

# 2019 General Rate Application Overview Presentation

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**Manitoba  
Public Insurance**



# Agenda

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- 1) Mission and Values
- 2) Vision
- 3) Four Enablers
- 4) 2019 GRA Positive Themes
- 5) Ongoing Challenges
- 6) Conclusion



# MPI Beyond the 2019 GRA

A new path forward



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## Our Mission & Values

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*Exceptional coverage and service, affordable rates and safer roads through public auto insurance.*

- Striving for Excellence
- Providing Value to Manitobans
- Doing What's Right
- Investing in People



# Living out our Mission: Insurance Priorities

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1

Appropriate insurance rates / service for customers

2

Efficient operations

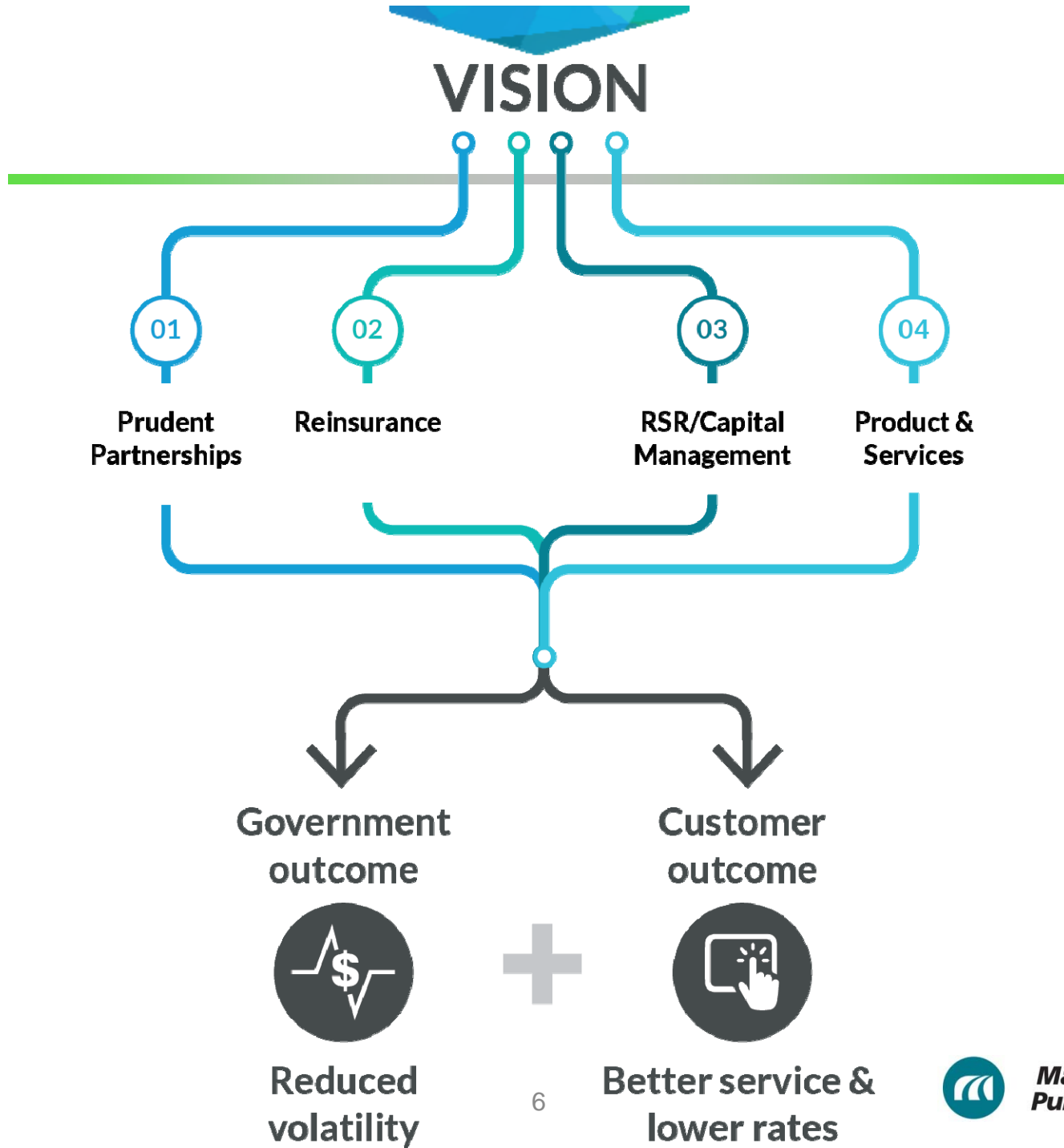
3

Fiscal prudence

4

