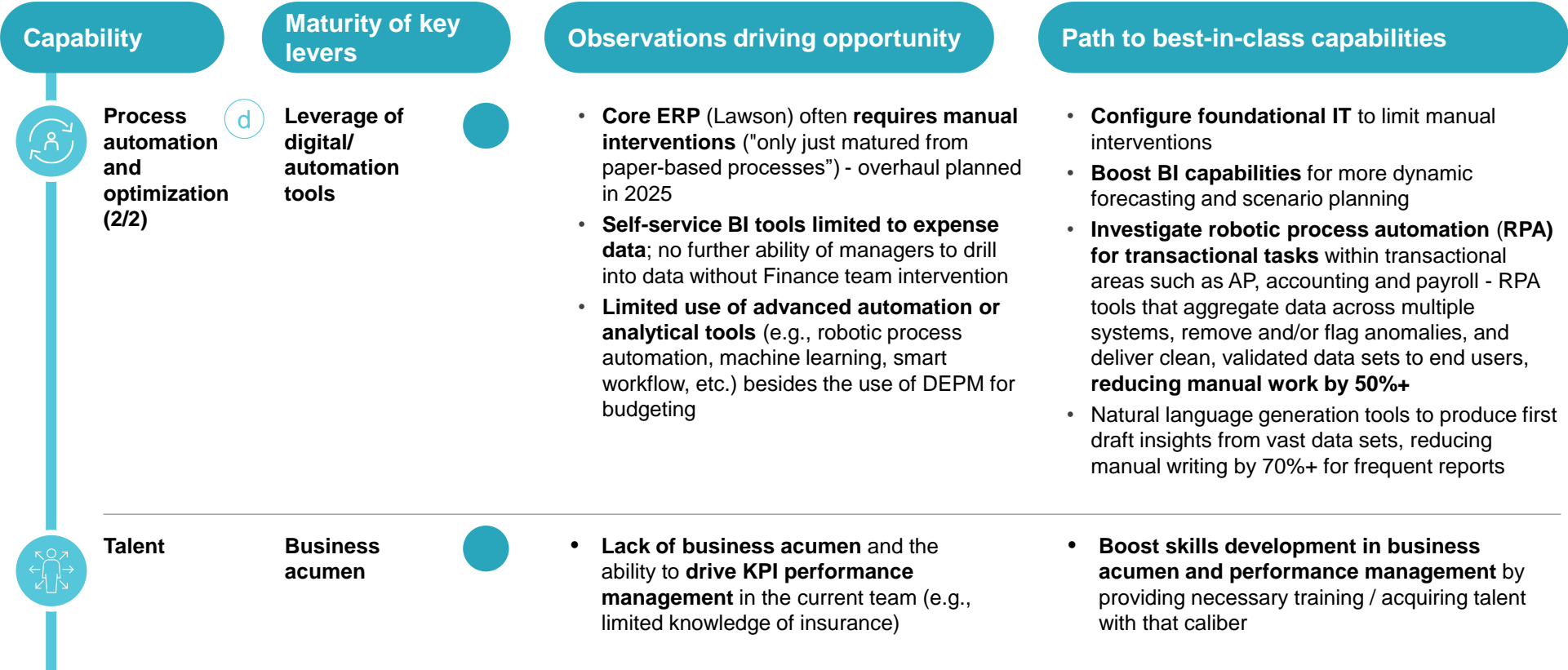
● Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



Finance

There is moderate opportunity to improve the level of automation and Finance team insurance acumen

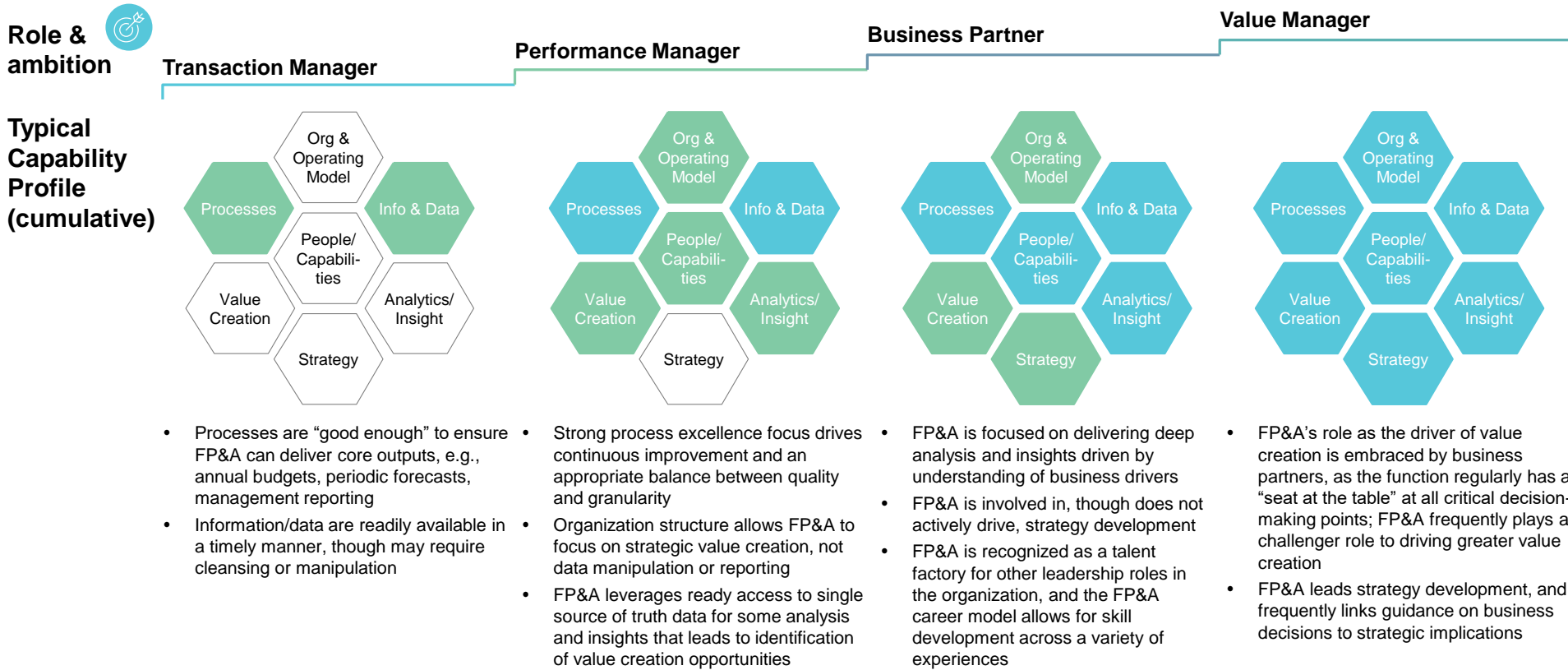
● Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



Finance

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

● Distinctive capabilities ● Capabilities "at the bar" ◻ Limited capabilities










Where MPI is today



Finance

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

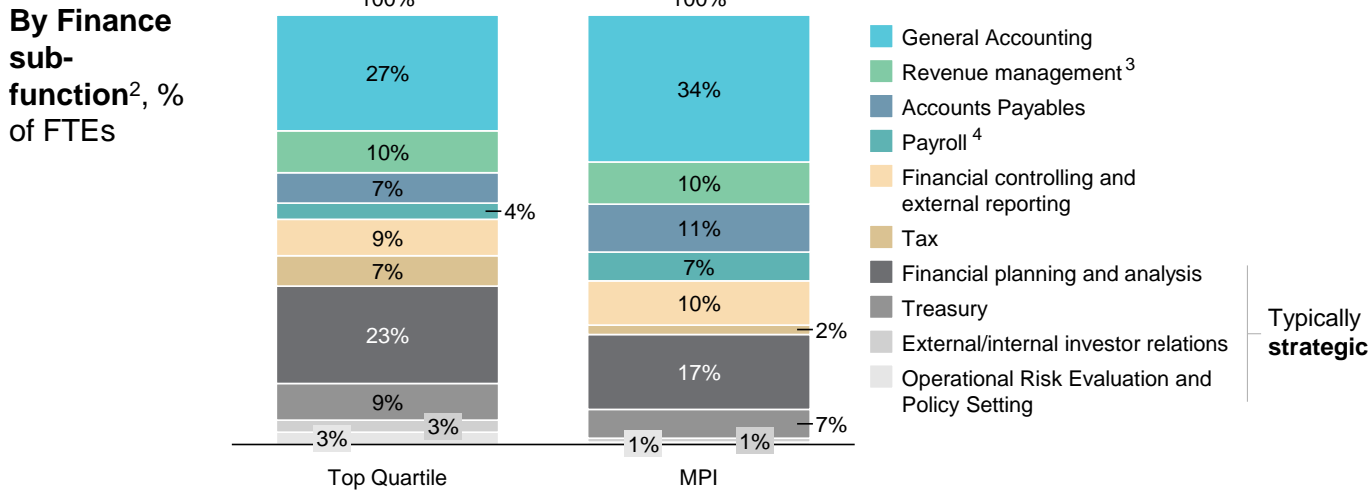
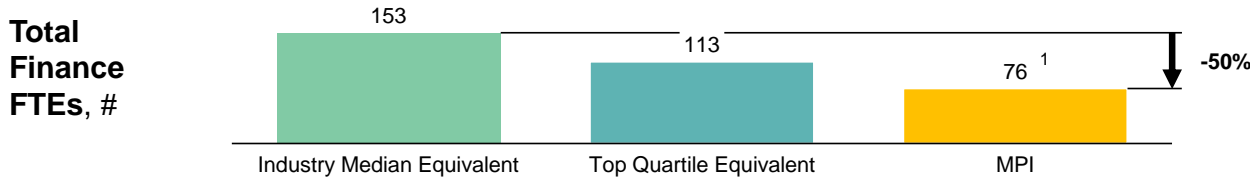
| | Impact levers | Examples that we've seen |
|--|--|--|
|  Org & Operating model | <ul style="list-style-type: none"> Clearly define FP&A role in the organization, distinct from Accounting Drive decision making based on holistic view of the business and insightful analysis | <ul style="list-style-type: none"> Clearly separated different FP&A tasks: centralized forecasting CoE, SSC for routine report generation, corporate FP&A focused entirely on decision support |
|  Information/ data | <ul style="list-style-type: none"> Provide easily available, standardized and timely information as the 'single source of truth' in the organization Provide root cause drill downs and 'double clicks' | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Provide clear-cut value-added insight into leading indicators, business scenarios and integration of historical and forecasts | <ul style="list-style-type: none"> Standardized and intuitive KPIs to track and benchmark performance Monthly review discussions focused exclusively on 'why' and 'next steps' rather than the 'what' |
|  Strategy | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Communicate value-creation framework externally and evangelize internally Improve corporate performance through initiative setting and holistic capital allocation | <ul style="list-style-type: none"> FP&A benchmarks and reviews all investments using a matrix of high growth market vs internal project performance |
|  People | <ul style="list-style-type: none"> Provide a platform for attracting and retaining high performing talent Institute programs for upskilling and mobilizing finance talent across the organization | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Implement lean and effective planning, budgeting and forecasting processes based on strong business fundamentals | <ul style="list-style-type: none"> Rolling forecast implemented to complement a leaner budgeting cycle for greater accuracy and shorter turnaround |



Finance

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

Finance FTEs



1. 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

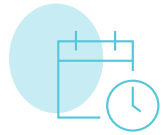
- Understaffing in FP&A is the largest driver (17% vs. 23%, ~13 FTEs short of top-quartile staffing)

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

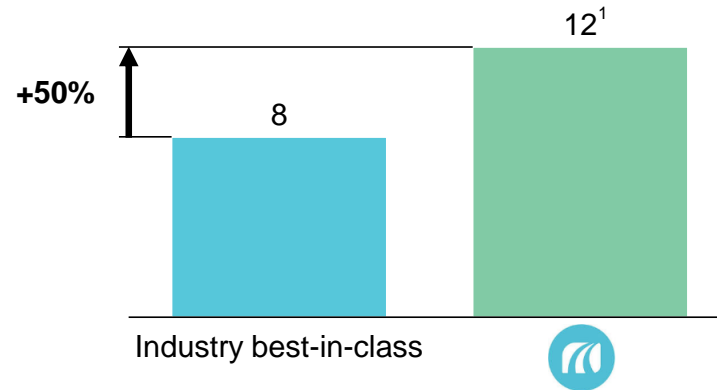


Finance

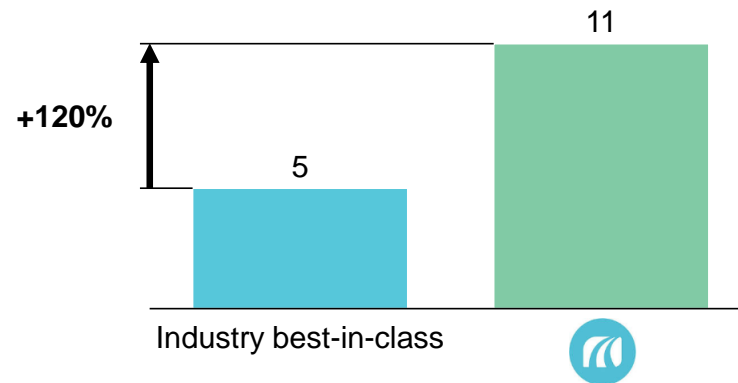
c. MPI's budget cycling time and lead time to close GL are longer than industry best practices



Lead time to close budget (in weeks)



Lead time to close monthly general ledger (GL) (in days)



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-in-class**

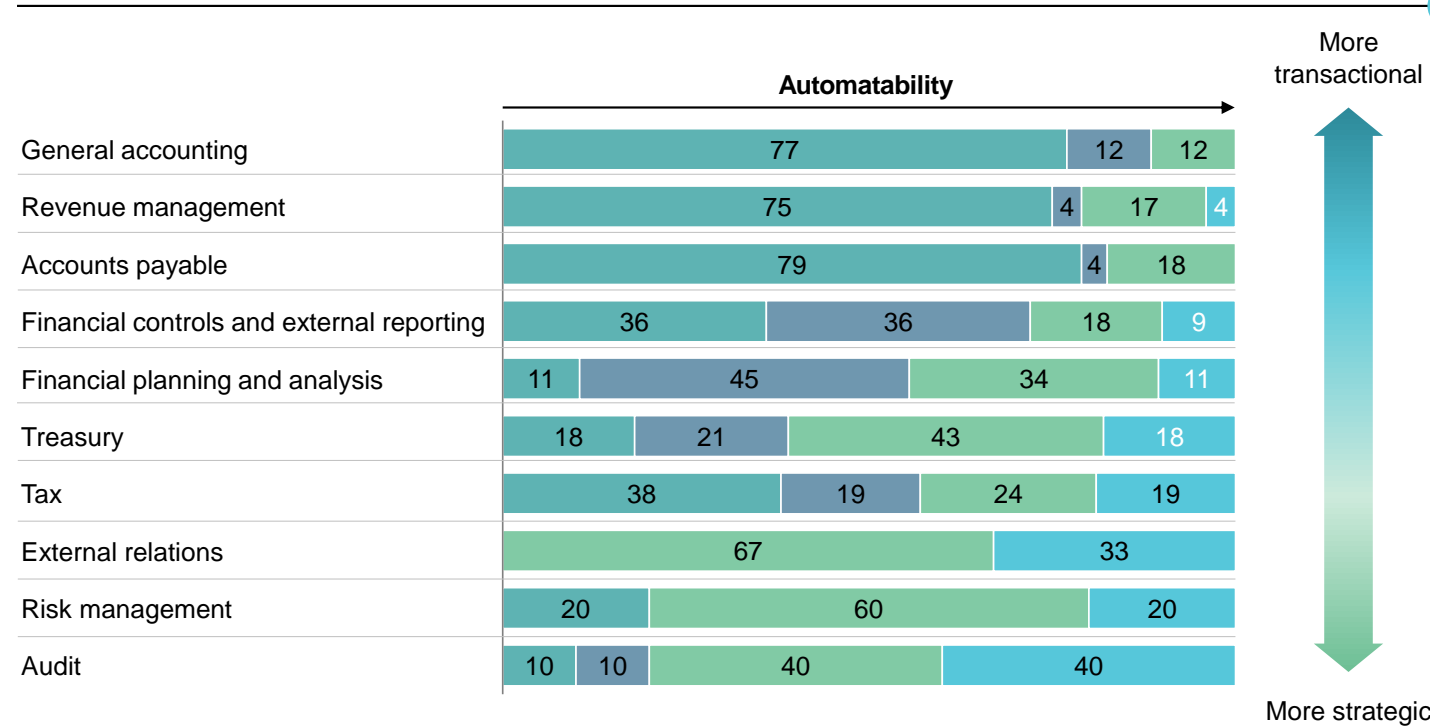


Finance

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

■ Fully automatable ■ Highly automatable ■ Somewhat automatable ■ Difficult to do

Potential for Finance function automation¹ using demonstrated technologies, Percent²



Automation examples²

- Invoice scanning as fully automated process
- Fully automated cash disbursement IT system
- Automated dashboards allow daily KPI observation
- External reporting uses automated report production system
- Financial planning benefits from automated dashboards
- Partially automated global tax system suggests preferred tax scenarios
- Automated day-to-day budget evaluation supports treasury function
- AI capabilities support risk evaluation from KPI trends
- Efficient auditing through on demand data access

1. Actual capture level varies depending on cost-benefit analysis (e.g., infrequent, fragmented manual tasks might cost more to automate)
2. Figures may not sum to 100 because of rounding, 2 Examples not exhaustive

Source: Global Institute analysis



Risk

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

Customer/employee/broker experience Financial opportunity Enterprise risk

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

Evolving 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)

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)

Risk

What does ERM maturity look like?

