

PUB (MPI) 1-75

Reference: E4.2 p. 24, Physical Damage Reengineering AI.10 pp. 4, 8

- a) Please provide a detailed description and supporting calculations in respect of the anticipated savings of \$13.3 million in operating and claims incurred related to the PDR project.
- b) Please file a detailed budget in support of the \$65.5 million PDR project cost and provide a comparison of the budget established in the Project Charter with the actual and forecast expenditures on the project found in E.4.2.
- c) Please provide a comparison to the \$56.4 million budgeted for the project last year (PUB/MPI 2-33 Attachment) and explain the reason for the increase.
- d) Please describe the nature of expenditures being expensed on the Physical Damage Re-engineering project.
- e) Please provide details of each contract issued, by consultant, and amount of contract related to the PDR.

RESPONSE:

- a) The detailed breakdown of the projected costs savings for the PDR program are as follows:

Cost Savings Area	Cost Savings	Operating Expenses	Claims Incurred
Process Improvement			
Process Improvement (Internal)			
FNOL	\$ 300,000		
Adjusting	\$ 1,750,000		
Estimating	\$ 1,450,000		
Process Improvement (Internal)	\$ 3,500,000	\$ 3,500,000	
Repair Shop Process Improvement			
Administrative Savings	\$ 1,100,000		
Cycle Time Improvement	\$ 1,500,000		
Courtesy Car Reduction	\$ 400,000		
Repair Shop Process Improvement	\$ 3,000,000		\$ 3,000,000
Total Process improvement	\$ 6,500,000		
Loss of Use	\$ 1,300,000		\$ 1,300,000
Parts Sourcing			
Recycled Parts	\$ 1,400,000		
Aftermarket Parts	\$ 1,600,000		
Parts Sourcing	\$ 3,000,000		\$ 3,000,000
Loss Prevention	\$ 2,500,000		\$ 2,500,000
Total	\$ 13,300,000	\$ 3,500,000	\$ 9,800,000

b) The detailed breakdown of the detailed project budget and project forecasts for the PDR program are as follows:

Initiative	Year 1 2011/12	Year 2 2012/13	Year 3 2013/14	Year 4 2014/15	Year 5 2015/16	Year 6 2016/17	Year 7 2017/18	7-Year Program Total
PDR Phase 1	1,385,744.00	60,402.00	0.00	0.00	0.00	0.00	0.00	1,487,008.56
PD Industry Study	0.00	130,483.00	0.00	0.00	0.00	0.00	0.00	134,169.95
Optimized Repair	0.00	2,072,148.00	7,454,057.00	3,072,675.73	2,945,202.07	2,481,119.66	754,491.81	19,015,906.60
Optimized Adjusting	0.00	45,609.00	2,240,862.00	9,709,252.43	11,480,088.27	4,225,465.71	4,109,381.20	33,560,319.87
Business Re-visioning	0.00	0.00	0.00	272,621.81	0.00	0.00	0.00	257,064.05
Loss Prevention	0.00	0.00	0.00	1,606,555.97	1,208,505.58	0.00	0.00	2,757,047.88
CCUC Phase 1	0.00	684,945.00	10,416.00	0.00	0.00	0.00	0.00	715,009.25
Estimatics	0.00	-	3,996.00	16,728.07	80,695.15	0.00	0.00	102,825.62
Website re-design	0.00	369,141.00	824,010.00	3,271,461.74	0.00	0.00	753,998.99	5,047,898.80
Implementation Costs (pgm mgmnt)	0.00	425,347.00	1,297,397.00	920,600.24	675,828.92	896,545.63	0.00	4,258,903.43
Total Project Costs	\$1,385,744.00	\$3,788,075.00	\$11,830,738.00	\$18,869,896.00	\$16,390,320.00	\$7,603,131.00	\$5,617,872.00	\$65,485,776.00

c) As previously filed.

The \$56.4 million budget stated in PUB (MPI) 2-23 from the 2013 General Rate Application was the deferred development aspect of the project budget, not the entire project budget of \$65.5 million.

d) As previously filed.

The expenses on the PDR program incurred to date are associated with the following categories:

- Compensation
- Travel
- Training
- Miscellaneous

e) As previously filed.

Manitoba Public Insurance has not issued contracts with individual consultants for the PDR program. The Corporation secures labour through various Master Services Agreements that cannot be disclosed.

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PDR Phase 1	\$ 1,385,744	\$ 60,402	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,446,146
PD Industry Study	\$ -	\$ 130,483	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,483
Optimized Repair	\$ -	\$ 2,072,148	\$ 7,454,057	\$ 2,817,709	\$ 2,944,065	\$ 2,488,875	\$ 716,501	\$ 18,493,355
Optimized Adjusting	\$ -	\$ 45,609	\$ 2,240,862	\$ 8,903,591	\$ 12,475,270	\$ 4,690,080	\$ 4,282,680	\$ 32,638,092
Business Re-visioning	\$ -	\$ -	\$ -	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000
Loss Prevention	\$ -	\$ -	\$ -	\$ 1,473,246	\$ 1,208,039	\$ -	\$ -	\$ 2,681,285
CCUC Phase 1	\$ -	\$ 684,945	\$ 10,416	\$ -	\$ -	\$ -	\$ -	\$ 695,361
Estimatics	\$ -	\$ -	\$ 3,996	\$ 15,340	\$ 80,664	\$ -	\$ -	\$ 100,000
Website re-design	\$ -	\$ 369,141	\$ 824,010	\$ 3,000,000	\$ -	\$ -	\$ 716,033	\$ 4,909,184
Implementation Costs (pgm mgmnt)	\$ -	\$ 425,347	\$ 1,297,397	\$ 844,210	\$ 675,568	\$ 899,348	\$ -	\$ 4,141,870
Total Project Costs	\$ 1,385,744	\$ 3,788,075	\$ 11,830,738	\$ 17,304,096	\$ 17,383,606	\$ 8,078,303	\$ 5,715,214	\$ 65,485,776

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