

**Order No. 22/24**

**MANITOBA PUBLIC INSURANCE CORPORATION (MPI OR THE CORPORATION):  
COMPULSORY 2024/25 DRIVER AND VEHICLE INSURANCE PREMIUMS  
AND OTHER MATTERS**

**APPLICATION FOR REVIEW AND VARIANCE OF ORDER 145/23  
FILED BY MANITOBA PUBLIC INSURANCE CORPORATION**

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**February 13, 2024**

**BEFORE:** Irene A. Hamilton, K.C., Panel Chair  
Robert Gabor, K.C., Chair  
George Bass, K.C., ICD. D, Member  
Susan Boulter, Member  
Susan Nemec, FCPA, FCA, Member

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## 1.0 SUMMARY

On December 18, 2023, the Public Utilities Board (Board) issued Order No. 145/23 with respect to the General Rate Application (GRA) of Manitoba Public Insurance (MPI or the Corporation) for rates and premiums for compulsory vehicle insurance and driver insurance premiums (Basic), effective April 1, 2024. The Board also issued a number of other directives, including directives related to MPI's major Information Technology (IT) initiative, Project Nova.

MPI filed this application on January 17, 2024, seeking an order rescinding, changing, altering and/or varying certain directives (the Directives) and portions of Order 145/23. The Board sought written responses from Interveners in the GRA. One Intervener, Consumers' Association of Canada (Manitoba) Inc. (CAC), filed a response with the Board on January 24, 2024. MPI filed a reply on January 26, 2024.

## 2.0 MPI POSITION

MPI's application requests relief related primarily to a number of IT directives from Order 145/23. The Directives and portions of Order 145/23 at issue are included at Appendix A to this order. While MPI's application refers to the section of Order 145/23 and the Directive number (e.g., 10.10, 10.11), this Order will refer to Directive numbers only.

MPI's position on each of the Directives is summarized below.

### 1. Directives 10(b), 10(c), and 10(d)(i) – Revised Scope of Project Nova and Report on Funding Envelopes

These Directives require that, in the 2025 GRA, MPI file:

*10(b) A revised scope and related detailed strategy and plan to complete Project Nova within the 2022 IT Baseline estimated budget which minimizes the use of contingency;*

*(c) A firm and final estimate, inclusive of contingency and timelines to complete Project Nova; and*

*(d) A report on Project Nova addressing the following topics:*

*i. The funding envelopes for the project, including description and size of each;*

MPI observed that Directives 10(b) and (d)(i) mirror language from Directives 18(b) and 18(c)(i) of Order 4/23 (issued after the 2023 GRA), which were subsequently varied by the Board. In particular, the reference to a “revised project scope” in 18(b) was revised to “current project scope”, and “funding envelopes” in 18(c)(i) was revised to “budget allocations”.

MPI requests that Directive 10(b) be varied to remove reference to a revised scope for Project Nova, and read as follows:

*b. A strategy and plan to complete Project Nova within the 2022 IT Baseline estimated budget which minimizes the use of contingency;*

MPI requests that Directive 10(c) be varied to read:

*c. A report on its progress in completing the implementation phase for Releases 1 and 2, the discovery phase for Release 3 and any changes to the scope, budget and time resulting therefrom;*

And, MPI requests that Directive 10(d)(i) be varied to read:

*i. The budget allocations for the project, including description and size of each...*

The rationale for MPI's request regarding these Directives is, in summary, that it has always maintained that the scope of Project Nova has not changed from its predecessor, the Legacy Systems Modernization (LSM) project, and there is no evidence to support any change in scope. If the Board were to find that revising the scope of the project is the only way in which it can be completed within the 2022 IT Baseline estimated budget, then this is an error as there is no evidence to support this finding. The evidence in the 2024 GRA was that MPI is trending towards a total project expense of \$240.7 million without any changes in scope.