NON-EXHAUSTIVE

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.

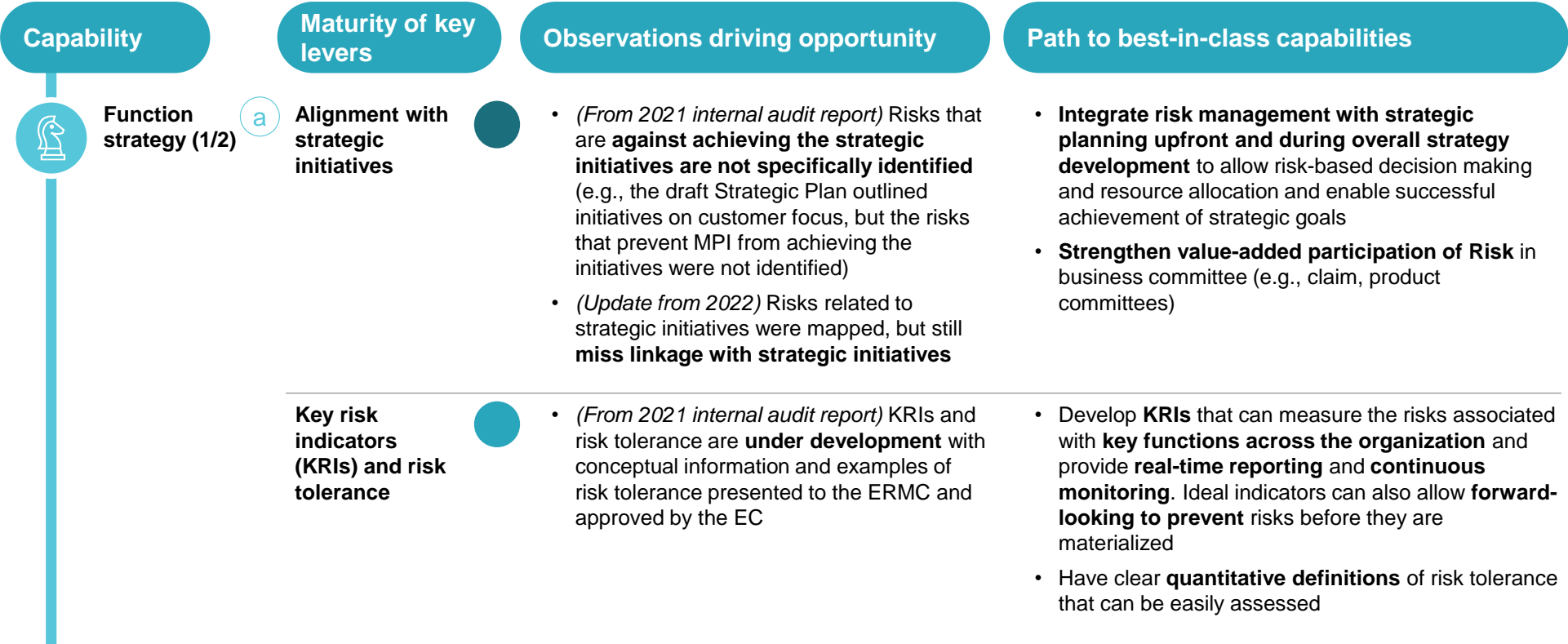
- Chief Executive of a large North America Insurer



Risk

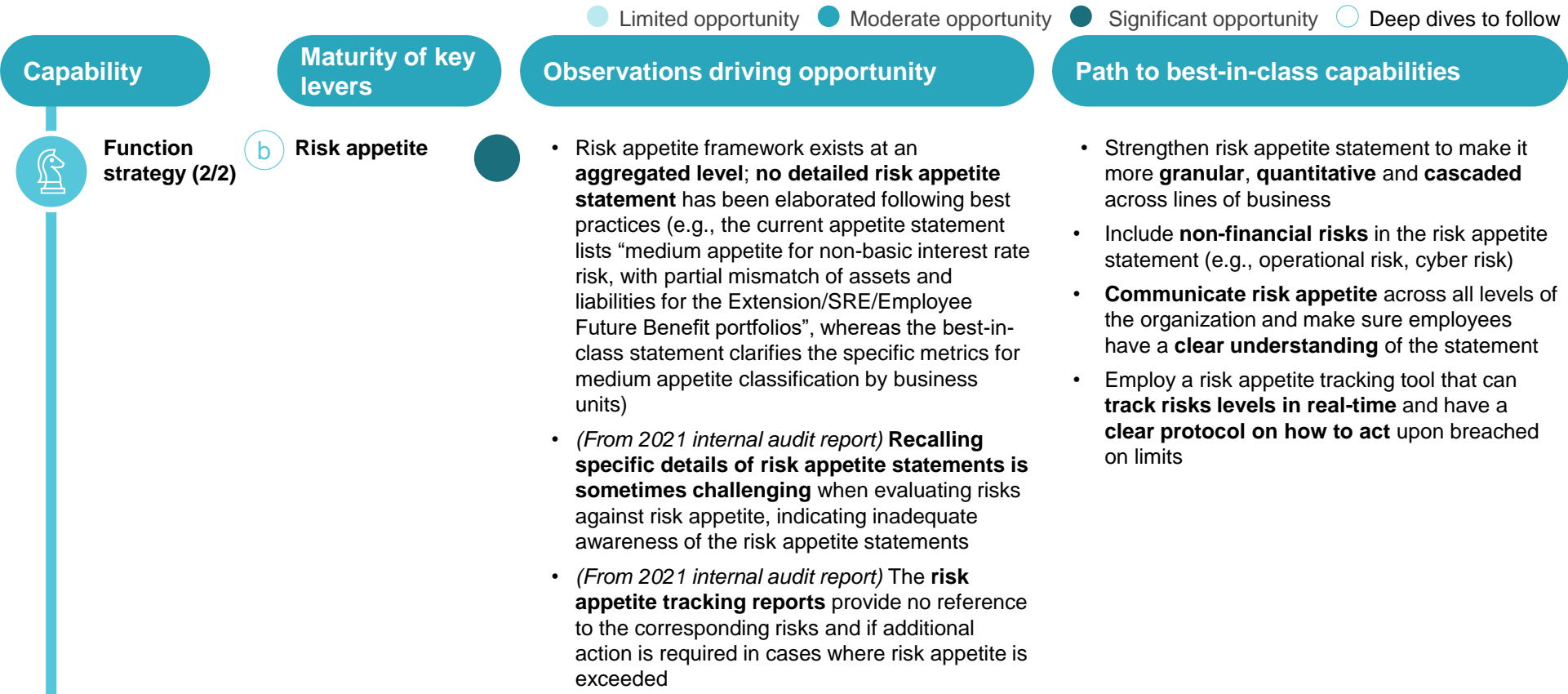
There is a significant opportunity to identify risks against each strategic initiative

● Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



Risk

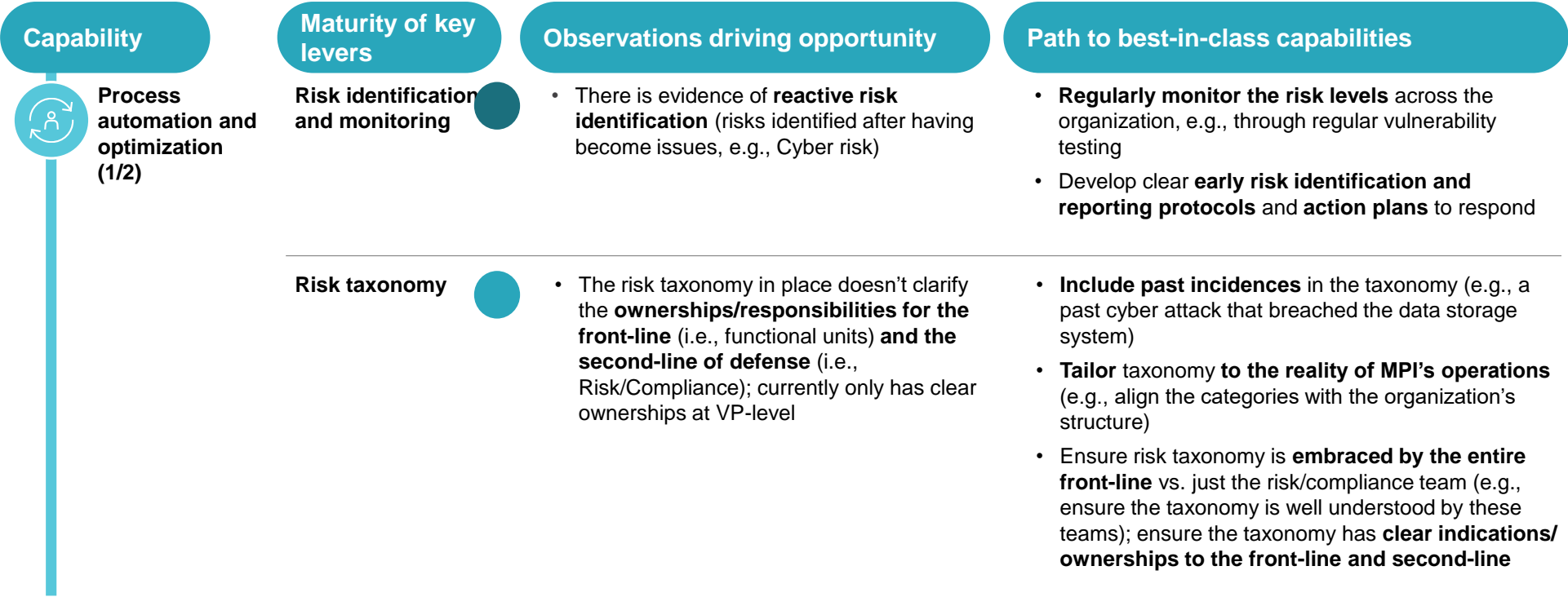
There is significant opportunity to mature the risk appetite statement



Risk

There is significant opportunity to improve risk identification and monitoring

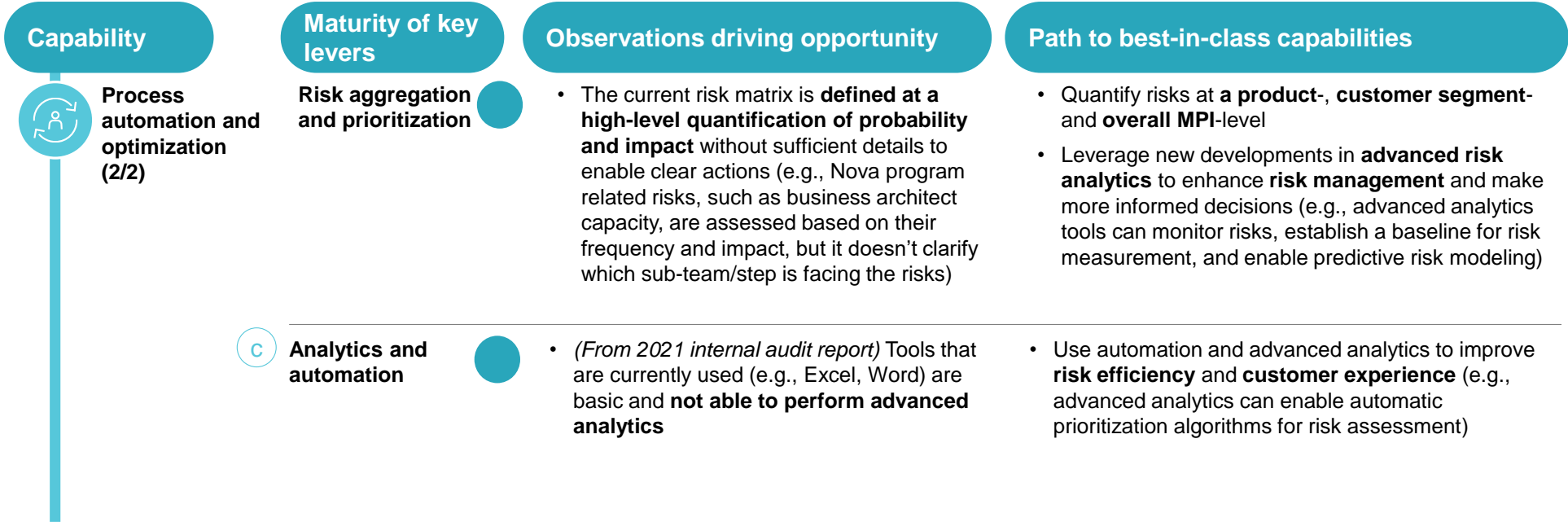
● Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



Risk

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

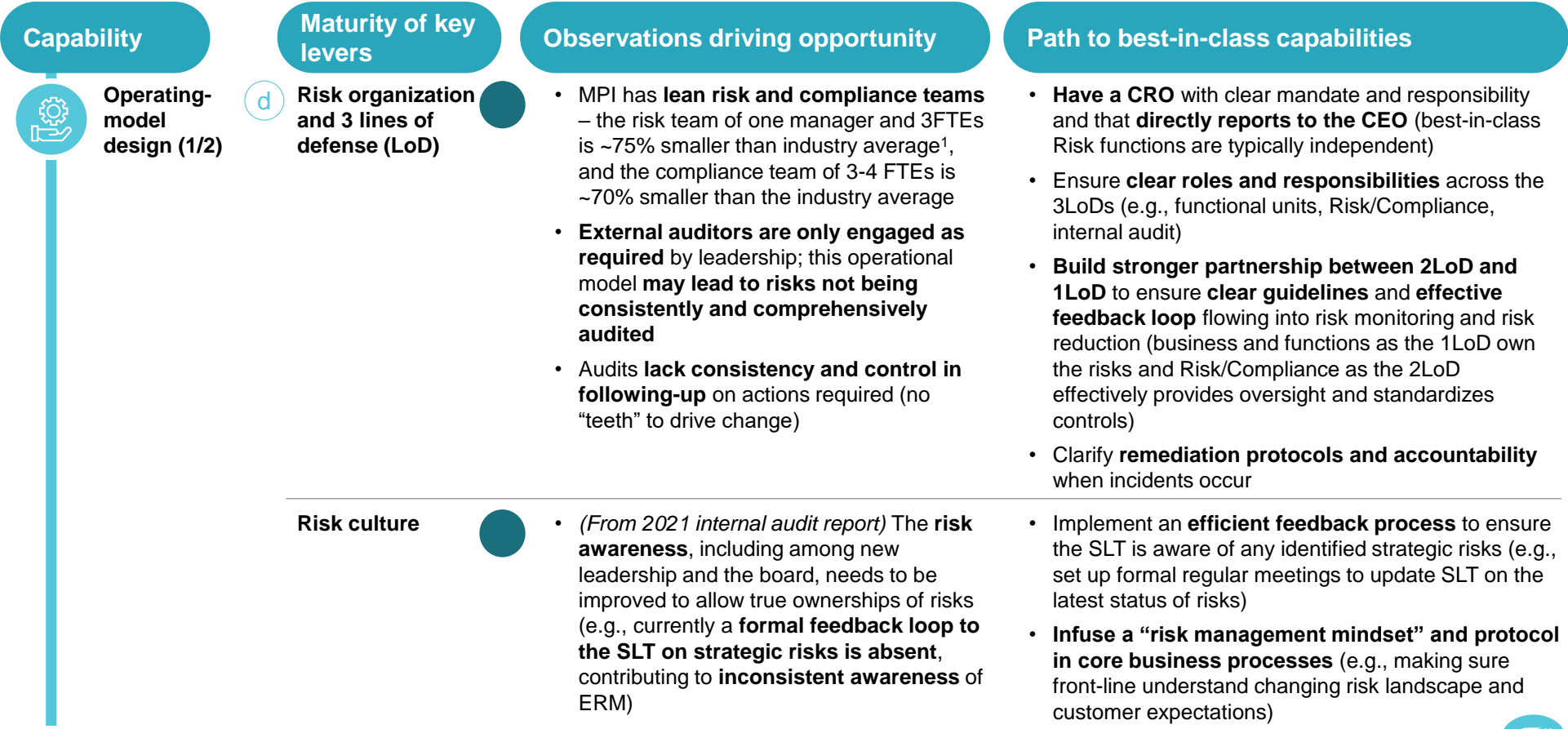
● Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



