A Report for
Manitoba Public Insurance

Physical Damage Re-Engineering (PDR) Program Evaluation

6 June 2016
Engagement: 330031341

Table of Contents

Executive Summary

Context and Background

In response to an order from the Public Utilities Board (PUB), MPI has contracted Gartner to conduct an assessment of the Physical Damage Re-engineering (PDR) program.

The PUB Order 128/15 – 10.6 is as follows: *MPI file at next year's GRA an independent assessment on the development and roll-out of the PDR Project, including the progress of the pilots, the timing of full implementation, the costs of the project and the anticipated savings to be delivered.*

The PDR Program

The Physical Damage Re-engineering (PDR) program will introduce a number of changes to MPI's operating environment in order to enhance MPI's ability to settle physical damage claims effectively in the emerging marketplace environment.

The PDR Program goal is to transform the physical damage claims operation to enhance the MPI Value Equation by providing measurable sustainable benefits to customer satisfaction and the claims cost structure.

The PDR program is made up of five programs (related groupings of projects) and 20 projects within those programs. Some are heavily dependent on technology, and others are more focused on changes to operating practices and processes, and on the relationship among MPI and a range of stakeholders including, for example, customers, repair shops, and industry associations.

Industry Impacts

The PDR Program has been designed to address the changing nature of the automobile and repair industries. Since 2010, significant changes have occurred in the automobile industry which are driving ongoing structural changes to the repair industry. These changes have impacted, and will continue to impact, repair methods, tools, technology and training required in order to properly repair the more complex vehicles that are beginning to dominate the marketplace. Manitoba Public Insurance and its repair industry partners need to continue to make ongoing adjustments to the operational model, repair and quality assurance methods and service delivery channels at a more rapid pace than in the past. The PDR Program is part of MPI's and its repair industry partners' active approach to adopt a more flexible operational model that will become the new operational 'normal'.

Gartner Industry Perspective

The PDR Program is aligned with what Gartner is observing and projecting for the Property and Casualty Insurance Industry.

Digital insurance is the application of information and technology to enable new capabilities across the insurance value chain for optimizing and transforming existing business processes, products, services and revenue sources, as well as creating new ones.

There is little dispute that digital insurance holds the promise to foster innovation and literally transform the industry by enabling new products, services and delivery channels that can

generate new revenue, add value across the entire insurance value chain, and improve customer acquisition and retention.

Evaluation Approach

Gartner reviewed a number of key program artifacts and interviewed a number of key individuals. Gartner applied its proven risk and readiness methodology to address the four key questions raised in the PUB order and to identify overall Program challenges and risks.

The PUB order specified four key areas to be addressed: Progress of pilots to date, Timing of full implementation, Project costs, Savings / benefits to be realized.

Projected Program Schedule

Progress has been steady but slow due to a number of changes in direction regarding the definition of the actual projects required to deliver the objectives of the overall Program, and due to a number of shifts in the overall Program delivery structure.

Of the 20 projects that make up the PDR program 4 have been completed, 10 are in progress, and 6 are scheduled to start in the future.

One of the key Program approaches is to, where applicable, utilize Pilot Tests to validate and test system functionality, workflows, processes, effort, and impacts.

To date, Pilot Tests have been performed, and have contributed to, the successful delivery of Collaborative Estimating, Distributed Estimating and AutocheX. Other Pilot Tests are in progress or are being planned for subsequent projects within the PDR Program.

Based on reviews of the Program charter and project plans, the schedules for the ten in-progress projects appear to be reasonable and achievable. However, to achieve that schedule, the Program must address a number of known issues.

Cost

The overall program budget has been consistently $65M (in 2012 dollars) throughout all changes in direction and approach. Approximately $32.8M has been spent on the Program to date with $32.6M remaining to complete the project.

As is to be expected in a program of the duration and complexity of PDR, and given the rapid changes in automotive and repair technologies, the Program continues to undergo scoping, planning and mapping of outcomes to projects. This has the benefit of realigning the project scope and objectives to achieve optimal business, consumer, and industry benefits. However, it also introduces the potential for additional cost, extended timeline and deferred benefits realization.

Benefits

At a very high level, the Program is structured as an investment of about $65M (in 2012 dollars) over about 9 years, which will generate a steady flow of benefits starting in year 7 and ramping up to approximately $13.65M starting in 2020/21 (year 11).