Additionally, there is no evidence that the MPI Board of Directors approves "funding envelopes" for Project Nova.

Lastly, it is impossible for MPI to provide a firm and final estimate for Project Nova in the 2025 GRA due to missing requirements for Releases 1 and 2, and the impact of the labour interruption in 2023 on the overall project timeline. The impact of these factors will not be

known until MPI completes the discovery phase of Release 3. In the interim, the budget remains unchanged.

MPI submits that if the Board does not vary Directive 10(b), while MPI would comply it would not be in a position to put the accompanying strategy in plan into place, therefore devoting time and resources away from its current strategy. Further, in order to comply with this Directive as currently written, MPI would file a revised strategy and plan to complete Project Nova within the 2022 IT Baseline estimate, but would qualify that its budget is contingent on the outcome of Release 3 discovery. Therefore, there is a strong possibility that the Board would find that MPI did not comply with this Directive.

If the Board does not vary Directive 10(d)(i), MPI would file a report from the Project Nova Independent Governance and Risk consultant addressing budget allocations for the project, including a description and size of each. As the report would not address the description or size of any “funding envelopes”, there exists a possibility that the Board would conclude in the next GRA that MPI did not comply with this Directive.

## **2. Directive 11(b) - Interim Governance Report**

This Directive requires MPI to file an interim governance report prepared by the Project Nova Independent Governance and Risk consultant (MNP), covering all observations/recommendations/status to date.

MPI requests that this Directive be varied to read:

*11(b) With its consent, all reports prepared by MNP as the Governance and Risk Advisor for Project Nova;*

MPI argues that this Directive assumes that MPI will be able to obtain an interim governance report and does not take into account that its agreement with MNP requires MNP to share its monthly reports with the Board. The current agreement does not include the provision of an interim report. Without the cooperation of MNP, MPI might not be able

to obtain an interim governance report and/or share any of its existing reports with the Board outside of the pre-established confidential process.

Therefore, without a variance to this Directive, there exists a strong possibility that the Board would conclude in the 2025 GRA that MPI did not comply with the Directive.

### 3. Directive 12 – Funding Envelopes

This Directive states:

*12. MPI shall meet with Board staff and advisors to review all aspects of Project Nova, including but not limited to project deliverables, timeline, budget, discount rate, and any new elements added to the initiative, within 30 days after funding envelopes have been presented to the MPI Board of Directors.*

MPI observes that, similar to Directive 10(b), this Directive appears to import language contained in Directive 19 from Order 4/23, which the Board subsequently varied to remove reference to “funding envelopes” and to require instead that MPI meet with Board staff and advisors no later than May 12, 2023, or such other date as might be agreed upon.

MPI submits that it led no evidence in the 2024 GRA that its Board of Directors approves funding envelopes for Project Nova. In addition to the Board of Directors, MPI notes that the Government of Manitoba must also be informed of, and approve, changes to Project Nova that will have an impact on budget, timeline, or scope. Given these additional reporting requirements, MPI may not be able to schedule meetings with Board staff and advisors within 30 days of presentation to its Board of Directors.

MPI argues that, without a variance to this Directive, the Board could find MPI in non-compliance in the 2025 GRA. It notes that Order 145/23 already requires MPI to attend an IT Summit no later than May 2024, and submits that it would be most appropriate to

address the information in this Directive by simply adding a requirement to the IT summit for MPI to review all aspects of Project Nova.

MPI requests that the Board rescind Directive 12 and vary Directive 11 to read:

*11. An IT summit shall take place no later than May 2024, to review all aspects of Project Nova, including but not limited to project deliverables, progress, timeline, budget, discount rate, any new elements added to the initiative and all IT projects beyond the scope of Project Nova. The IT Summit shall provide the following information and/or reporting:*

Alternatively, MPI asks that the Board vary Directive 12 to read:

*12. MPI shall meet with Board staff and advisors to review all aspects of Project Nova, including but not limited to project deliverables, timeline, budget, discount rate, and any new elements added to the initiative, within 30 days after the budget allocations have been presented to the MPI Board of Directors and to the Government of Manitoba.*

#### **4. Directive 13(a) – Strategy for Assignment of Contingency Percentages**

This Directive requires that, in the 2025 GRA, MPI is to file documented guidelines denoting the strategy MPI uses to assign contingency percentages to Projects/Epics. MPI requests that the Board vary this Directive to remove the word “strategy” and replace it with the word “process”.