Risk

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

● Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



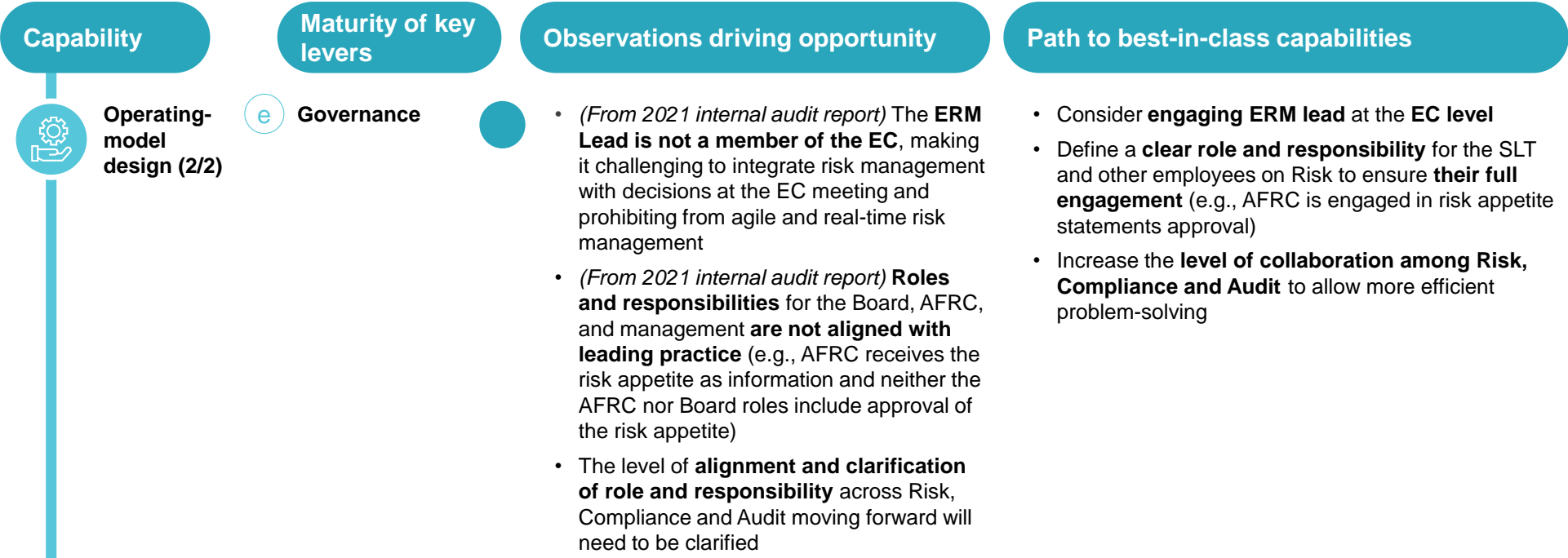
1. The industry average is calculated using the # of Risk and Compliance FTEs in insurance organizations with <5,000 total FTEs; Refer to “d” for details



Risk

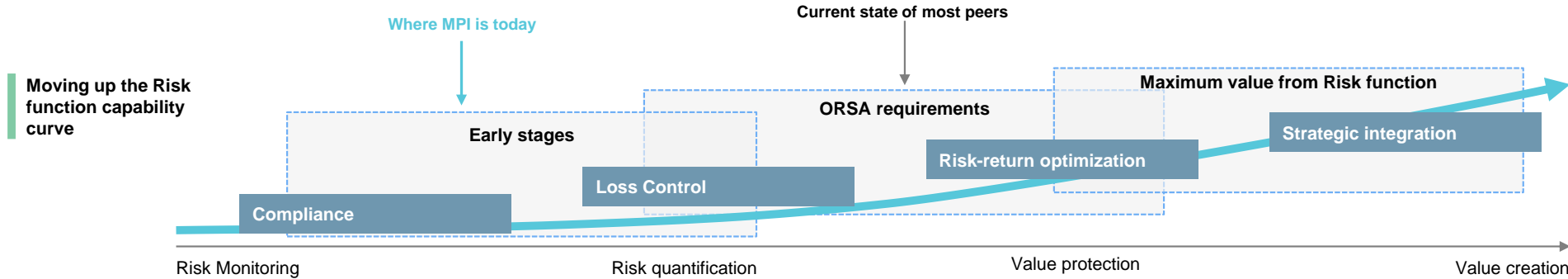
There is moderate opportunity to improve risk governance at MPI

● Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



Risk

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



Risk capability and contribution level to overall strategy

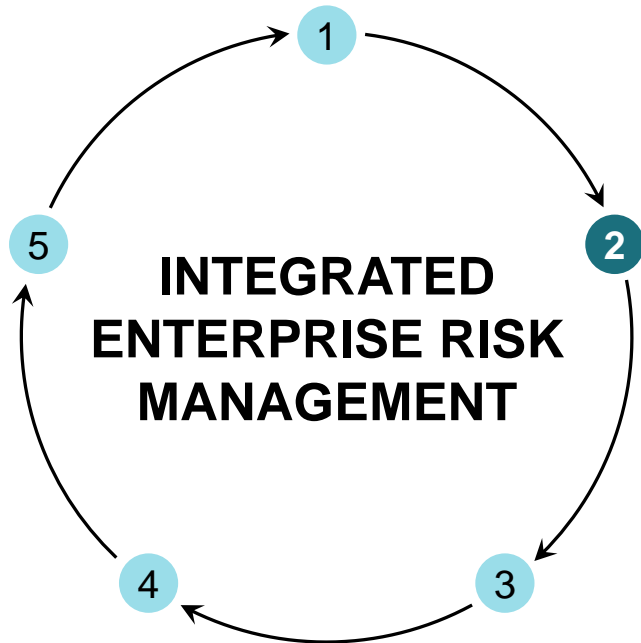
| | | | |
|---|--|---|---|
| Risk function role/ mindset | Reactive on incidents and new regulations | Proactive identification of potential issues Challenges common practices Ongoing dialogue with front-line | Adding core value to strategic and operational decisions, sought after thought partner to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



Risk

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?

Risk

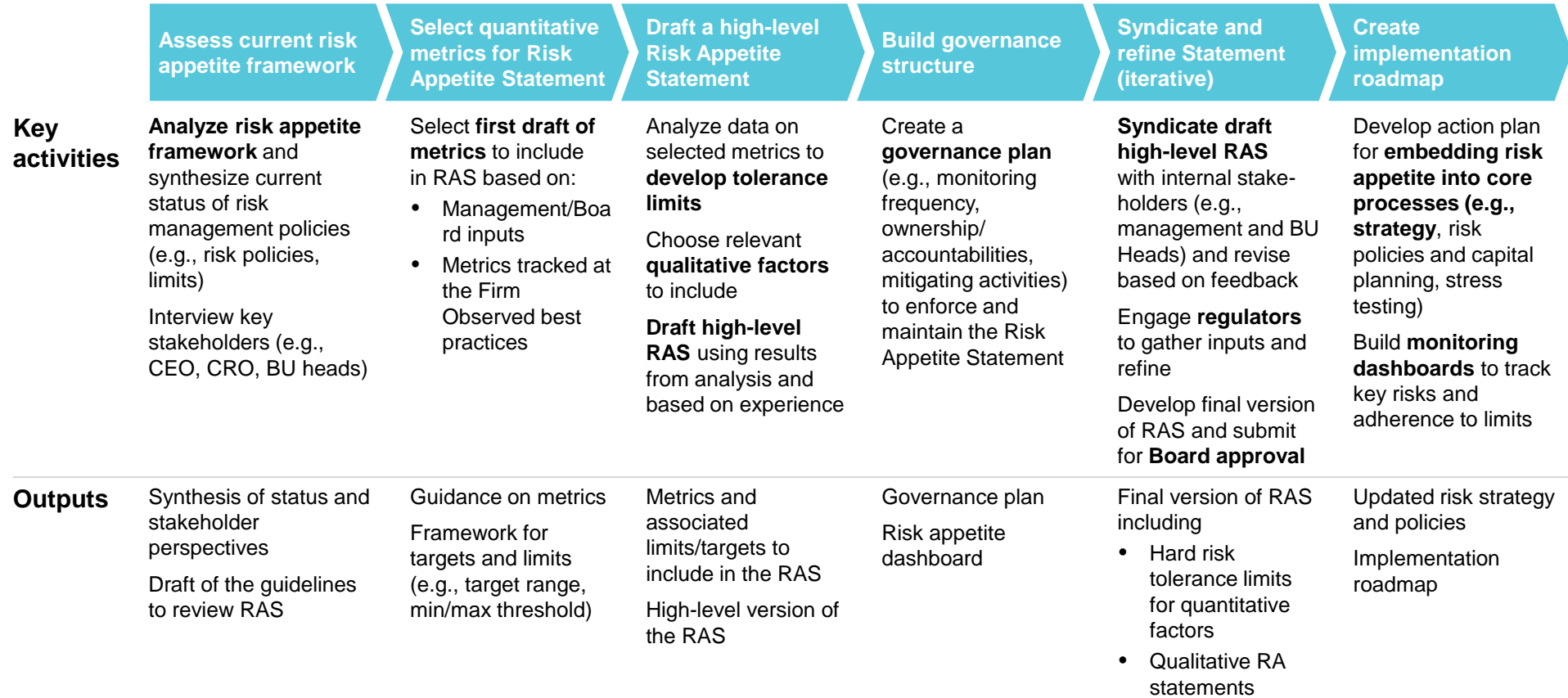
b2. Overview of risk appetite framework components

| | | |
|--|--|--|
| Enterprise-wide risk appetite statement | Enterprise appetite | <ul style="list-style-type: none"> 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 |
| | Risk-type appetite | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Risk profile is continuously monitored vs Board’s desired risk appetite; holistic assessments take place periodically at the enterprise/ business/ sub-business 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 | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 key processes | | <ul style="list-style-type: none"> 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 | | <ul style="list-style-type: none"> 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 | | <ul style="list-style-type: none"> 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 |



Risk

b2. Developing a risk appetite framework is an iterative process



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)



Risk

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

| | | Description | Example Compliance use cases |
|---------------------------|---|---|---|
| Advanced Analytics |  Machine learning – Supervised learning | Identify patterns in data for a known and specific outcome, e.g., identify a fraudulent behavior (supervised learning) | Transaction monitoring Conduct risk monitoring e.g., detection of fraudulent activities |
| |  Machine learning – Unsupervised learning | Identify unusual patterns in data , e.g., detection of different employee behaviors (unsupervised learning) | Conduct risk monitoring (e.g., trade surveillance) 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 intensive processes) | Automate testing , e.g., availability of client regulatory info 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"






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** Low

Typical potential impact of digital levers

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



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

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

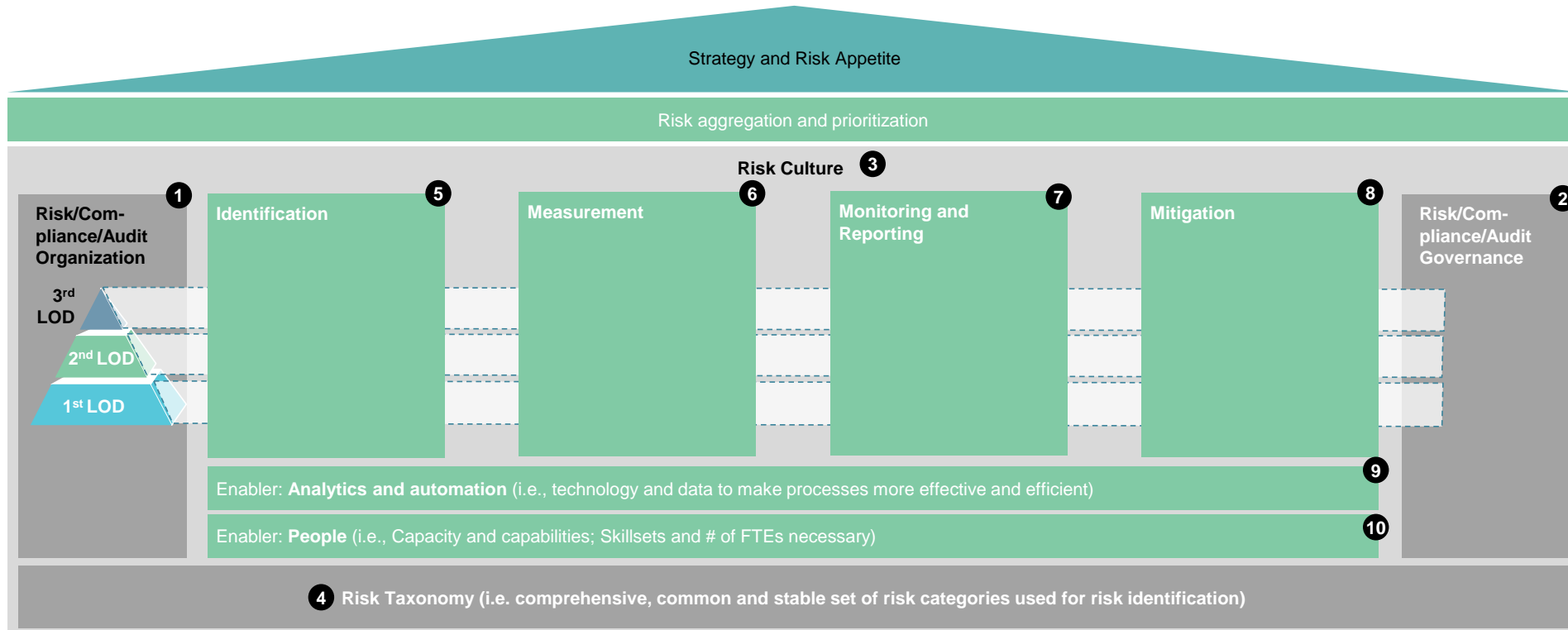
1. Calculated using the percentage of Risk and Compliance FTEs in organizations with <5000 FTEs and the total FTEs of MPI (i.e., 1800)