While actual activities have changed to address a dramatic shift in automobile technology since 2012, and to address new insights into the readiness of the industry, the Program spending and benefits realization actuals are proceeding as per the original plan that was presented to, and approved by, the Board of Directors in 2012. As such, the Program is on track with respect to the original approved budget, and started to deliver benefits last year (a year earlier than projected).

The Program, as planned and approved, shows a lengthy payback period, an Internal Rate of Return of 8% and a Net Present Value of $18M (using a 3% cost of capital), over the period from inception (2010/11) until 10 years after go-live when benefits start to accrue in 2016/17.

Context and Background

In response to an order from the Public Utilities Board (PUB), MPI has contracted Gartner to conduct an assessment of the Physical Damage Re-engineering (PDR) program.

The PUB Order 128/15 – 10.6 is as follows: *MPI file at next year's GRA an independent assessment on the development and roll-out of the PDR Project, including the progress of the pilots, the timing of full implementation, the costs of the project and the anticipated savings to be delivered.*

Gartner Consulting provides fact-based consulting services to help clients use and manage IT to enable business performance by bringing together research insight, benchmarking data, problem-solving methodologies and hands-on experience to improve the return on IT investment.

The Gartner report addresses the issues raised in the PUB and also identifies project constraints / challenges and makes recommendations to address them.

Physical Damage Re-engineering Program Overview

The Physical Damage Re-engineering (PDR) program will introduce a number of changes to MPI's operating environment in order to enhance MPI's ability to settle physical damage claims effectively in the emerging marketplace environment.

The vision for the PDR Program is to address the following:

- Technology changes being adopted by vehicle manufacturers which are leading to significantly increased complexity in repairs management that drives a need for business and systems transformation by MPI and some of its partners.
- Rising consumer expectations which are driving MPI to not only have an online presence but also the ability to interact using mobile and on-line devices for key transactions.

Program Objectives

The PDR Program goal is to transform the physical damage claims operation to enhance the MPI Value Equation by providing measurable sustainable benefits to customer satisfaction and the claims cost structure. This will be achieved by streamlining existing workflows, eliminating low/no value work, leveraging existing and emerging technologies, creating a business model that allows customers to do business with MPI when and how they want and empowering both customers and business partners to take more ownership of the PD claims experience.

PDR is being implemented to satisfy MPI's business objective to deliver a number of capabilities and levels of service to:

- Ensure vehicles are repaired in a safe and cost-effective manner both in Manitoba, and throughout North America
- Deliver and orchestrate the full lifecycle of physical damage claims management services, in partnership with the extended repair industry, to meet customers' evolving needs for quality, safety, cost control and service.
- Work with business partners to promote a local collision repair industry that is healthy and sustainable in both economic and environmental terms.
- Work with the global industry to foster safe and cost-effective vehicle repair and occupant protection.
- Be responsive to the needs and expectations of its customer base which is increasing in diversity and subject to unique geographic challenges and constraints. Ensure that customers are kept informed throughout the claim and repair process.
- Triage claims to involve Loss Prevention resources earlier in the process resulting in more denials/recoveries.

Expected Program Outcomes

The PDR program is expected to deliver the following:

- Reduction of 50% physical (PD) claims effort in Contact Centre activity.
- Direction of nearly 50% of estimates to distributed estimating (DE) shops
- Correct Repair shop will be identified 98+% of time.
- Once a vehicle is at repair shop, claim is ready for repairs 98% of the time—no waiting for customer or shop.
- Customers and shops are not required to repeat work already performed, as measured by new process design and customer service experience
    - Measured by Number of abandoned sessions in First Notice of Loss (FNOL): less than 2% abandon rate
    - Measured by number of cross supplements in RepairCenter: less than 1% cross supplement rate
- Lower overall claims spend in comparison to current operations which will also preserve relative claims costs in relation to SGI
- Less hands-on MPI involvement for most processes for simpler claims through a reduction in the amount of adjuster time and effort required for new First Notice of Loss (FNOL) claims
- Smaller MPI operational footprint achieved through decommissioning and / or repurposing MPI service centres

- Mitigation of leakage risks through ongoing claims financials management, forecasting, audit and monitoring
- Continued health of the overall Repair industry measured by the continued profitability of the Manitoba repair industry.
- Vehicle repairs meet relevant standards as defined and measured by quality of repairs standards and KPI's.

