

CAC (MPI) 1-54

Part and Chapter:	Part I, Overview 2018 GRA, CAC (MPI) 2-22	Page No.:	13
PUB Approved Issue No:	19. Value Management		
Topic:	MPI not a technology company		
Sub Topic:	The application of Value Management caused projects to be cancelled		

Preamble to IR (If Any):

Reference Part 1, Overview, page 13:

“MPI, however, is an automobile insurance company and administrator of *The Drivers and Vehicles Act*. The “IT Strategic Plan” is to support the business carry out the corporation’s mission - *Exceptional coverage and service, affordable rates and safer roads through public auto insurance*. IT expenses are incurred to meet business needs. Business needs are not determined by an IT Strategic Plan.

As previously mentioned, MPI uses a Value Management Process to ensure that IT expenditures will only be incurred when it is appropriate to do so. As the PUB noted in Order 130/17 this process is applied on all new initiatives with a budget in excess of \$500,000. The MPI Board of Directors recognized in the same Order, the PUB expressed concerns about IT projects that were currently “in-flight”. The Board of Directors directed the Value Management Process be applied to a number of these projects. Based upon the results, Management cancelled the Customer Claims Reporting System (CCRS) initiative.”

Reference 2018 GRA, CAC (MPI) 2-22:

“MPI has entered into a co-development agreement with Mitchell International with respect to the Customer Claims Reporting System (CCRS)”

Question:

- a) Please file a copy of 2018 GRA, CAC (MPI) 2-22 for the record.
- b) MPI has cancelled the CCRS project and written off the development costs of \$9.3 million plus an additional amount of about \$5.3 million (which may not be entirely related to the CCRS project) (see Part IV, Value Management, pages 32 and 33); based on the co-development agreement with Mitchell, please provide the amount of the write-off recoverable from Mitchell, if any. If there is no amount recoverable from Mitchell, please explain in detail the going-forward business relationship with Mitchell.
- c) Please prepare a chart, by project, of projects cancelled and the amount of project development costs write-offs for the last three fiscal years, including the rationale for write-off.

Rationale for Question:

To obtain a clear understanding as to the disposition of policyholders moneys invested in a leading edge system (CCRS) co-developed with Mitchell which has subsequently been cancelled. Who benefited from this work and who is responsible for the loss?

RESPONSE:

- a) Please see, Appendix 1.
- b) None of the amounts written-off are recoverable from Mitchell, as the Corporation spent these amounts mainly for internal development and work on the Customer Claims Reporting System (CCRS) project. Mitchell also invested capital in the CCRS project and the amounts written-off by the Corporation do not reflect this. With the indefinite postponement of the project, the Corporation is negotiating the licence and use of the CCRS software in order to mitigate its losses. These negotiations are close to finalized.

c) Please see table below:

Figure 1: Deferred Development Cost Write-Offs

Line No.	Impairment Projects	2015/16A	2016/17A*	2017/18A**
1	<i>(C\$000s, except where noted)</i>			
2	Physical Damage Re-Engineering Main/Ph:	-	1	993
			126	
3	Financial Re-engineering Initiative	-	-	343
4	SRE Future State	-	-	55
5	High School Driver Education Phase 2	-	-	2,086
6	Enhanced DR Capabilities	-	-	681
7	Customer Claims Reporting System	-	-	15,624
8	PDR Opt Repair - Remote Estimating	-	-	229
9	HR Management System Phase 3 & 4	-	-	247
10	Total	-	1	20,258
		-	126	
11	*2016/17 Project cancelled			
12	**2017/18 Projects impaired			
13	Note: The original 2016/17 cancelled project total included \$125,000 that was written off in 2017/18.			
14	The \$125,000 is included in the \$993,000 total under 2017/18.			

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