Source: Insurance Practice benchmarks, expert interviews



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

Risk

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

EXAMPLE

A 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

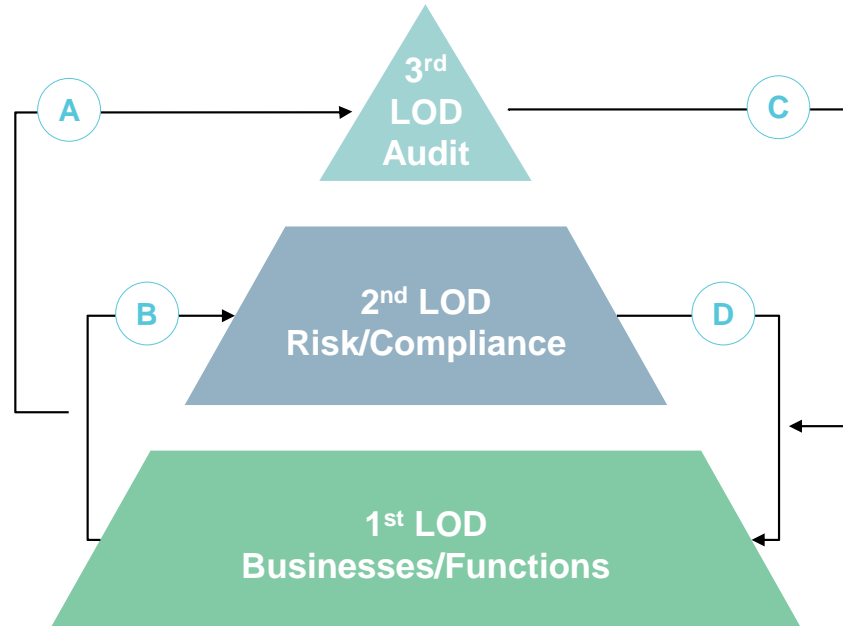
Remediate findings identified by the 3rd line

B 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 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

D 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

HR

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

E Customer/employee/broker experience **\$** Financial opportunity **R** 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

R Operating without the right talent **hinders MPI’s ability to deliver excellent services and keep pace with industry** developments

E **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)

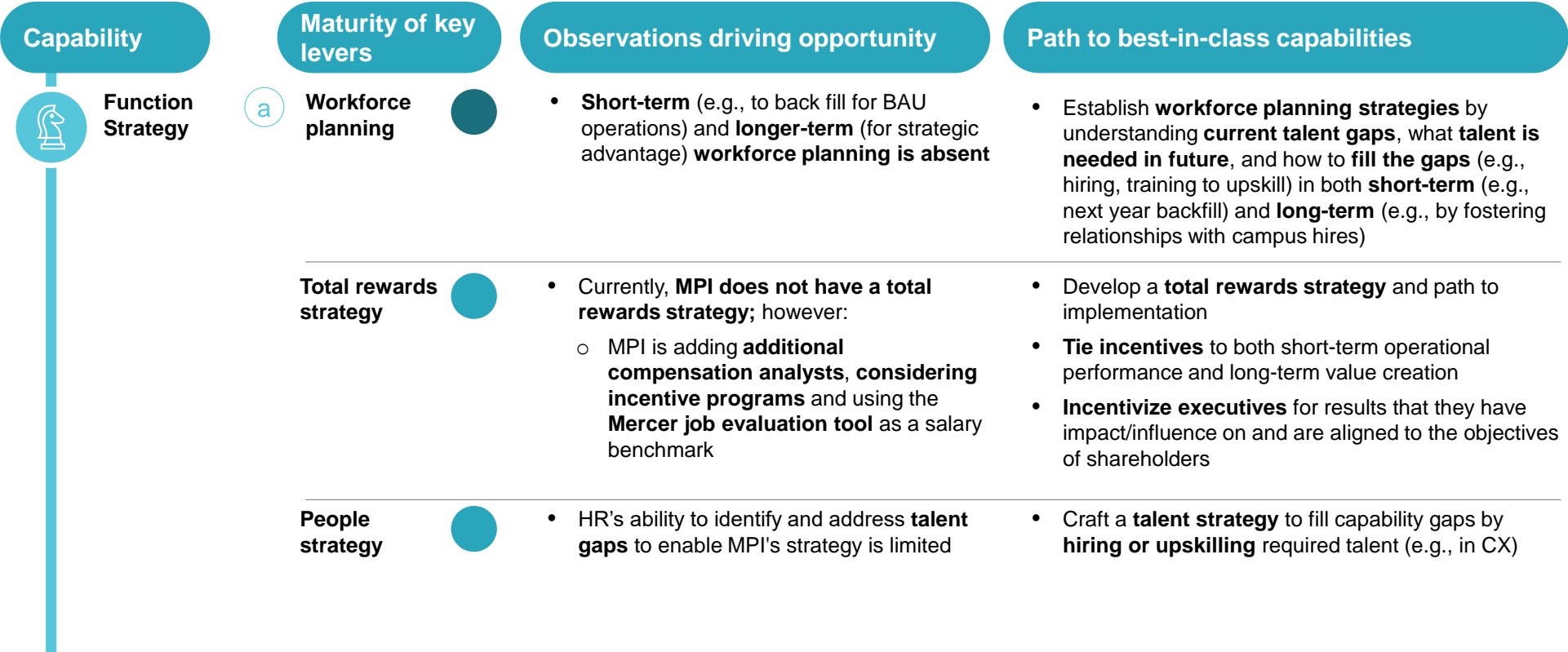


Demand and capacity management (e.g., talent acquisition)



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

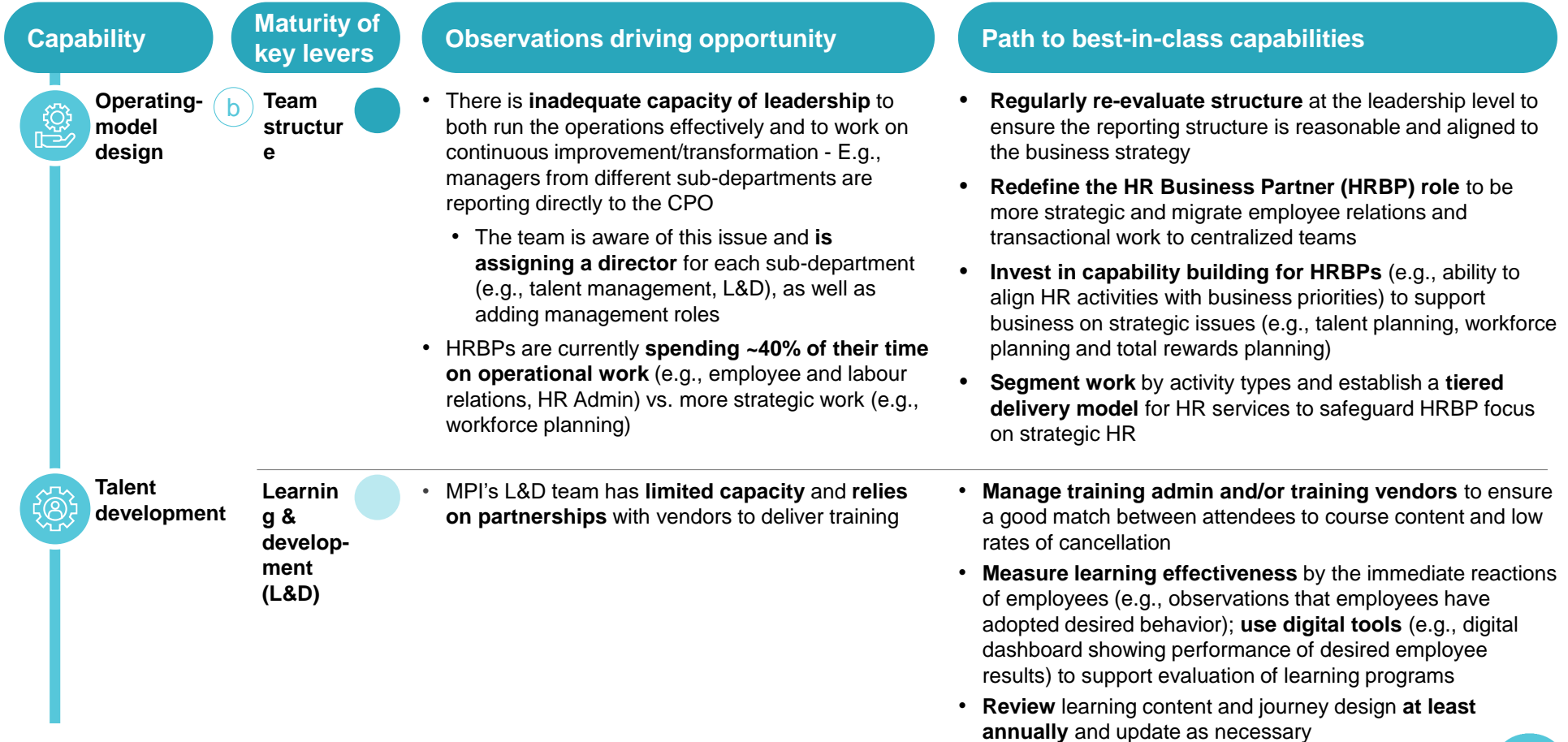
● Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



HR

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

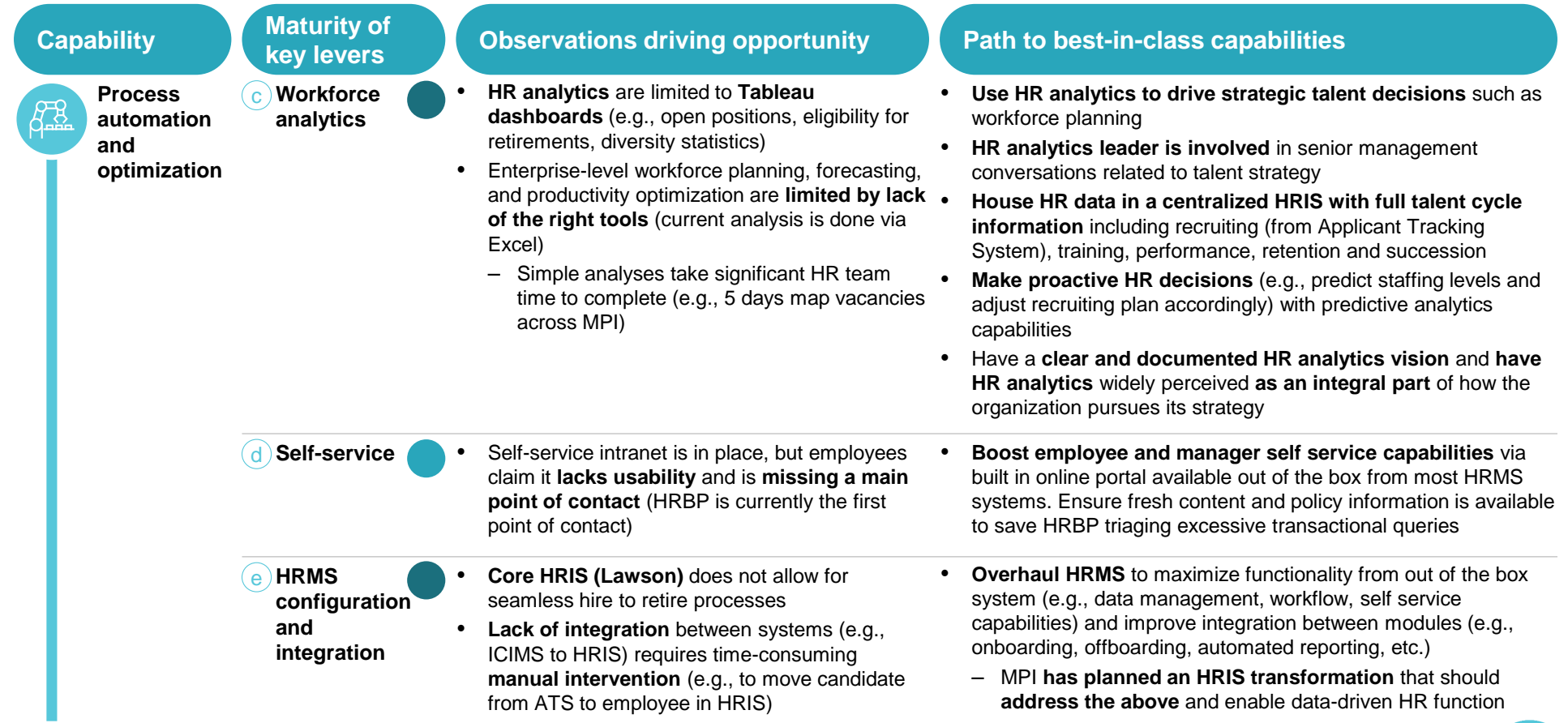
● Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



HR

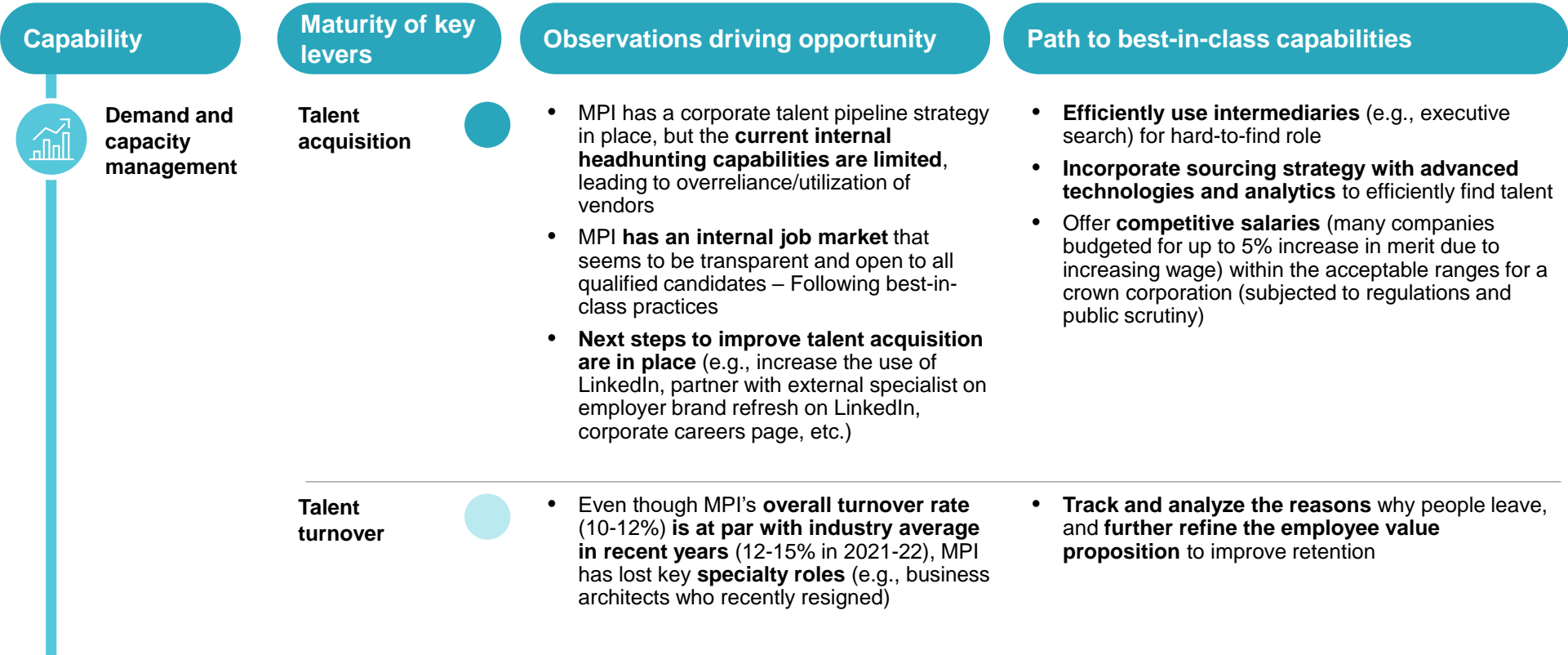
There is significant opportunity to improve HR efficiency and efficacy in workforce analytics

● Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



MPI can further improve the talent acquisition and turnover capabilities

● Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



HR

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



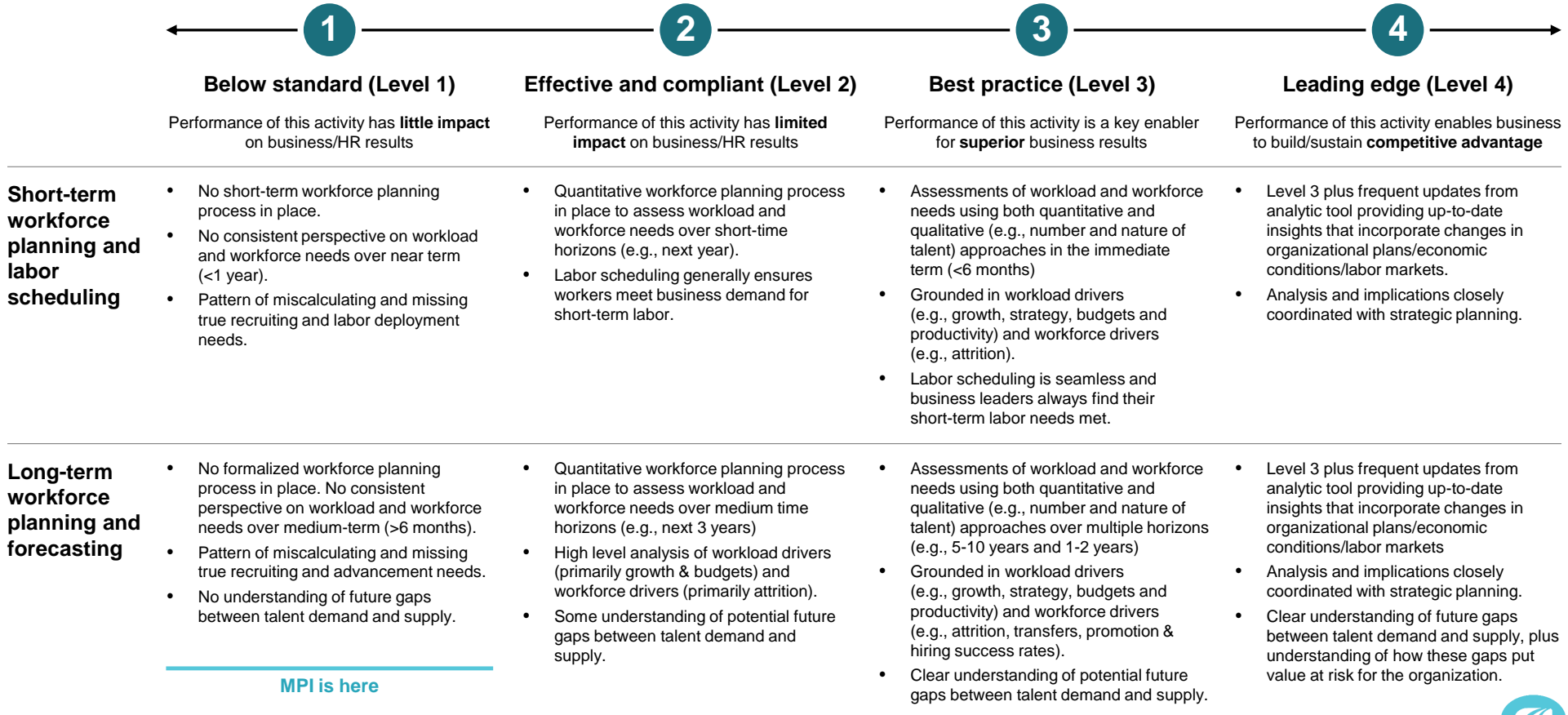
Fully explore all solutions

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

HR

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

Workforce planning capability spectrum

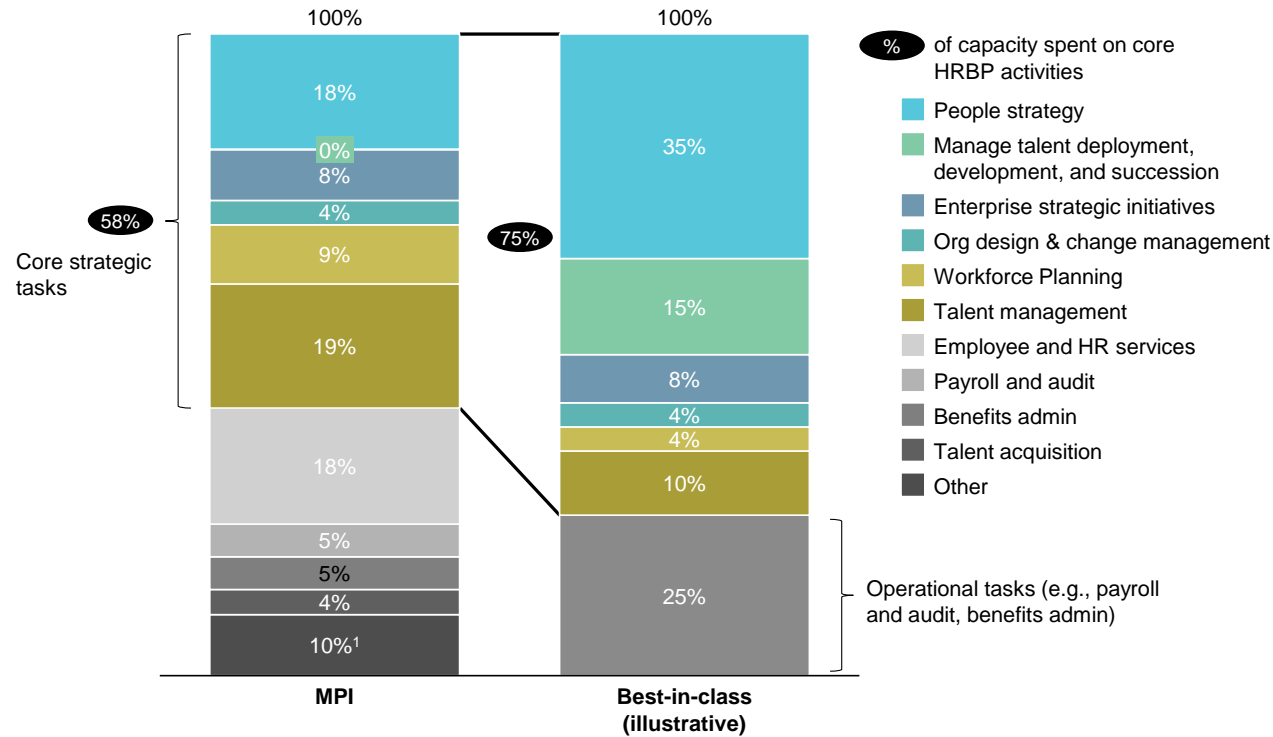


HR

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

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%)

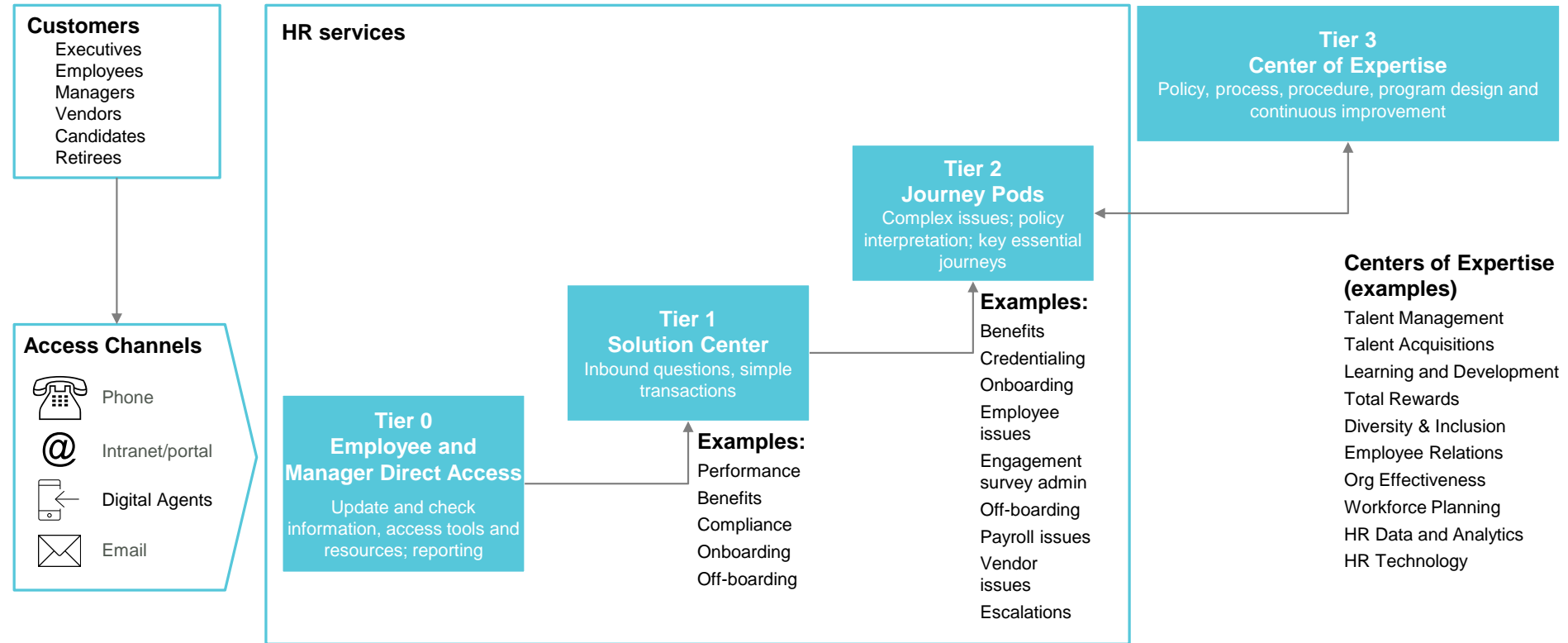
Activities such as benefits admin and employee and HR services can be **streamlined through self-service/ automation tools to free up capacity of HRBPs to pivot towards more value-added activities** (e.g., people strategy)



HR

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



HR

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



Talent sourcing

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



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

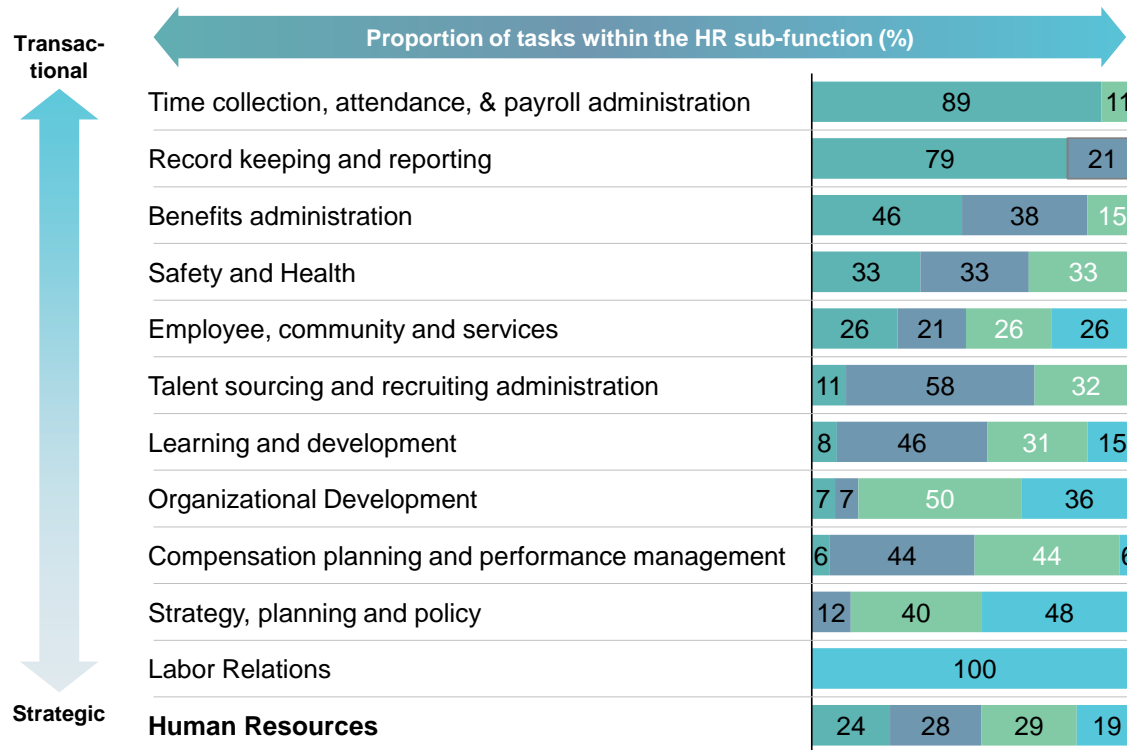
A platform where employees can self-enroll and self-manage their benefit programs

HR

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

■ Fully automatable
 ■ Highly automatable
 ■ Somewhat automatable
 ■ Difficult to automate

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



HR

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



There are multiple opportunities to enhance sales and distribution capabilities

E Customer/employee/broker experience **\$** Financial opportunity **R** 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

- R** Commissions place **MPI at the top quartile on ER** – Maintaining this relatively low-cost channel is **fundamental for MPI financial health**
- E** **Broker satisfaction** with MPI impacts the perception and **experience of the customers** they service
- E** 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 cross-selling)

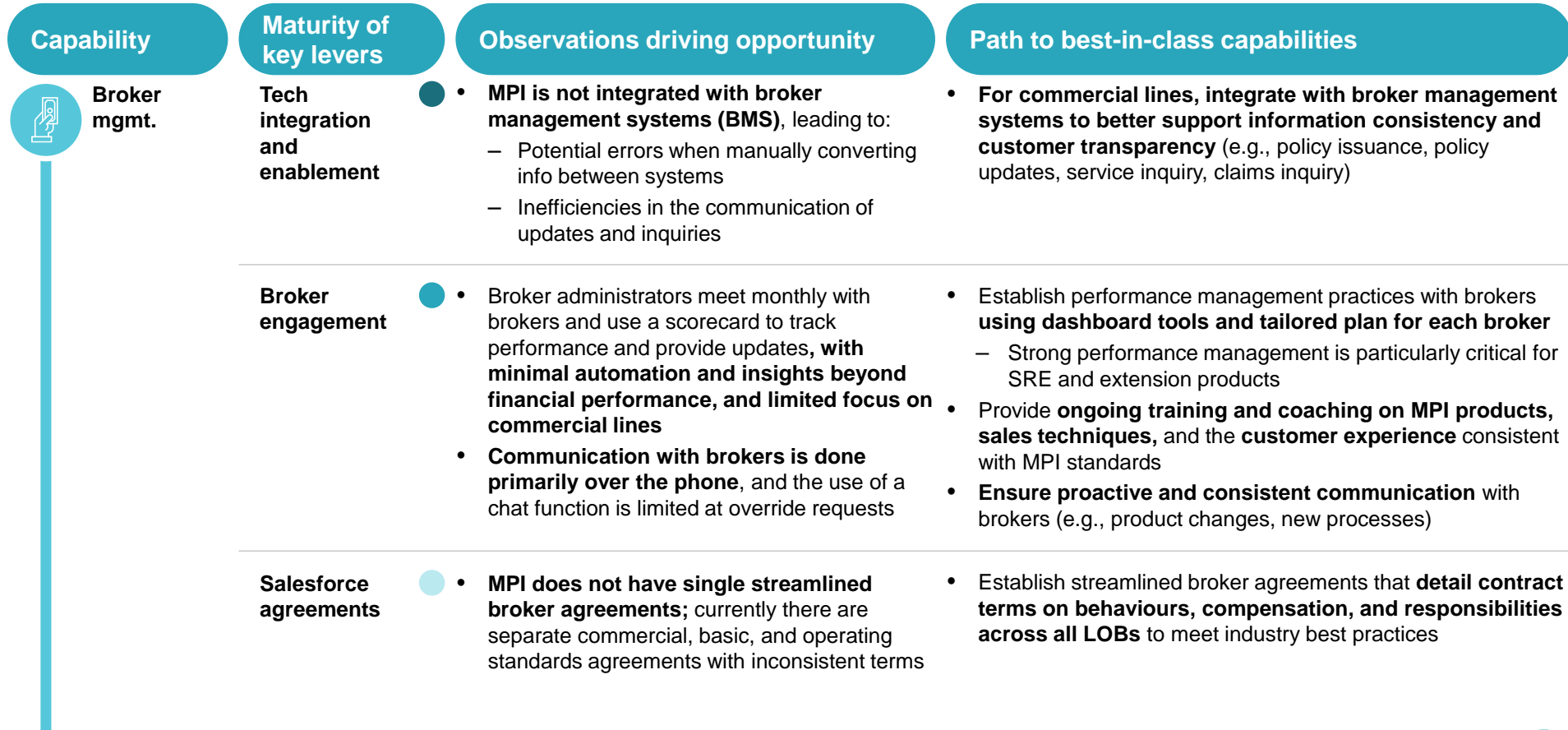
1. Net premiums written



Sales and distribution

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

● Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



Sales and distribution

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

○ Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



Product

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

E Customer/employee/broker experience **\$** Financial opportunity **R** Enterprise risk