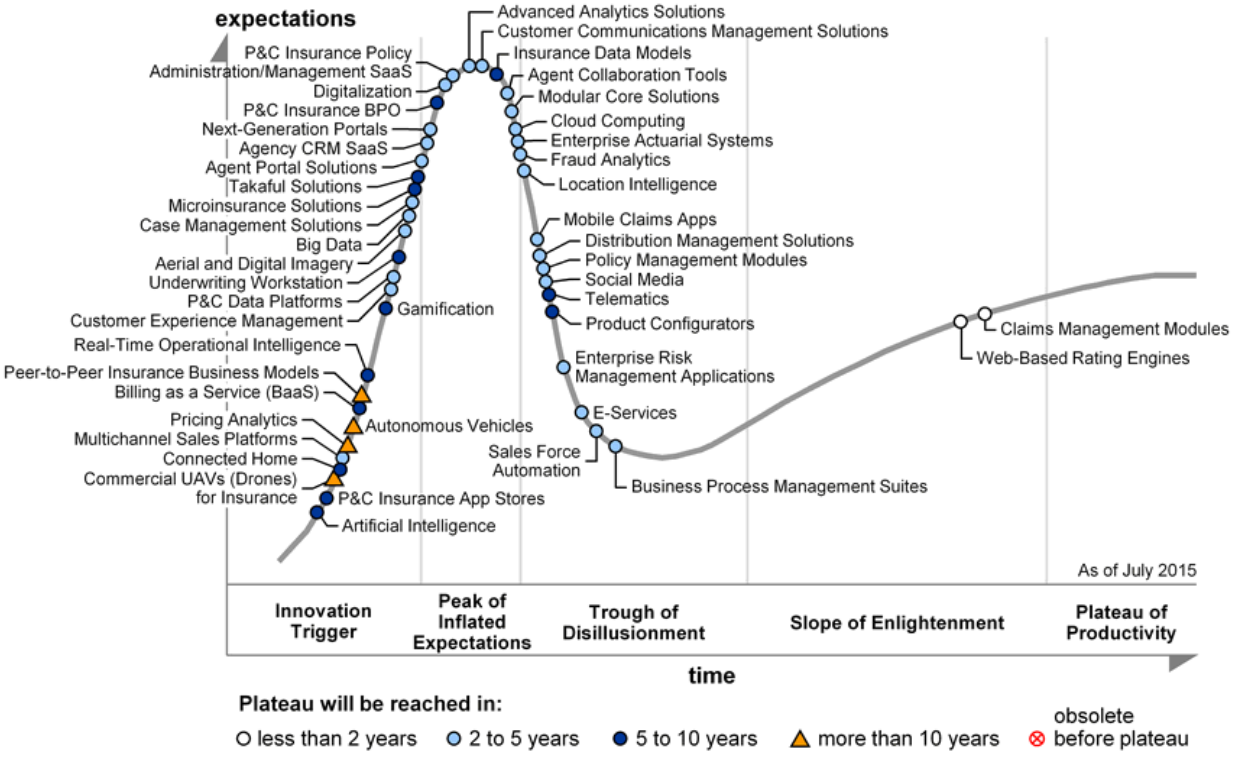
Gartner Perspective on PDR Program Alignment with Industry Trends

The PDR Program is aligned with what Gartner is observing and projecting for the Property and Casualty Insurance Industry.

Recently published research from Gartner includes the following findings and projections that are directly relevant to a Program such as PDR:

- Digital insurance is the application of information and technology to enable new capabilities across the insurance value chain for optimizing and transforming existing business processes, products, services and revenue sources, as well as creating new ones.
- There is little dispute that digital insurance holds the promise to foster innovation and literally transform the industry by enabling new products, services and delivery channels that can generate new revenue, add value across the entire insurance value chain, and improve customer acquisition and retention.
- Some key Digital Business use cases in this industry include:
    - Mobile FNOL
    - Fraud analytics
    - Mobile wallets
    - App stores
    - Customer communications management
    - Usage-based insurance
- Gartner research shows that those insurance companies that are digital leaders (that is, those with a progressive digital strategy) are significantly more successful — as determined by real-world financial measures — than their less advanced competitors.
- While marketing and sales improvements can be achieved through digital business transformation, most insurers have yet to either achieve it or to have business models that include benefits in these areas. Actually, most early adopters have focused more on improving internal performance through digitalization than anything associated with marketing or sales. The Gartner study found that internal efficiencies and operational improvements were the top benefits expected from digitalization.
- Digital business is forcing business and IT leaders to establish an ecosystem of partners to transform and extend their insurance value chains
- We are convinced that business and IT leaders in insurance won't be able to digitally transform their current value proposition on their own. One approach to this transformation is to build an extensive and diversified partner ecosystem, transform their value drivers, and orchestrate this ecosystem. This partner ecosystem should not be limited to channel partners, but should also include service, technology, content, data or innovation incubation partnerships.
- The key to digital business in an information economy is making data work for the organization. Therefore, analytics remains at the top of CIOs' stated technology priorities in 2015 among all industries and insurance.
- Leading insurers are implementing predictive and prescriptive analytics capabilities and investing in big data to provide a competitive advantage. Business units or discrete analytics organizations within the business often and increasingly lead analytics capabilities and initiatives.