MPI submits that it did not lead any evidence in the 2024 GRA that it uses a strategy to assign contingency percentages, but that it was standard for MPI, as part of the financial analysis, to use a 15% contingency for all projects. MPI argues that without a variance of this Directive, there exists a strong possibility that the Board will conclude in the next GRA that MPI did not comply with this Directive.



## 5. Other Adjustments

MPI also pointed out some typographical errors in Order 145/23 requiring correction.

### 3.0 INTERVENER RESPONSES

As noted above, the Board received a response from one Intervener, Consumers' Association of Canada (Manitoba) Inc. (CAC), which is summarized below.

CAC acknowledged that some aspects of the relief sought by MPI might be appropriate, while others seek to address minor issues with overbroad remedies that risk eroding the Board's Directives and undermining its effective oversight of MPI between GRAs. CAC also argued that MPI supported its application with a selective reading of the evidentiary record from the 2024 GRA and past Board orders. CAC's position on each of the Directives is as follows:

- **Directive 10(b)**: CAC cautioned the Board against granting the relief sought by MPI, arguing that, while MPI supports its request by continuing to assert that the scope of Project Nova has not changed since its inception as LSM, this disregards that the issue was specifically canvassed in the MPI's previous review and variance application, and the Board found in Order 35/23 that the scope of the project had changed. MPI has not provided new evidence or information that was not previously available to the Board in support of its request to vary this Directive, and bases its request solely on its disagreement with the Board's previous findings that the scope of the project has changed and is at risk of changing further. However, should the Board be inclined to vary this Directive, a preferable approach is that taken by the Board in Order 35/23, which required a description of the "current scope". This would preserve the Board's ability to conduct effective oversight of the project, whether or not the scope is further revised by MPI.

- **Directive 10(c):** CAC accepts that the Board’s requirement of a “firm and final” budget by the 2025 GRA may not be feasible given the current status of Project Nova. While it shares the Board’s interest in receiving a firm and final budget, CAC finds the relief sought by MPI appropriate in the circumstances.
- **Directive 10(d)(i):** CAC does not take issue with MPI’s request, as it does not believe that the requested variance will alter the substance of the reporting.
- **Directive 11(b):** CAC submits that varying the Directive as proposed by MPI is premature considering that MPI is currently in the process of consulting with MNP on its ability to produce an interim governance report. As such, CAC recommends the Board not vary the wording of the Directive as currently written; alternatively, should only MNP’s monthly reports be made available, the Board could consider requiring MPI to produce a representative of MNP at the IT Summit. Finally, CAC cautions the Board against incorporating a requirement that MNP consent to filing its monthly reports. The need for third party consent for disclosure has arisen multiple times in recent GRAs, and risks impairing the regulatory process if relevant documents are not provided.
- **Directive 12:** CAC recommends replacing the term “funding envelopes” with “budget allocations”. CAC does not advance a particular position on MPI’s request to rescind this Directive and incorporate it into the IT Summit, deferring to the Board’s intentions in requiring a meeting to take place separately from the IT Summit.
- **Directive 13:** CAC opposes MPI’s request to vary this Directive. While MPI may not prefer the Board’s wording of “strategy” over “process”, CAC submits that there is no material difference in the terminology.
- **Other adjustments:** CAC did not take issue with the requests to vary the order to correct typographical errors.