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

- R** 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)

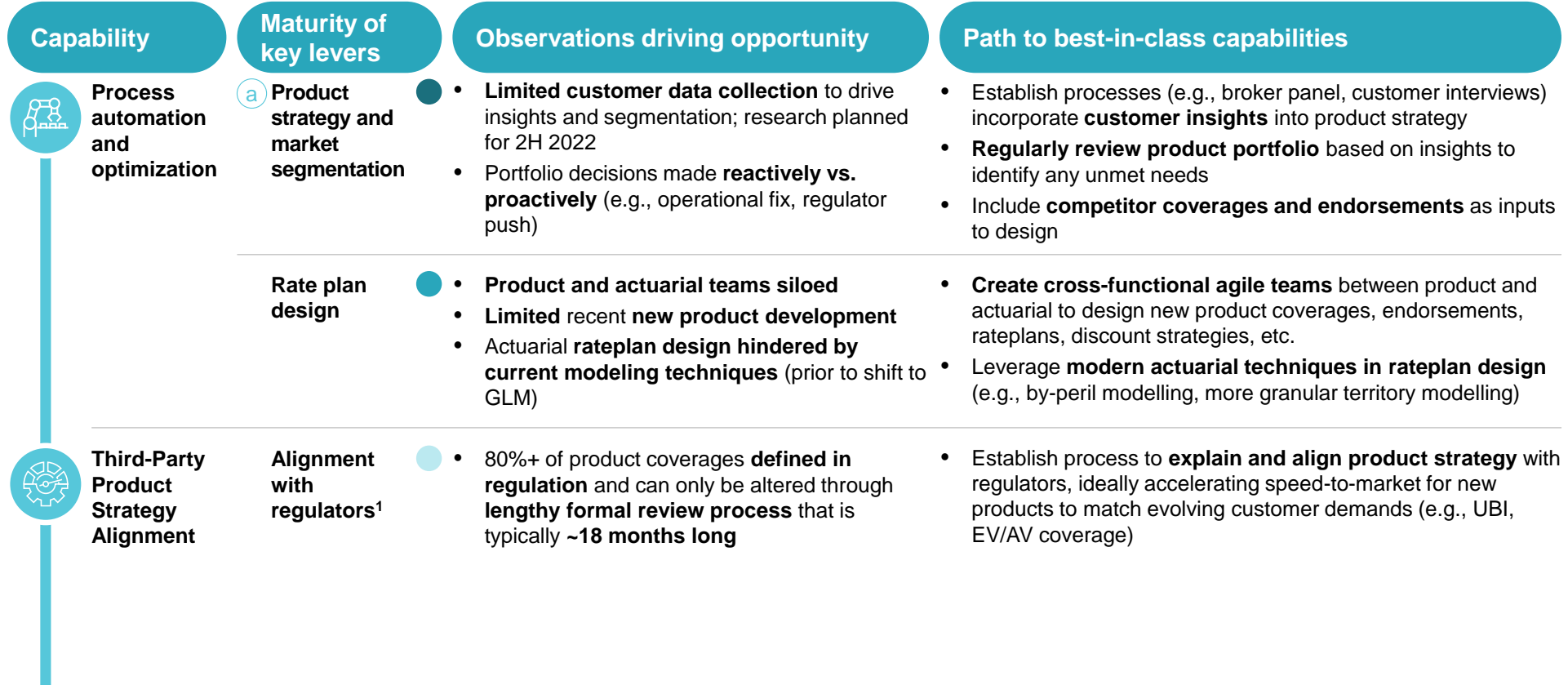


Product

There is significant opportunity to enhance product strategy for non-compulsory products using customer and competitor insights

PRELIMINARY

○ Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



1. Includes government and PUB






Product

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 |  |  |  |
|----------------------------|------------------------------|---|---|---|
| Standard Automobile | Loss of use | ✓ | ✓ | ✓ |
| | Excess Value | ✓ | ✓ | ✓ |
| | New Vehicle Protection | ✓ | ✓ | ✓ |
| | Leased Vehicle Protection | ✓ | ✓ | ✓ |
| | Rental Vehicle Insurance | ✓ | ✓ | ✓ |
| | Lay-up | ✓ | ✓ | ✓ |
| | Family Security ¹ | ✗ | ✗ | ✓ |
| Small Commercial | Peer-to-Peer ² | ✗ | ✓ | ✓ |
| | Road Hazard Glass | ✓ | ✓ | |

1. 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

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

Source: Company public websites and annual reports

xx 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**, Mobilias covers all **rideshare** time bands, Cuna Mutual Group provides lending products such as **Guaranteed Asset Protection**)







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

| | UBI App | Discount | Key Features |
|---|-----------|---|---|
|  | Drivewise | <ul style="list-style-type: none"> Save up to 30% in annual premiums | <ul style="list-style-type: none"> 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-driving challenges Phone activity: Lets drivers know how much they use their phone behind the wheel |
|  | Automerit | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 |
|  | MyPace | <ul style="list-style-type: none"> 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) | <ul style="list-style-type: none"> Trip logs – View previous trips to track kilometre usage Sections include- Dashboard, Device Alerts, Notifications, Payment History |
|  | Adjusto | <ul style="list-style-type: none"> 10% enrolment discount on premiums for the first six months Save up to 25% in annual premiums | <ul style="list-style-type: none"> 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 |
|  | MyDrive | <ul style="list-style-type: none"> Save up to 25% in annual premiums | <ul style="list-style-type: none"> 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

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

| | UBI App | Discount | Key Features |
|---|--------------|---|---|
|  | Sense | <ul style="list-style-type: none"> 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) | <ul style="list-style-type: none"> 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 |
|  | My_Bridge | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Free for all Pembridge customers Will not increase premiums Option to review driving history any time |
|  | MyAdvantage | <ul style="list-style-type: none"> Save up to 25% in annual premiums | <ul style="list-style-type: none"> 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 |
|  | IntelliDrive | <ul style="list-style-type: none"> Save up to 30% in annual premiums | <ul style="list-style-type: none"> 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 |

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

2. Pembridge is backed by Allstate Insurance Company of Canada

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

Product

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

● No liability ● Sharing liability ● Full liability




| Level of autonomy ² | Description | In-vehicle technology capabilities ¹ | | | Implication for carrier insurance liability |
|--|--|---|------------|--------------|--|
| | | ADAS | Telematics | Connectivity | |
| 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 |
| L4² & L5² 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 |

1. General vehicle technology capabilities; Exceptions are not included in this analysis
2. For L3 and above cars, they will be mostly EV



Product

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

| | 1. Distribution dabblers (2020 to 2025) | 2. Liability limbo (2025 – 2040) | 3. Au revoir, vehicle ownership (2040+) |
|---|--|---|--|
|  Personal mobility market | <p>No change on liability but disrupted value chain with potential OEM entrant</p> <p>L0-L2 vehicles make up majority of personal auto vehicle</p> <p>L3 vehicle emerges as the technology matures and production scales</p> | <p>Alternating liability for L3 vehicles between human and system operation</p> <p>L3 vehicles represent increasing portion of personal vehicle sales</p> | <p>Robo-taxis reduce personal vehicle ownership</p> <p>L3 vehicles dominate personal vehicle ownership</p> <p>L4+ technology decreasing personal vehicle ownership¹ as Robo-taxis offering much lower cost per mile</p> <p>Negligible personal AV (L4+) ownership given the cost of ownership</p> |
|  Insurance implication | <p>Limited impact on insurance liability as human drivers take full responsibility for L0-L2 vehicles</p> <p>New in-car distribution channel and usage-based insurance for connected vehicles</p> <p>Emerging OEM alliances</p> | <p>Fundamentally disrupted risk pool due to complexity of liability, requiring accurate delineation between PL and CL exposures</p> <p>Emerging legal system challenges as precedents are set</p> <p>Emerging OEM entry</p> | <p>Continued combination of PL and CL for L3 vehicles with established and mature legal/ regulatory guidelines</p> <p>Diminished PL for L4/L5 vehicle owners with all liability shift to OEM and AV/tech</p> |
|  What experts are saying | <p>OEMs and AVs absolutely view insurance as an opportunity...it will take time, capital, trust, and expertise...they will need to partner in near-term with well-known insurers</p> <p>Former AV & OEM leaders</p> <p>OEMs are in a stronger position to offer insurance ...They have analytics and know how to close the loop to improve safety and reduce loss costs...As a result OEMs are going direct to reinsurers to partner, bypassing traditional carriers”</p> <p>-Former OEM AV and Connectivity leader</p> | <p>Insurance could very well be...30%, 40% of the value of the car business, frankly</p> <p>Elon Musk at Q3 2020 Earnings Call</p> <p>Insurance is very an attractive revenue stream that also increases customer stickiness as long as the UBI is tied to safety and incentives</p> <p>Former AV & OEM leader</p> <p>OEMs and AV players are terrified of the liability...It scares them because it is a departure from their comfort zone</p> <p>-Former AV & OEM leader</p> | <p>Robotaxis are likely to reduce need for 2nd and 3rd vehicles owned, but not outright eliminate personal vehicle ownership</p> <p>Mobility Expert</p> <p>Most L4/L5 technology will be used in robotaxis...Personal L4/L5 vehicle ownership is decades away...due to prohibitive costs</p> <p>Former AV & OEM leader</p> |

1. For household currently with multiple vehicles, people will be likely to keep only one car as robo-taxi advances

Source: Expert Interviews, Press Search



Product

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

ILLUSTRATIVE

| ① Product | ② Actuarial | ③ Tech | ④ Legal | ⑤ Change management |
|---|--|---|--|---|
| “What are the right product features to include?” | “How should premiums be set better?” | “What new capabilities need to be built out?” | “What statutory and legal factors need to be considered?” | “In what ways do we need to shape agent and broker behavior?” |
| “How can we optimize across the different tradeoffs?” | “How do we ensure customers are getting fair value for their money?” | “How do we best leverage existing (or new) tech infrastructure?” | “How can the changes be best rolled out across different markets?” | “How will the new product impact our ways of working?” |
| “How do we grow our business?” | “What is the right pricing flexibility for new business growth?” | “Do we need a cross-functional ‘translator’ role to bring the product to market?” | | |
| | “What actuarial and ratemaking factors do we need to consider?” | | | |



Product

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



Process owned by product team

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> • 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) | <ul style="list-style-type: none"> • Develop extension and SRE product offerings tailored to meet the needs of specific customer segments • Define base coverages, endorsements, and packaging options <ul style="list-style-type: none"> – Include competitor coverages and endorsements as inputs in the product design process – Design billing and statement communication strategy • <i>Actuarial</i>: Build the rating components (e.g., number of perils modeled, granularity of territory modeling), product interactions, and discounts • <i>Actuarial</i>: Develop underwriting rules, considering customer experience for overrides, loss ratio performance of accepted policies, etc. | <ul style="list-style-type: none"> • <i>Legal</i>: Launch regulatory filing process • <i>IT</i>: Implement changes to Policy and claims administration systems • <i>Operations & change management</i>: 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



Road Safety

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

E Customer/employee/broker experience **\$** Financial opportunity **R** Enterprise risk

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)



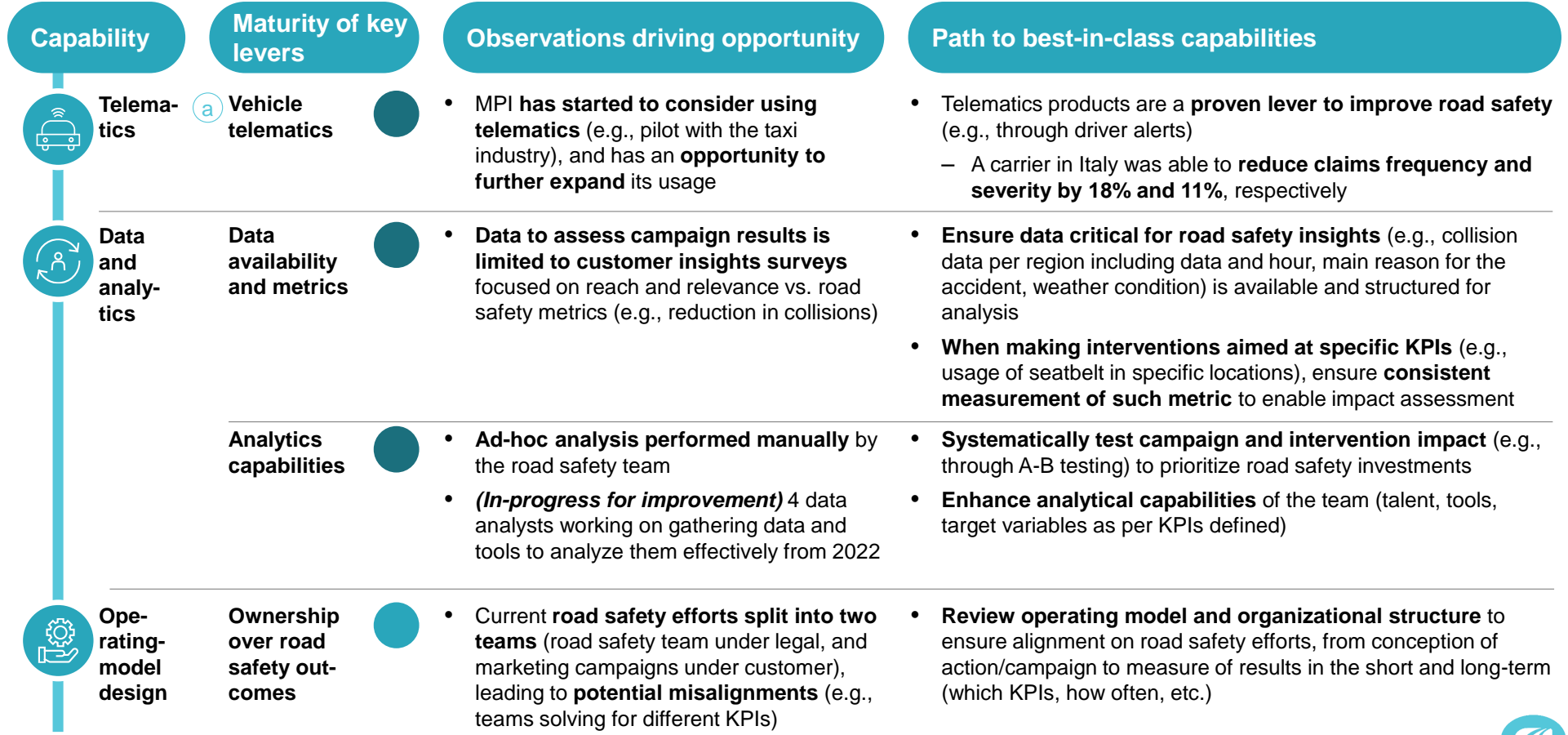
Ownership of outcomes (E.g., clarifying KPIs for each team and ownership overall RACI for the organization)



Road Safety

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

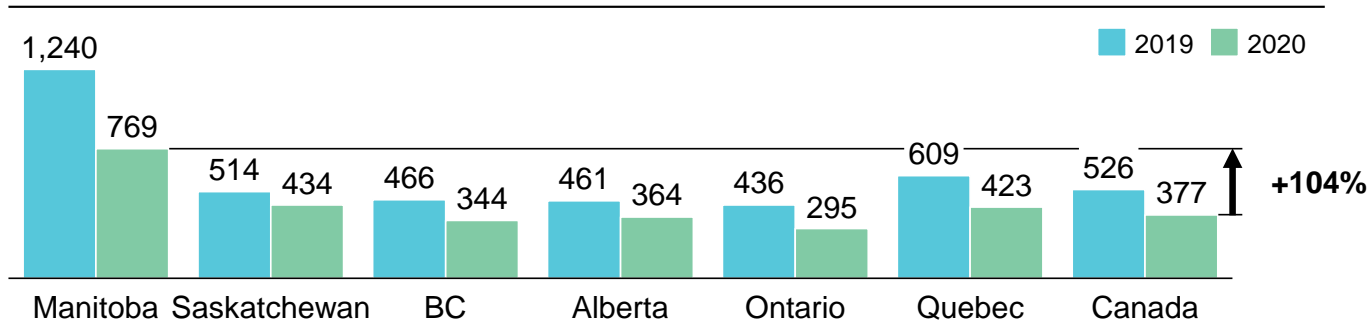
● Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