- Gartner is tracking two items on its Hype Cycle which are explicitly addressed in the PDR Program – Advanced Analytics, and Mobile Claims Apps.



- Gartner's projections for these items are as follows:
  - Mobile Claims Apps –applications created for mobile devices to support claims handling and processing by adjusters, partners and policyholders for various property and casualty (P&C) product lines. Mobile claims apps provide users with the ability to perform various tasks, such as submitting claims with supporting data (for example, pictures), receiving new claim assignments, requesting repair services and tracking the status of claims.
    - Position and Adoption Speed Justification: Many insurers worldwide have launched mobile apps to provide consumers with roadside assistance, first notice of loss (FNOL) and other functions. Insurers continue to expand the range of supported transactions and tap mobile device capabilities that allow the user to take photos, record audio and video, and capture signatures. There also has been increasing interest in the use of mobile apps post catastrophe, wherein the media tablet form factor lends itself well to being used by claims adjusters. In addition, there is growing interest in mobile apps for e-procurement, which enables adjusters to order replacement parts, issue debit cards, and request repairs or other services. These apps support pre-negotiated discounts and make claims handling more efficient when rapid response is critical. Adoption of mobile claims apps has surged in mature markets, such as North America and Europe — primarily within personal lines of business — and there is strong interest worldwide. However, consumer adoption remains low.

- User Advice: To ensure that mobile claims apps provide compelling value, CIOs should develop specific scenarios for how they will be used by different users — such as adjusters, customers and supply partners — to complete tasks and procure services or goods during normal claims adjustments and post catastrophe. For each scenario, CIOs should identify how frequently it is likely to occur, which form factor (smartphone or media tablet) would be most desirable and whether additional connectivity options (for example, via satellite) may be needed.
- Business Impact: Mobile claims applications have the potential to provide insurers with a number of key benefits:
    - Immediate FNOL with more complete data, such as real-time pictures from accident sites, in order to speed up claims handling and improve fraud management and adjusting
    - Reduced data entry costs as customers supply more electronic data with their claims
    - Improved productivity through the enabling of real-time assignments from the home office to field adjusters, and the submission of documents, photos and video
    - Improved catastrophe management through faster loss notification and on-site claims processing
    - Improved customer satisfaction and retention through faster and more transparent claims processing
- Benefit Rating: High

- Advanced Analytics Solutions use sophisticated quantitative methods (for example, data mining, prediction, simulation and optimization) to produce insights that traditional approaches are unlikely to discover. They include a range of technologies, but mostly are focused on forward-looking, predictive outcomes as well as prescriptive indicators to help organizations with actionable outcomes.
    - Position and Adoption Speed Justification: Advanced analytics is becoming one of the most strategic technologies of 2015, being adopted by leading insurers to support competitive differentiation and advantage, and cited by insurance CIOs as the most important technology priority for 2015. Today, these solutions are used for actuarial, marketing and finance, but have great potential for new use cases and in new business units such as underwriting, claims, sales and special investigation (fraud). While adoption is currently projected to be between 5% and 20% of the target market and applications are immature, adoption is rising over the next two to five years.
    - Business Impact: There are numerous benefits of advanced analytics solutions in P&C and life insurance. They include:
        - Loss avoidance and reduction, especially around claims and fraud losses
        - Improved revenue through better risk selection, interactive and real-time direct marketing, and customer sales interactions
        - Improved customer satisfaction as a result of improved interactions that fit their segment, preference and behavioural model
        - Churn prevention and reduction as proactive outreach programs are launched