## 4.0 MPI REPLY

On January 26, 2024, MPI filed a reply to CAC's response. In summary, MPI raised the following points:

- **Directive 10(b)**: MPI rejects that it has not acted in a manner consistent with its commitment to transparency, and submits that CAC incorrectly interpreted the nature of the Board's error claimed by MPI. MPI submits that the error is not that the Board suggested that the scope of Project Nova had changed since its inception; rather, the error is that the Board found that revising the scope of Project Nova was the only way that MPI could complete it within the 2022 IT Baseline estimated budget. Without this finding of fact made by the Board, the requirement to revise the scope of Project Nova to complete it within the 2022 IT Baseline budget would be meaningless. However, if the Board is not inclined to vary the Directive as it has requested, MPI is agreeable with CAC's suggestion to replace the words "revised scope" with the words "current scope".
- **Directive 11(b)**: While MPI has not discounted the possibility of an interim governance report from MNP, in the absence of any amendment to the scope of work, compliance with this Directive is best accomplished with the production of monthly reports, similar to what was provided by the previous governance vendor, PwC, in the 2023 GRA, and, as in the 2023 GRA, a representative from MNP could appear as a witness in the 2025 GRA.
- **Directive 12**: MPI and CAC appear to agree that MPI's request is that the IT Summit incorporate this information from this Directive, rather than requiring a separate meeting.
- **Directive 13**: This Directive does not require MPI to develop a strategy for contingency allocation and therefore, the use of the word "process" is still preferred.

## 5.0 BOARD FINDINGS

Pursuant to the Board's Rules of Practice and Procedure, and in particular, Rules 36(1) and 40(2) thereof, the Board may on application or on its own initiative review, rescind, change, alter or vary any decision or Order it has made. The Board's jurisdiction in that regard flows from section 44(3) of *The Public Utilities Board Act* (the *Act*).

In accordance with Rule 36(4), upon receipt of an application for review and variance, the Board is to determine, with or without a hearing, in respect of an application for review, the preliminary question of whether the matter should be reviewed and whether there is reason to believe the order or decision should be rescinded, changed, altered or varied.

After determining the preliminary question under Rule 36(4), pursuant to Rule 36(5), the Board may:

- a) Dismiss the application for review if,
  - i. In the case where the applicant has alleged an error of law or jurisdiction or an error in fact, the Board is of the opinion that the applicant has not raised a substantial doubt as to the correctness of the Board's order or decision; or
  - ii. In the case where the applicant has alleged new facts not available at the time of the Board's hearing that resulted in the order or decision sought to be reviewed or a change of circumstances, the Board is of the opinion that the applicant has not raised a reasonable possibility that the new facts or change in circumstances, could lead the Board to materially vary or rescind the Board's order or decision; or
- b) Grant the application; or
- c) Order that a hearing or proceeding be held.

The Board has reviewed and considered the information and positions advanced by MPI with respect to each of the Directives sought to be varied, in accordance with Rules 36 and 40(2). The Board's findings in respect of each of the Directives is as follows.

### **Directive 10(b)**

The Board recognizes that there is some nuance in how MPI has characterized its argument regarding this Directive. Instead of arguing that the scope of Project Nova has changed since LSM (an issue that was heard and decided by the Board in Order 35/23), MPI submits that this Directive is premised on a finding that the project cannot be completed within the current budget without a change to its scope.

The Board has already made clear its concerns with the increasing Project Nova budget, change in scope, and lack of clarity on dependent projects. The Board stated in Order 145/23:

*The Board is also concerned that the evidence in this GRA was unclear as to which IT projects, not included within the \$224.1 million budget, must be completed for Project Nova. This raises the question of whether the \$290 million budget (including contingency) could be, in fact, higher as it does not include the costs of these projects, upon which Project Nova is fully or partially dependent.*

*Based on the history of the project and the evidence in this GRA, the Board does not have confidence in MPI's Project Nova budget. Ultimately, the amount may far exceed \$290 million.*

The Board finds that the variance MPI seeks is acceptable, but notes that Order 145/23 clearly reflects a finding by the Board that significant uncertainty remains regarding the scope and budget for Project Nova. This is a finding that the Board made after having heard MPI's evidence that it is trending towards a total project expense of \$240.7 million

without a change in scope. MPI has not brought forward any new evidence in this application to displace the Board's finding that the project budget may far exceed \$290 million. By necessity, therefore, the scope of the project would need to change to remain within an expense of \$240.7 million.