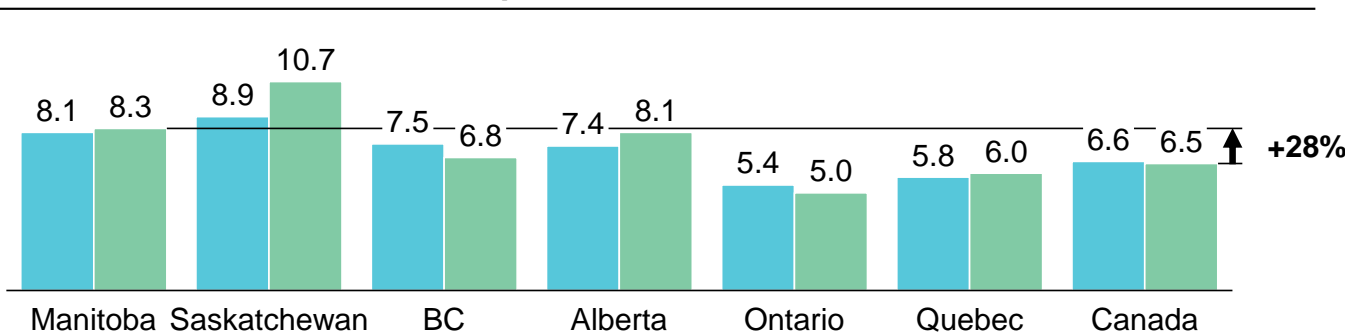
Road Safety

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 data-driven interventions, telematics products) would allow MPI to **better deliver on its mission**



Road Safety

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

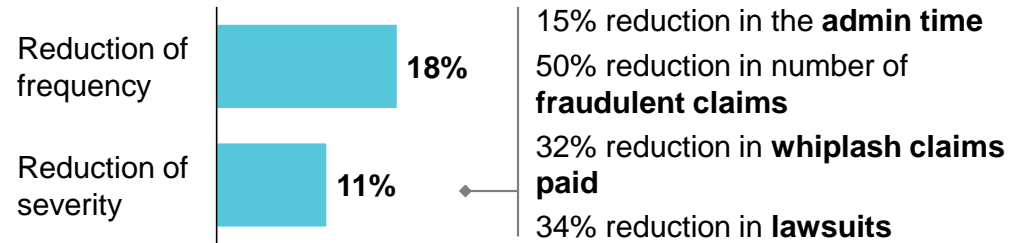
Sample list of services (not exhaustive):

- **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)

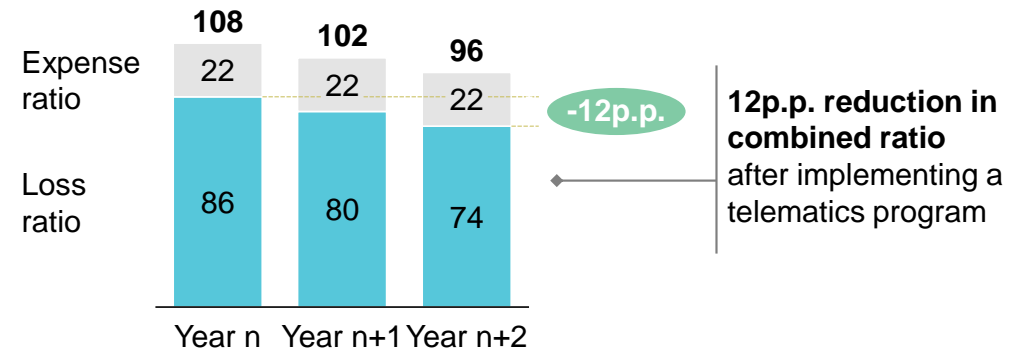
For MPI, telematics could help **mitigate the number of fatalities from collisions by the most prevalent factors**: distracted driving (49% mortality), impairment (26%), and speed (19%)



Impact on claims frequency and severity



Impact on combined ratio, %



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



Legal

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

PRELIMINARY

● Limited opportunity ● Moderate opportunity ● Significant opportunity

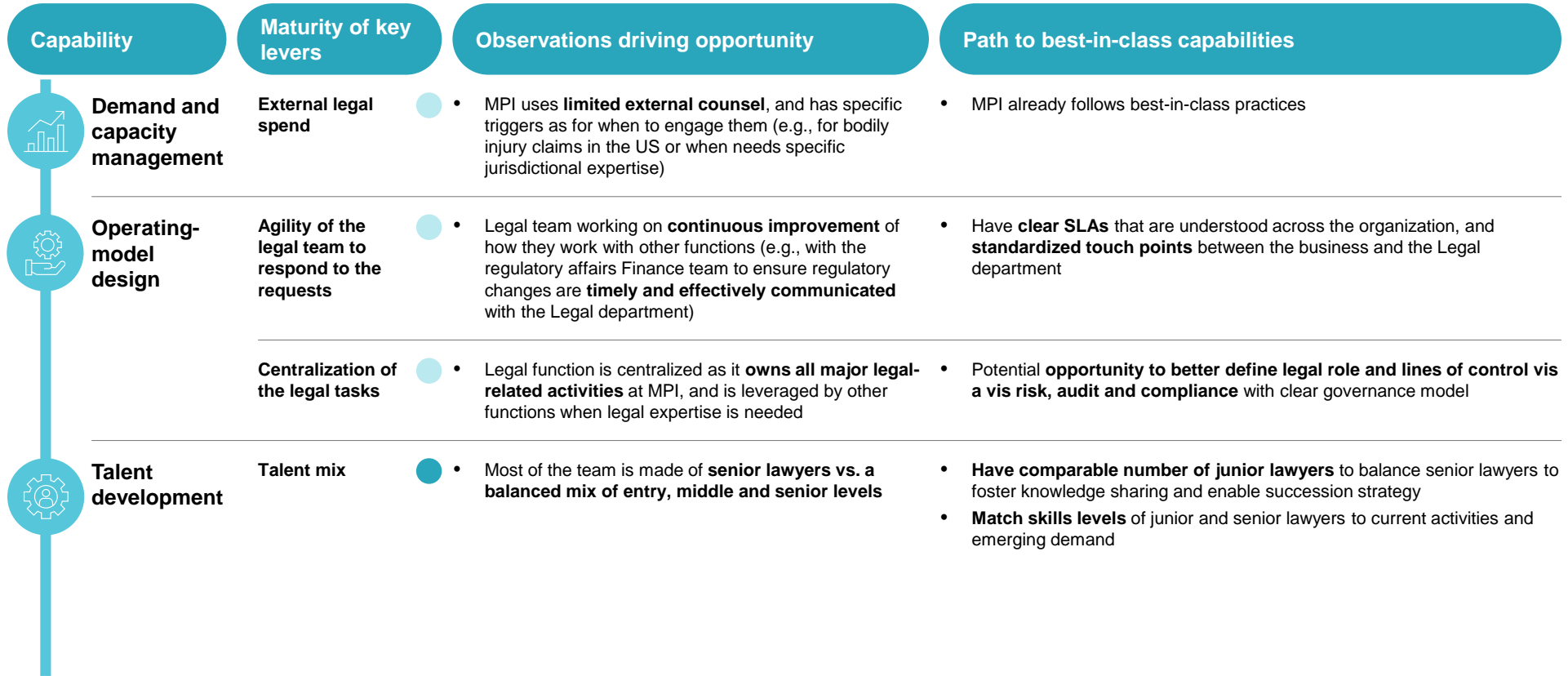


Legal

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

PRELIMINARY

● Limited opportunity ● Moderate opportunity ● Significant opportunity

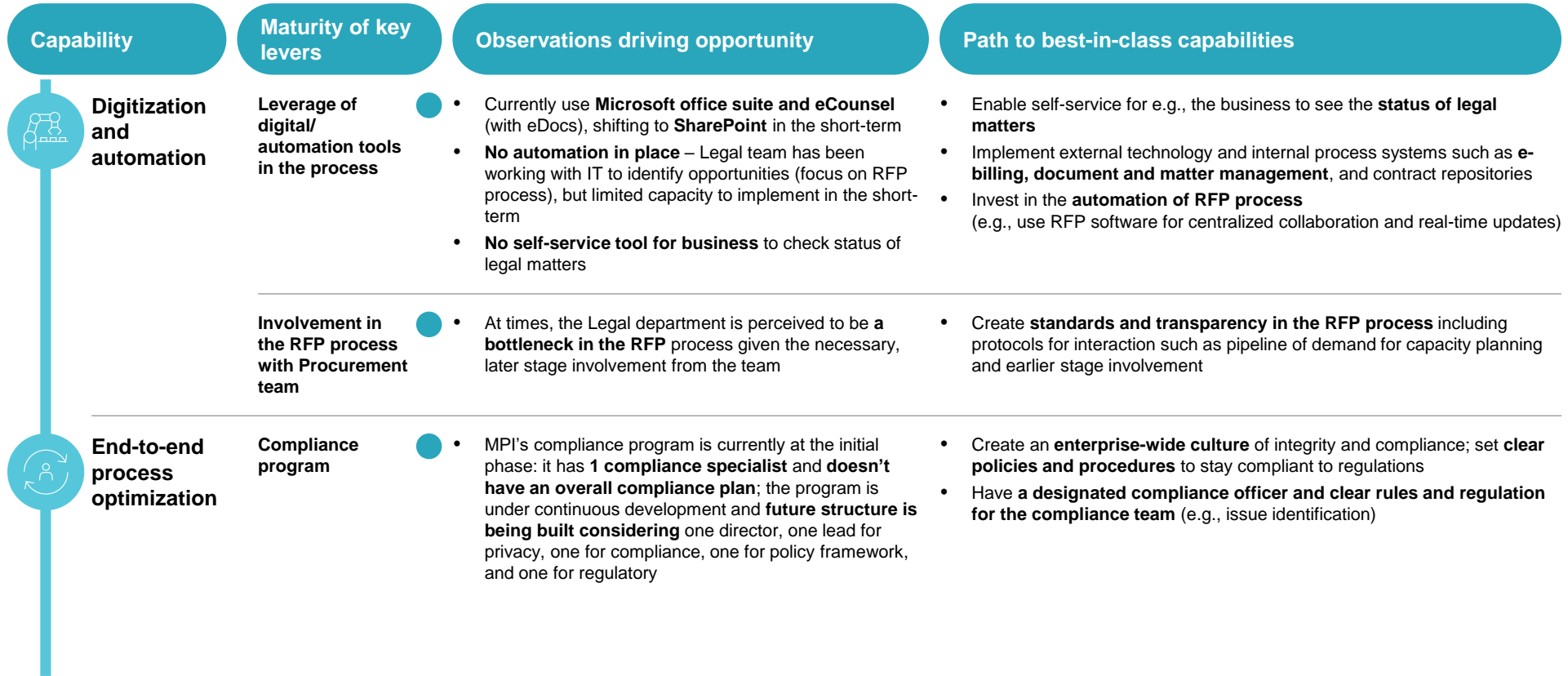


Legal

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

PRELIMINARY

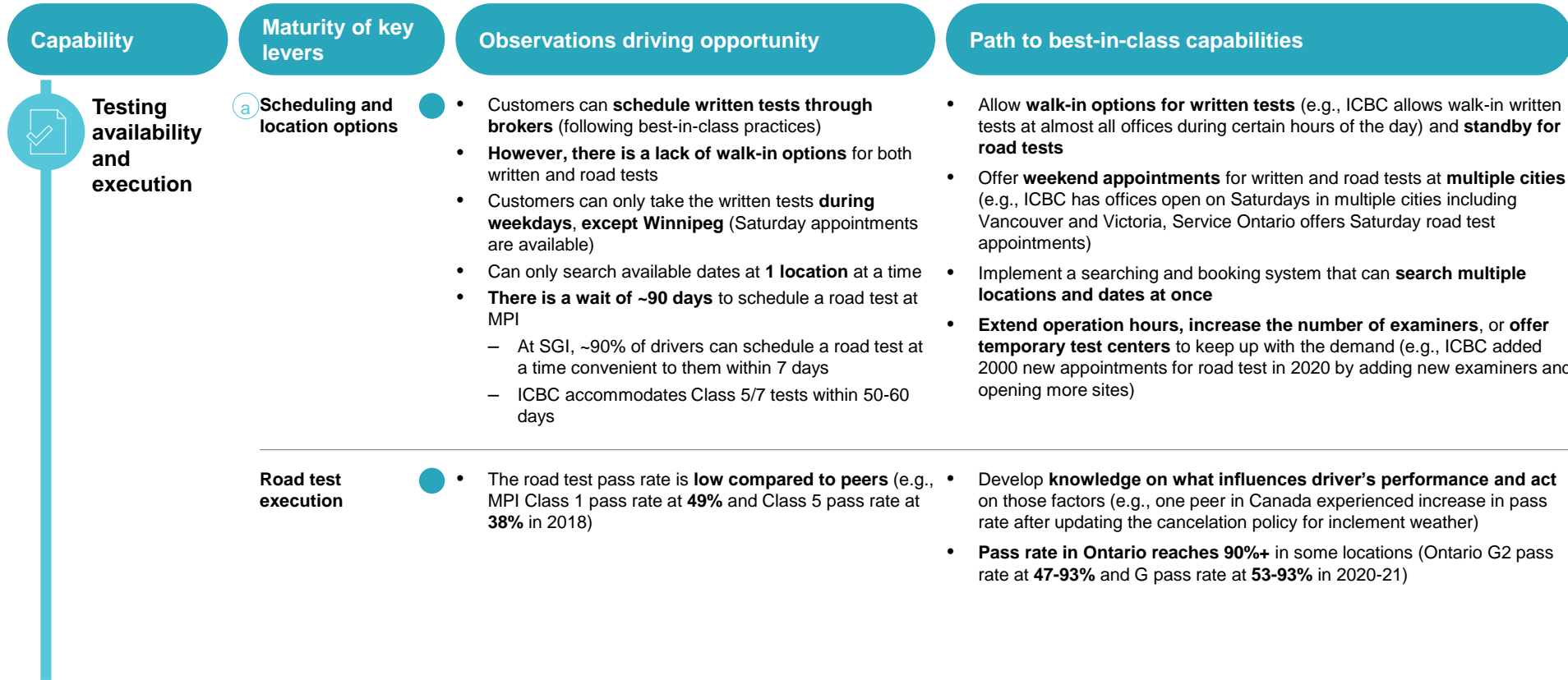
● Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



