

ARM (MPI)

ARM (MPI) 3-1

Please advise how much the Corporation has spent in the last three (3) years on Mitchell and other computer software related to physical damage. Please break it down by year and category/function of the software expenditure (i.e. glass, collision, etc)

RESPONSE:

Please see the following expenditures for computer software related to physical damage provided, by external parties.

	2011/12	2012/13	2013/14	Grand Total
Aggregate Payments	\$ 1,468,045	\$ 3,587,764	\$ 5,803,119	\$ 10,858,928

The Corporation is unable to divulge the additional level of detail requested as the information is confidential.

ARM (MPI) 3-2

Please update the answer to PUB 1-54 with the year to date (2014) or the first six months expenditure in 2014, as well as previous years requested on the various type of parts (i.e. new, recycled and after market).

RESPONSE:

Year	New %	New \$	Aftermarket %	Aftermarket \$	Recycled %	Recycled \$
2004	68%	\$43,966,406	22%	\$15,508,301	10%	\$7,652,430
2005	64%	\$43,690,133	25%	\$18,439,501	11%	\$8,287,602
2006	60%	\$44,009,403	30%	\$22,790,243	10%	\$8,605,200
2007	60%	\$44,772,643	31%	\$23,924,689	9%	\$8,416,450

See PUB (MPI) 1-54 for years 2008 to 2013.

Year	New %	New \$	Aftermarket %	Aftermarket \$	Recycled %	Recycled \$
First 6 months 2014	64%	\$32,516,421	30%	\$16,459,633	6%*	\$3,989,536

* The recycled parts percentage is understated by approx 1~2% for year to date 2014 on account of transition in processes related to Mitchell RepairCenter deployment to repair shops and Recycled Parts Program's Claim Response System process changes.

ARM (MPI) 3-3

Please provide another column for ARM 1-10 showing the number of glass claims. What does the Corporation attribute the straight line dramatic increase in glass claims over those 10 years? Please confirm that the increase is 236 % over this period.

RESPONSE:

Fiscal Year	Basic Glass Payments	# Claims With Basic Glass Payment
2004	\$3,523,298	20,092
2005	\$2,267,344	14,811
2006	\$2,556,753	15,985
2007	\$2,887,719	17,421
2008	\$3,527,256	19,174
2009	\$5,137,820	25,441
2010	\$5,886,368	27,123
2011	\$7,172,243	30,933
2012	\$7,816,815	30,895
2013	\$8,328,001	30,995

Several factors are responsible for increasing glass payments including:

- The overall number of Basic glass claims continues to increase
- The price of glass continues to increase
- The glass labour rate has increased during the period
- The discount on National Auto Glass Specifications price list decreased from 20% to 10% as part of the 2008 agreement with the Automotive Trades Association and the Manitoba Motor Dealers Association

- Glass claims are becoming more complex due to advances in vehicle design (e.g. rain sensors, humidity sensors, acoustic interlayer, heated and solar coatings, etc).

The combined effect of increased volume and costs is an increase in Basic glass payments of 136% over the period.

ARM (MPI) 3-4

Please estimate all the combined salaries and overhead in operating the RPP office in an annual basis.

RESPONSE:

The annual estimated expenses for the RPP Office are \$300,396.00 for salaries and benefits and \$9,257.00 for overhead related expenses. This approximation is based on the staff at the Recycled Parts Program Office and are part of the Physical Damage department.

ARM (MPI) 3-5

Please answer the ARM 1-11 in dollar values instead of number of parts. Please also answer what is the number and value of parts attributable to the new five new participants by calendar year and by new participant.

RESPONSE:

The total dollar value of recycled parts made available (quoted) for use in MPI claims, by Recycled Parts Program participants in 2013/14, was \$ \$22,138,750.00. For 2012/13 and 2011/12, the dollar value of recycled parts made available for MPI claims were \$20,202,771.00 and \$20,419,012.00 respectively.

In 2012/2013 there were four new participants and the total dollar value of recycled parts made available by them was \$204,168.00. In 2013/2014 the number of new participants increased by one for a total of five and the total dollar value of recycled parts made available by them was \$221,658.00.

ARM (MPI) 3-6

With respect to ARM (MPI) 1-20 please set out more information relative to the calculations of savings, breaking down and qualifying same for the distributed estimating initiative.

RESPONSE:

Please refer to PUB (MPI) 1-75.

ARM (MPI) 3-7

Why was the recycled parts industry in Manitoba not asked for input in the design and building of the Physical Damage Re-Engineering Program? Why were the industries concerns not addressed?