Nevertheless, the information that the Board requires in order to have a clearer picture of MPI's progress on Project Nova timeline and budget can be achieved by varying the wording as requested by MPI. Accordingly, the Board will vary Directive 10(b) to read:

*(b) A strategy and plan to complete Project Nova within the 2022 IT Baseline estimated budget which minimizes the use of contingency;*

#### **Directive 10(c)**

The Board accepts MPI's position that missing components for Releases 1 and 2, the labour interruption, and the stage of discovery for Release 3 have had an impact on a "firm and final" estimate for Project Nova, and notes that CAC does not oppose a variance of this Directive. Therefore, the Board will vary Directive 10(c) to read:

*(c) A report on its progress in completing the implementation phase for Releases 1 and 2, the discovery phase for Release 3 and any changes to the scope, budget and time resulting therefrom;*

#### **Directive 10(d)(i)**

This Directive is intended to capture a full picture of the budget for Project Nova and all dependent projects. The Board is aware of MPI's evidence that the Board of Directors does not approve funding envelopes for Project Nova, but this is not necessarily the case for other IT projects upon which Project Nova is dependent. Taking this into account, therefore, the Board is prepared to vary this Directive but not as suggested by MPI. In order to ensure that all relevant budget information is provided to the Board, this Directive shall be varied to state:

*(d)(i) The funding envelopes and/or budget allocations for each project related to, or dependent on, Project Nova;*

**Directive 11(b)**

The Board acknowledges MPI's submission that an interim report is not currently within the scope of work for MNP. Recognizing that monthly reports will provide substantially the same information the Board requires, the Board is prepared to vary this Directive. However, in doing so, the Board will not be incorporating a requirement of consent by MNP for provision of monthly reports.

The Board has the authority to order production of such reports by virtue of section 24(4) of *The Public Utilities Act*, C.C.S.M. c. P280, which provides that:

24(4) The board, except as herein otherwise provided, as respects the attendance and examination of witnesses, the amendment of proceedings, the production and inspection of documents, the enforcement of its orders, the payment of costs, and all other matters necessary or proper for the due exercise of its powers, or otherwise for carrying any of its powers into effect, has all such powers, rights, and privileges as are vested in the Court of King's Bench or a judge thereof. [emphasis added]

The Board has the jurisdiction to require production of documents without the consent of a third-party vendor. Accordingly, this Directive shall be varied to state:

*(b) All reports prepared by MNP as the Governance and Risk Advisor for Project Nova;*

**Directive 12**

The Board accepts MPI's argument that it would be appropriate to incorporate the information sought by this Directive into the IT Summit. The Board notes that the relief requested in this section of MPI's application references the Directive regarding the IT Summit as 12. The Board understands that that this was in error and therefore, Directive 12 shall be rescinded, and Directive 11 shall be varied to state:

*11. An IT summit shall take place no later than May 2024, to review all aspects of Project Nova, including but not limited to project deliverables, progress, timeline, budget, discount rate, and any new elements added to the initiative and all IT projects beyond the scope of Project Nova. The IT Summit shall provide the following information and/or reporting:*

**Directive 13(a)**

The Board notes MPI's comments that it does not use a strategy to assign contingency percentages to Projects/Epics. The Board accepts that varying this Directive as requested by MPI will nonetheless provide the Board with detailed information necessary to review the assignment of contingency. The Board will therefore vary this Directive to state:

*(a) Documented guidelines denoting the process MPI uses to assign contingency percentages to Projects/Epics;*

**Other Adjustments**

The Board acknowledges the typographical errors pointed out by MPI and shall vary Order 145/23 to make the appropriate corrections.