DVA

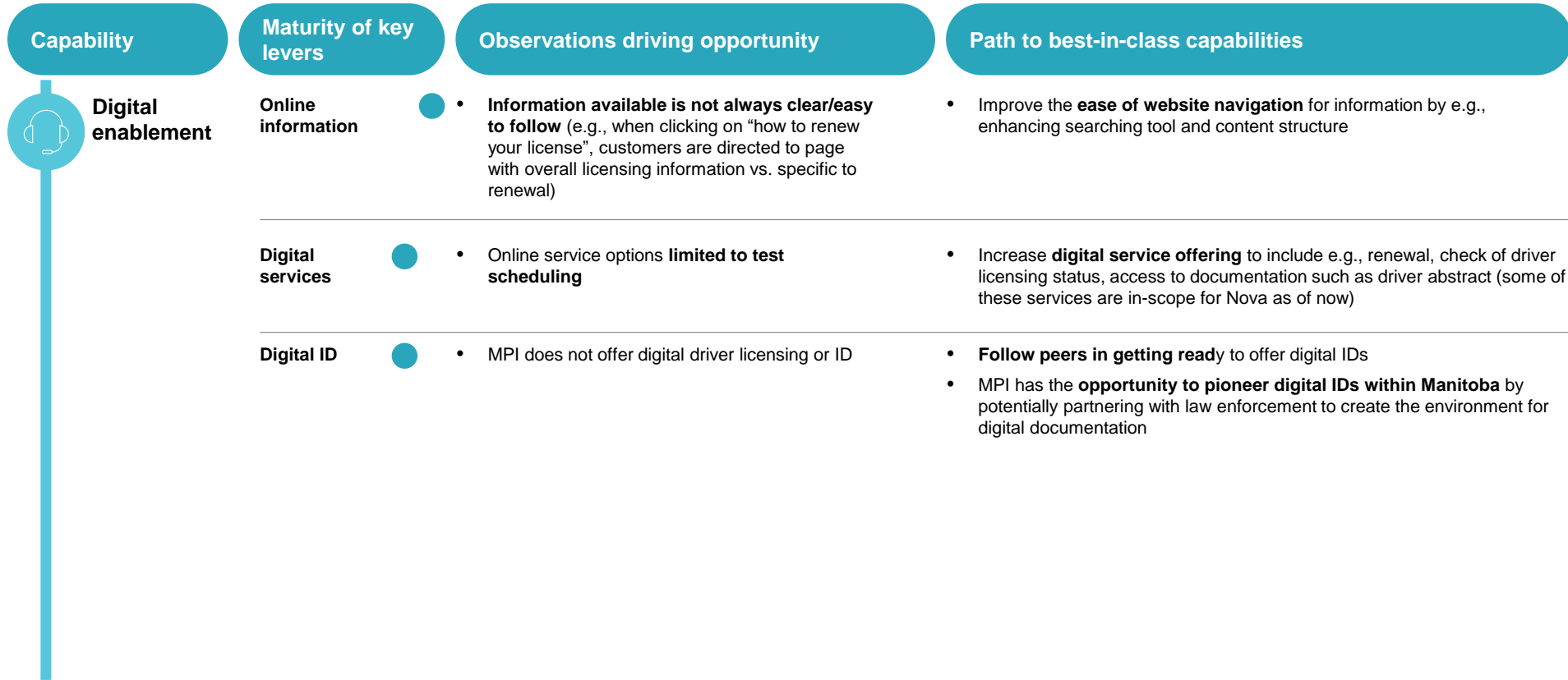
There is moderate opportunity to improve MPI’s driver license written testing through increasing scheduling and location optionality

○ Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow



There is moderate opportunity to improve digital DVA services

● Limited opportunity ● Moderate opportunity ● Significant opportunity ○ Deep dives to follow

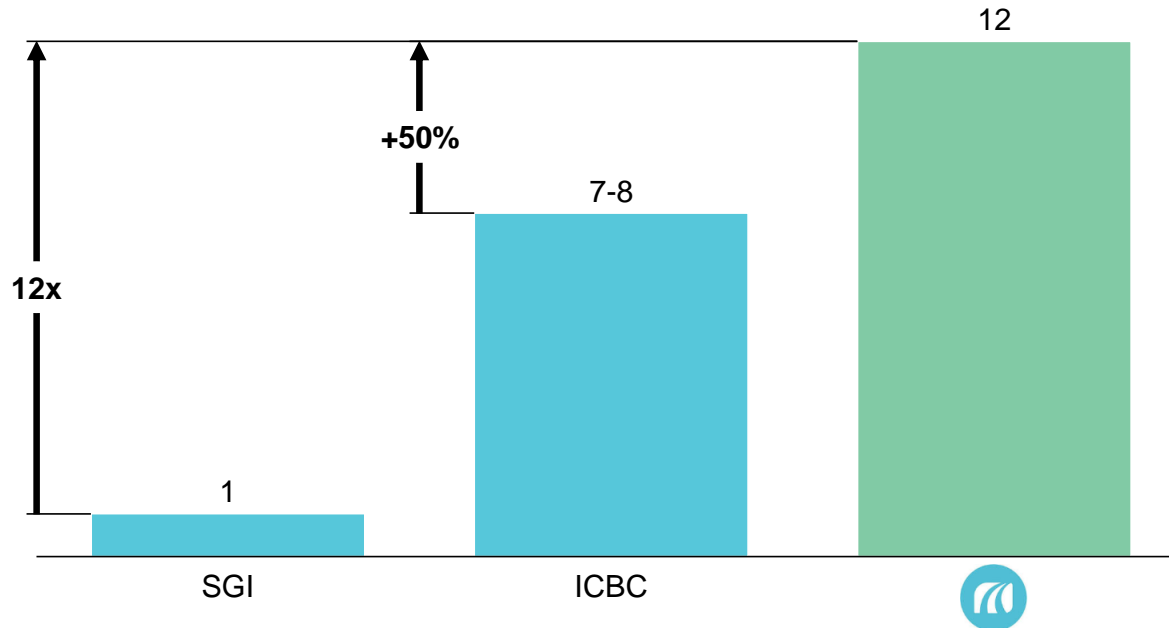


DVA

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)



Agenda



Forces shaping P&C insurance

Financial performance benchmarks

Function-specific deep dives

Envisioning MPI 2.0

Cross-cutting foundations for change

Path forward



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



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



Onboarding

Transaction

→ Advice

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% → 70%+

In % of drivers approved in the road test³

MPI today lags peers on service delivery across multiple journeys

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

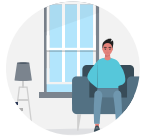


Envisioning customer service excellence: Insurance onboarding

Insurance onboarding journey

ILLUSTRATIVE

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



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 AI 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



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.¹ Others direct 100% of status inquiries to an easy-to-use online portal.²

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



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



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



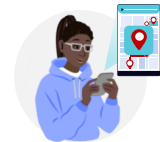
However, Ken is unable to get through to the call center and is asked to call back twice. He then finds out he can leverage broker's help and decides to visit the closest branch.



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



Envisioning customer service excellence: Policy renewal

Policy renewal journey

ILLUSTRATIVE

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 chooses, 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



Envisioning internal execution capabilities: Updating rates

Rate update (actuarial) journey

ILLUSTRATIVE

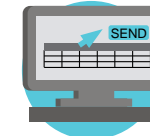
MPI today



Bob inputs claims and customer data (region, usage, vehicle, DSR from vehicle owner) **into a minimum-bias 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 AI-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



Envisioning internal execution capabilities: Talent acquisition

Talent acquisition (HR) journey

ILLUSTRATIVE

MPI today



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



Envisioning internal execution capabilities: Closing the GL

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)



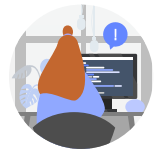
Sam and his team **provide the high-level (corporate not LOB) P&L analysis on day 7**, then **continue with complex and sometimes manual** (e.g., corporate expense allocation done via excel) **allocations of the expenses** into each line of business and the review of the analysis



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.



Envisioning internal execution capabilities: Risk identification

Risk identification and communication journey

ILLUSTRATIVE

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**



Agenda



Forces shaping P&C insurance

Financial performance benchmarks

Function-specific deep dives

Envisioning MPI 2.0

Cross-cutting foundations for change

Path forward



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

a Talent and capabilities



b Performance infrastructure



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 cross-functional 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**



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)



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 temporarily 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?



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

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

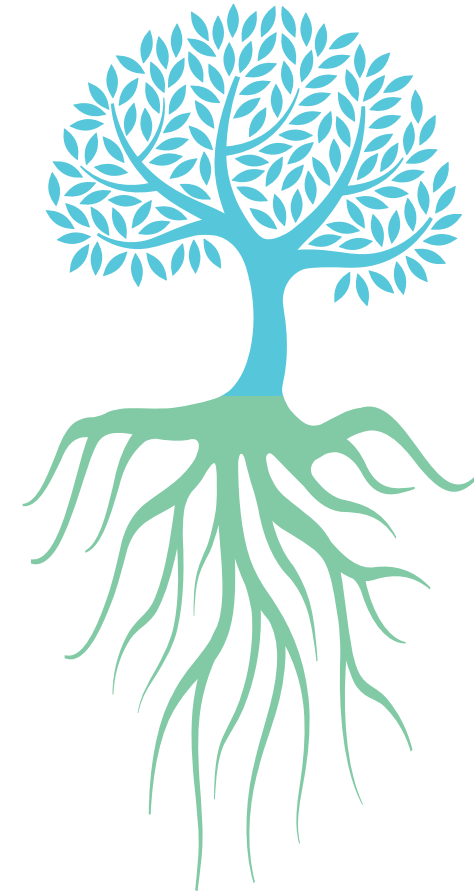
6. Data and reporting

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

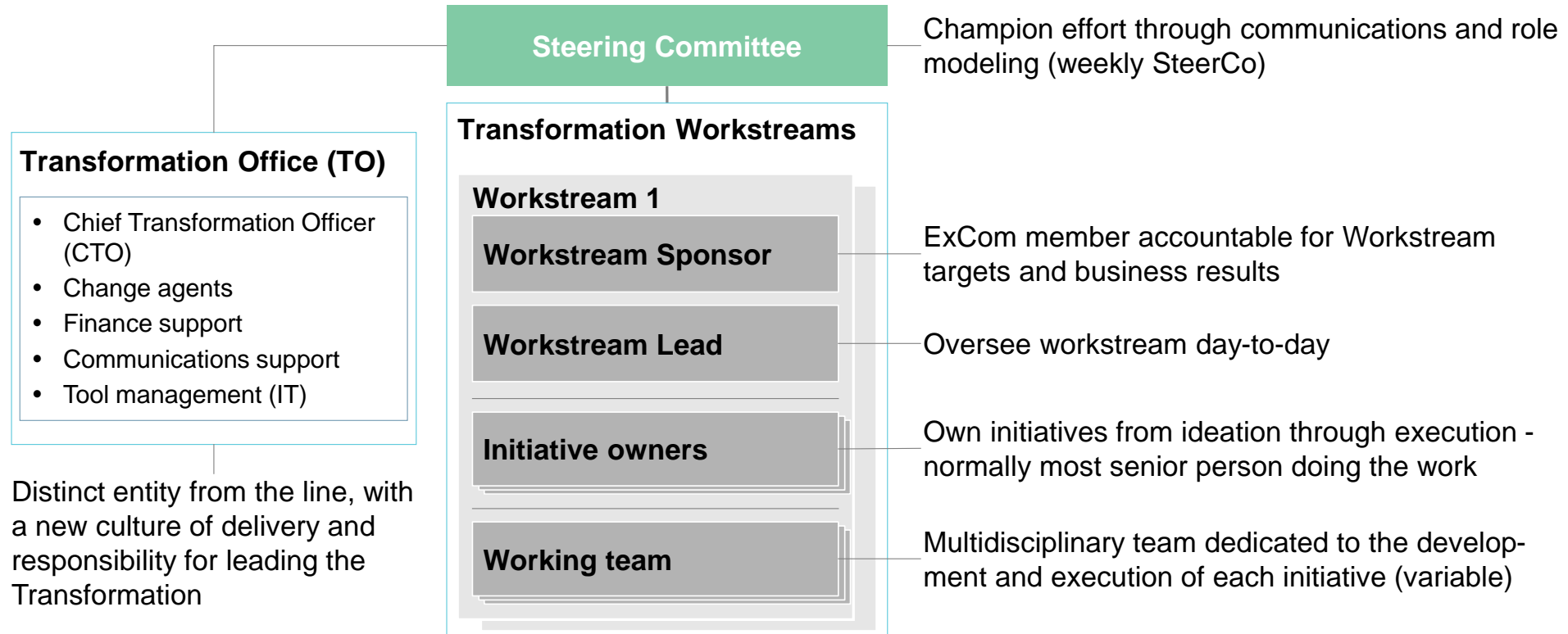
- Initiative-level leading and lagging KPI tracking
- Monthly P&L reconciliation
- Operating dashboards by function

8. Communications and CM

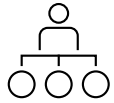
Thoughtful communications and change management underly transformations, driving the ultimate buy-in and shift in employee behaviour



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

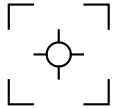


b5.The Transformation Office / CTO are at the backbone of the Performance Infrastructure



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



Clear focus on moving business forward

Relentless in tracking initiatives to bottom line
Decisive in escalating issues to leadership
Unyielding in ensuring uncomfortable decisions made



New culture of delivery

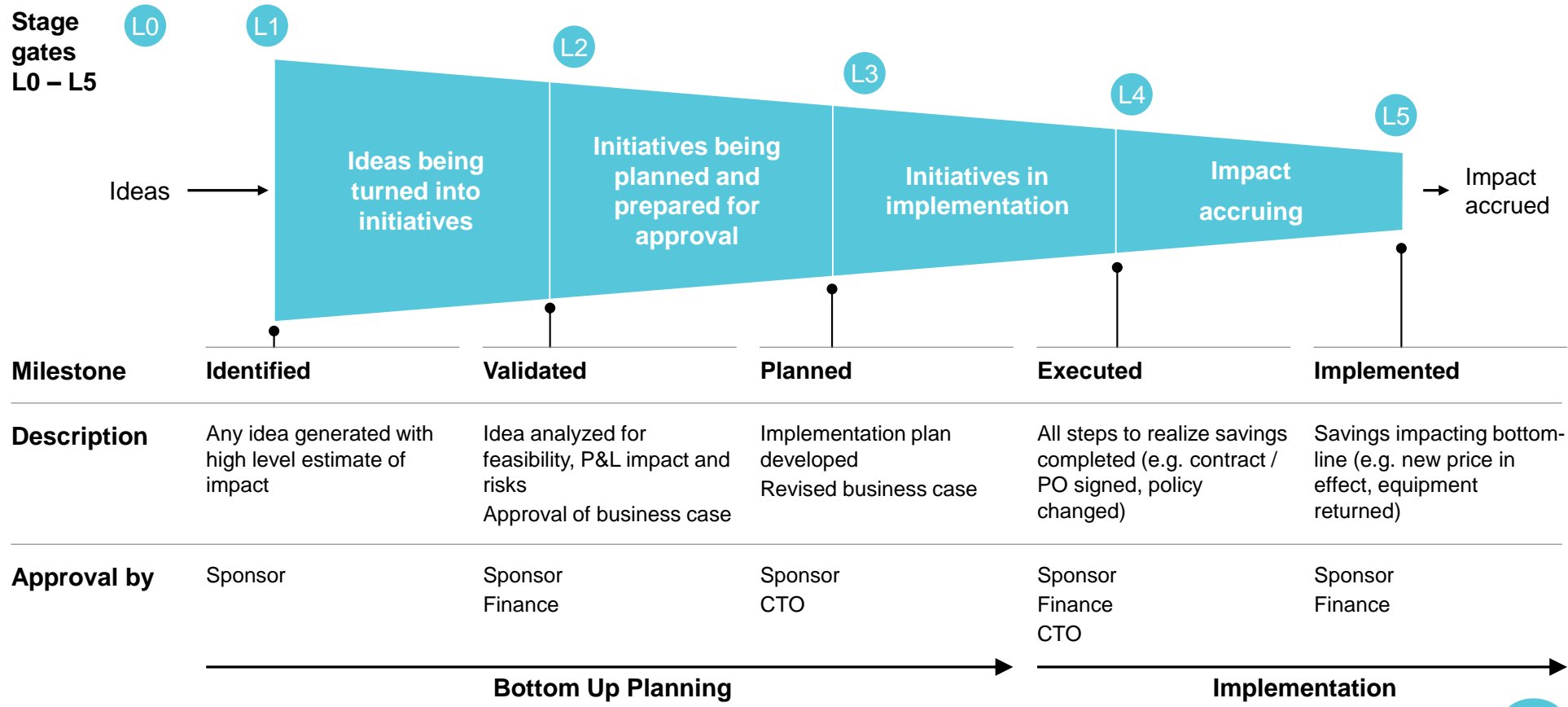
Transparent on commitments made and delivered
Encouraging in celebrating successes
Demanding of accountability for repeated misses



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

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



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



Outperform the industry in select areas

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

2027+



August 2, 2023

June 15, 2023

June 15, 2023

PUBLIC

CONFIDENTIAL
CONFIDENTIAL

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

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



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