RESPONSE:

Up until now, the recycled parts industry has been represented by a group of four individuals assigned this responsibility by the larger group of recyclers. The names of the four individuals was provided to the Corporation and, based on the Terms of Reference, the Corporation has been meeting with this group. ARM is new to this process and, up until their request for intervener status; the Corporation had no knowledge of the existence of this group. ARM does not represent or speak for the larger group of recyclers. The original working group of four recycler representatives has been having discussions with the Corporation on the physical damage reengineering initiative and its impacts on the repair industry.

ARM (MPI) 3-8

Why does the Mitchell computer software system not share the same information with the recyclers that the body shops receive (i.e. pictures as one example, OEM part numbers and pricing)?

RESPONSE:

Through the collaborative estimating projects, all body shops are being converted to Mitchell's repair centre. Given recyclers are not on the same platform of Repair Centre, they don't have access to all the information that's available in Mitchell. This is problematic and the Corporation is currently assessing how this could be remediated.

ARM (MPI) 3-9

Please explain the drop in recycled parts usage as evidenced in PUB 1-54.

RESPONSE:

Please refer to PUB (MPI) 3-7.

ARM (MPI) 3-10

Does just the bidding of recycled parts on claims help MPI reduce cost whether a recycled parts is sold or not?

RESPONSE:

The Corporation, through the bidding process, confirms the availability of recycled parts for MPI claims. Repair shops are expected to use a recycled part where the Recycle Parts Program (RPP) is able to locate them based on the responses received from the RPP participant recyclers. All part type changes require MPI approval.

ARM (MPI) 3-11

Does the decline in the number of used parts bids directly effect the cost of claims?

RESPONSE:

The cost of claims is affected by the parts used in repair. When recycled parts bids are not fulfilled by recyclers on account of quality or availability, it impacts claims costs by adding delays to the repair process.

ARM (MPI) 3-12

MPI had a recycled first policy when it came to recycled parts, please explain what this policy means? Is it still in effect? If not, when and why?

RESPONSE:

The policy meant that recycled parts, if available, will be selected over all other part types, even if it was not cost effective. Effective July 2014, this policy has been changed and the most cost effective part will be selected where applicable.

ARM (MPI) 3-13

Why did the policy on recycled glass change?

RESPONSE:

The decision to discontinue using recycled glass considered:

- system integration issues
- low award rate to recyclers
- customer satisfaction concerns, including quality issues, high return rates and lack of availability for broadcasting on weekends

These factors added delays to the repair process and caused customer and shop complaints.

ARM (MPI) 3-14

In 2008 recycled parts dollars were reported as \$8,567,417.00 and glass payments were reported as \$3,527,256.00, what percentage of this was recycled glass?

RESPONSE:

The \$3,527,256 reflects the Basic portion of all glass payments and excludes the Extension portion.

ARM (MPI) 3-15

In 2013 recycled parts dollars were reported as \$7,551, 129.00 and glass payments were reported as \$8,328,001.00, what percentage of this was recycled glass?

RESPONSE:

The \$8,328,001 reflects the Basic portion of all glass payments and excludes the Extension portion.

ARM (MPI) 3-16

When did e-glass start? When was its implementation completed?

RESPONSE:

eGlass was implemented on August 26, 2010. Repair shops continue to enroll in the program on an ongoing basis.

ARM (MPI) 3-17

As per AI.10 PDR Program Charter it states cost savings of \$3,000,000.00 for parts sourcing. How is this expected to be realized? Is this over and above the savings already realized by the use of recycled parts?

RESPONSE:

As per Volume III AI.10, PDR Program Charter, the \$3,000,000 in costs savings are incremental savings over existing operations for parts sourcing and will be achieved by:

Parts Sourcing

- Increasing recycled parts usage through expansion of the recycler network
- Improving the recycled parts process through automation whereby recyclers provide their inventories online and repair estimates include those parts automatically
- Reducing administration required for recycled parts through process automation
- Expanding the catalogue of certified aftermarket parts

ARM (MPI) 3-18

To ensure health of the repair industry as stated in PDR Program Charter, what percentage of recycled parts is to be used in the repair process? Where is this goal stated by MPI if in fact MPI has an objective or goal quantitatively stated?

RESPONSE:

As per the PDR Program Charter (Volume III AI.10), the recycled parts savings will be achieved through a combination of increasing recycled parts usage through expansion of the recycler network as well as the effectiveness of the recycled parts process. This has been identified as a business opportunity that can reduce future claims costs.

ARM (MPI) 3-19

The recycled parts industry is in an unprecedented decline, what measures if any are in place by MPI to ensure its survival? Is MPI committed to ensuring there is a healthy recycled parts industry to offer savings to its insured?

RESPONSE:

Please refer to PUB (MPI) 3-7.