Better predictability of MPI's forecasts







## Enabler #1:

# Ensure Prudent Partnerships

**MPI will ensure our partnerships align with ‘value for money’ principles**

- Negotiating key partnerships (ATA/IBAM/Chiro)
- MPI would like the outcomes of these negotiations to align with fiscal prudence and ‘value for money’ principles
- Aligned with our mission to provide value for Manitobans





## Enabler #2:

# Optimize Reinsurance

**MPI will limit the volatility of financial results for both government and ratepayers by purchasing optimized or 'aggregate' reinsurance.**

- MPI purchases reinsurance (i.e. insurance purchased by insurance companies) to protect the Corporation from catastrophic events.
- Aggregate reinsurance provides greater predictability in outcomes





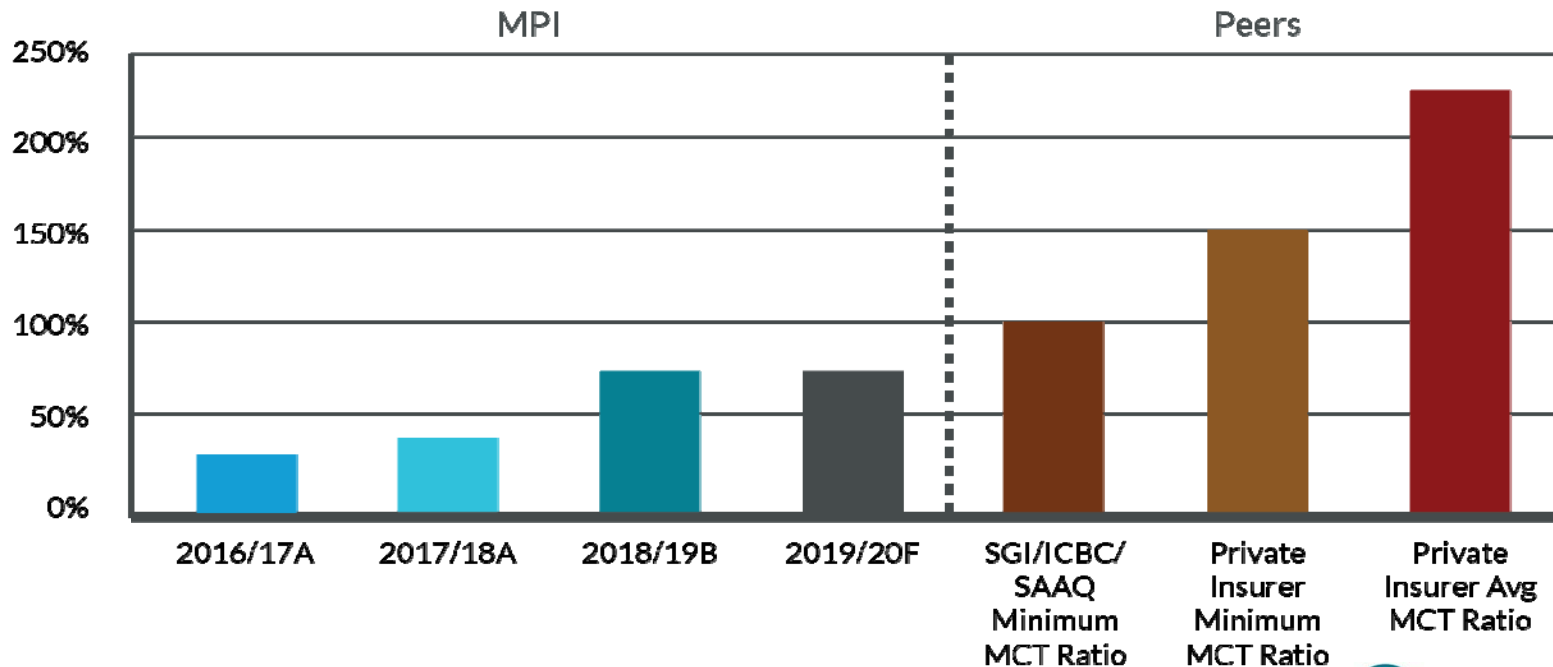


# Enabler #3:

## Maintain Proper Capital

Appropriate Capital (RSR) means stable rates for customers and stable financial forecasts for government.