## 6.0 IT IS THEREFORE ORDERED THAT:

1. Directive 10(b) of Order 145/23 be varied to read as follows:

A strategy and plan to complete Project Nova within the 2022 IT Baseline estimated budget which minimizes the use of contingency;

2. Directive 10(c) of Order 145/23 be varied to read as follows:

A report on its progress in completing the implementation phase for Releases 1 and 2, the discovery phase for Release 3 and any changes to the scope, budget and time resulting therefrom;

3. Directive 10(d)(i) of Order 145/23 be varied to read as follows:

The funding envelopes and/or budget allocations for each project related to, or dependent on, Project Nova;

4. Directive 11(b) of Order 145/23 be varied to read as follows:

All reports prepared by MNP as the Governance and Risk Advisor for Project Nova;

5. Directive 12 of Order 145/23 be repealed, and Directive 10.11 be varied to read as follows:

An IT summit shall take place no later than May 2024, to review all aspects of Project Nova, including but not limited to project deliverables, progress, timeline, budget, discount rate, and any new elements added to the initiative and all IT projects beyond the scope of Project Nova. The IT Summit shall provide the following information and/or reporting:

6. Directive 13(a) of Order 145/23 be varied to read as follows:

Documented guidelines denoting the process MPI uses to assign contingency percentages to Projects/Epics;

7. The following corrections shall be made to Order 145/23:

(a) Page 140: Re-number directives to add Directive 10.9.1 (Driver Safety Rating Scale) immediately following Directive 10.09 (Blanket Policy Framework).

(b) Pages 92 and 141: Change rightmost column from “2023/24 Discount” to “2024/25 Discount”, and change DSR Level 13 discount from 2% to 3%.

(c) Page 151, Appendix C:

- i. Change spelling of “K. Massud” to “K. Masud”;
- ii. Change job title of G. Bunston to “Director, ALM and Investment Management”;
- iii. Add M. Marion, Manager, Valuation, to list of MPI witnesses; and
- iv. Remove reference to “Reinsurance” from job title for D. Dunstone.

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at [www.pubmanitoba.ca](http://www.pubmanitoba.ca).

THE PUBLIC UTILITIES BOARD

"Irene Hamilton, K.C."

Panel Chair

"Darren Chistle, PhD, CCLP, P.Log, MCIT"

Secretary

Certified a true copy of Order No. 22/24  
issued by The Public Utilities Board



Secretary

## **APPENDIX A - BOARD DIRECTIVES**

10. In the 2025 GRA, MPI shall file the following with respect to Project Nova:
- b. A revised scope and related detailed strategy and plan to complete Project Nova within the 2022 IT Baseline estimated budget which minimizes usage of contingency;
  - c. A firm and final estimate, inclusive of contingency and timelines to complete Project Nova; and
  - d. A report on Project Nova addressing the following topics:
    - i. The funding envelopes for the project, including description and size of each;
11. An IT summit shall take place no later than May 2024, to review progress on Project Nova and on IT projects beyond the scope of Project Nova. The IT Summit shall provide the following information and/or reporting:
- b. An interim governance report prepared by MNP covering all observations/recommendations/status to date;
12. MPI shall meet with Board staff and advisors to review all aspects of Project Nova, including but not limited to project deliverables, timeline, budget, discount rate, and any new elements added to the initiative, within 30 days after funding envelopes have been presented to the MPI Board of Directors.
13. In the 2025 GRA, MPI shall file the following with respect to IT Value Management/Assurance:
- a. Documented guidelines denoting the strategy MPI utilizes to assign contingency percentages to Projects/Epics;