Basic MCT Ratio





## Enabler #4:

# Modernize our Products

**MPI will evolve our product offerings to align with current market practice and customer risk sharing principles**

Product	Last updated	Current
Basic Deductible	1997	\$500
Basic Maximum Insured Value	1998	\$50,000
Minimum Third Party Liability	1983	\$200,000



# 2019 General Rate Application

## Progress to Date & Challenges Before Us



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## Positive Themes

### **New Level of Transparency**

- Insight into MPI's major decisions
- Access to corporate leadership

### **Basic is Moving Towards a Stable Footing**

- Investment de-risking has moved the goal posts
- Basic forecast to have 70% MCT to start the rating year

### **Capital Maintenance Provision (CMP) Allows Basic to hold its ground**

- 2.1% rate increase to maintain capital
- 0.1% increase to break-even cost of insurance



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## Positive Themes

### Value Management is Operational Across MPI

- Adopted across the spectrum
  - All projects / initiatives >\$25k
  - Legacy Modernization (multi year, transformative)
  - >\$500k projects included in GRAs

### Value Management in Action: CCRS Cancellation

- A thorough review halted to project activity
- Refocused efforts on well supported assumptions
- Established accountability for NPV and project results



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## Positive Themes

### **MPI is squarely focused on the core insurance business**

- Claims (Physical Damage and Bodily Injury)
- Underwriting
- Fraud Management and Customer Risk Sharing
- Investments

### **IT Investment Dollars Target Mainstream Technologies**

- Expanding channels (online / mobile) to serve customers
- Modernize legacy system (assessment underway)
- Off the Shelf solutions – minimize customization to save money



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## Ongoing Challenges

### Investments / ALM & De-Risking Basic

- De-risking Basic responds firstly to the fundamental responsibility to ensure that existing claims will be honored in full
- Regulatory landscape has directly influenced the risk appetite for Basic
  - Capitalization and targets remain the lowest in Canada
  - Inaccurate interest rate forecasts resulted in significant and unnecessary pricing risk
- Segregation of portfolios allows each fund to be tailored to a particular purpose and circumstance



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## Ongoing Challenges

### Capital Remains a Concern

- RSR Targets must be based on Best estimates
  - Minimum at 34% MCT (\$143 million)
    - Threshold for unsatisfactory financial condition
  - Maximum at 85% MCT (\$305 million)
    - 2-year, 1-in-40, no management action DCAT Scenario
- Are we different? No We Are Not
  - CEO tasked by Government and Board with implementing best practice
  - How do we compare with peers?
  - Lower MCT = short term volatility





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## Ongoing Challenges

### Interest Rate Forecast

- Naïve Interest Rate forecast is a best estimate
  - MPI cannot place bets on interest rates
  - Appointed actuary supports the approach
- Inaccurate interest rate forecasts have cost Basic \$163 million (under-collected premium)
- MPI supports updating the interest rate forecasts
  - ‘Approved Methodology’ + ‘Dependable Inputs’
  - Minimize the risk of mispricing:
    - Customers pay the right price
    - Reduce unnecessary volatility



# Summary and Key Requests

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**Our Mission is Clear - Exceptional coverage and service, affordable rates and safer roads through public auto insurance.**

## **Our Values facilitate our mission**

- Striving for Excellence
- Value for Manitobans
- Doing What's Right
- Investing in People

## **We're making good progress**

- Focusing on the Core Business
- Fiscal Prudence Guided by Value Management
- New Level of Transparency with the PUB





# Summary and Key Requests (Cont'd)

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**Our Mission is Clear - Exceptional coverage and service, affordable rates and safer roads through public auto insurance.**

**We Need PUB Action to get us the rest:**

**1. Acceptable Capital Targets**

- Based on Best Estimates

**2. Capital Maintenance Provision**

- Step one: Allow Basic to hold its ground

**3. Interest Rate Forecast**

- To limit the risk of mis-pricing break even policies