    - Faster claims processing due to early modeling and identification of impacted customers
    - Improved agent satisfaction due to the ability to provide them with improved customer intelligence, information on local market insurance needs and prospects with buying appetite and next best action outcome scores
    - Tap into sensor and device data from the Internet of Things to create alerts or take immediate action based upon real-time, digitally derived data
- Benefit Rating: High

PDR Program Planning

The PDR program started in 2013. In late 2013 / early 2014 MPI conducted a comprehensive assessment to confirm that the program would still provide the projected benefits. The assessment identified new requirements, opportunities, and constraints based on changes in the overall industry and in technology trends and capabilities. As such a "Business Re-Visioning" project was initiated in June 2014 to re-plan PDR to ensure desired benefits as defined in the business case were achievable. This initiative, started in June 2014, was completed in early 2015 with the end vision of PDR remaining the same but a need identified for the following:

- Vertical integration with the repair trade
- Introduction of automation in estimating and adjusting to deliver lower cost of current claims administration through the following:
  - Reduction of claims handling effort at the contact centre by 50%.
  - 50% of claims to be handled through the Distributed Estimating (DE) channel.

Key outcomes of the "Business Re-Visioning" was a new set of insights and decisions including (but not limited to):

- Need for a new holistic Service Delivery Model (SDM) to achieve all core objectives of the PDR program.
- Service centre changes as envisioned originally were only feasible with a new adjusting model and re-platforming of the CARS application.
- DE will only be feasible with a First-Notice-of-Loss (FNOL) customer self-serve model.
- Loss-of-Use (LOU) requires a fair allocation approach in order to net incremental benefits.
- Savings feasible through dynamic alignment of salvage values to Total-Loss (TL) valuation process.

To address the new insights and decisions a Change Request (CR) was raised and approved in May 2016. The purpose of this change request was to document changes to the project savings, scope and approach. The CR redefined the PDR Program scope to include the following:

Physical Damage/Customer Service Projects:

- Optimized Repair Project
- First Notice of Loss (FNOL) and Adjusting Model
- Loss Prevention

Knowledge Management Project:

- Website Redesign and Portal Consolidation

The CR included updated anticipated annual operational cost savings from the PDR Program.

Cost Savings Area	Cost Savings	Operating Expenses	Claims Incurred
Process Improvement (Internal)	$ 2,500,000	$ 2,500,000	
Repair Shop Process Improvement	$ 3,000,000		$ 3,000,000

Parts Sourcing	$ 2,800,000		$ 2,800,000
Loss Prevention	$ 1,000,000		$ 1,000,000
Loss of Use	$ 3,000,000		$ 3,000,000
TL Valuation with Salvage	$ 1,000,000		$ 1,000,000
Total	**$ 13,300,000**	**$ 2,500,000**	**$ 10,800,000**

The CR specifies that while some savings are expected to be realized in earlier years, full realization of the benefits will occur by fiscal year 2021/22.

There is no expected change to the original budget of $65,485,774.

Program Structure

The PDR program is made up of five programs (related groupings of projects) and 20 projects within those programs. Some are heavily dependent on technology, and others are more focused on changes to operating practices and processes, and on the relationship among MPI and a range of stakeholders including, for example, customers, repair shops, and industry associations.

A brief description of each of the projects which make up the PDR program is provided in Table 1 below:

Table 1. PDR Projects

Program / Project	Description
Program Management	
Mitchell Data Services (Tableau) - MDS	MPI is taking advantage of an offering from a long-standing business partner, Mitchell International, that will allow MPI consistent, and quicker insight into the data partners collect from MPI business operations. The project entails the implementation of the Tableau product in two phases: 1. An external view which compares MPI to other jurisdictions in North America 2. An internal view which allows MPI management to better understand trends that drive their position on cost and productivity.
Website Redesign and Portal Consolidation	This project includes the following: • Amalgamating content from several web sites into one partner portal and decommissioning redundant technology and infrastructure • Redesigning websites and migrating content to a supported version of SharePoint and to improve search functionality for Strategy & Innovation, Brokers Online, and the Intranet • Updating all existing SharePoint 2010 environments to SharePoint 2013 • Updating Authentication technology as it directly relates to Portal consolidation
Optimized Repair	
Collaborative Estimating (CE)	Bringing MPI and Repair Shops onto a common platform by implementing Mitchell's WorkCentre and Repair Centre product suite with the following capabilities: • Creating an estimate that can be shared electronically between MPI and the repair shops • Compliance checks at Repair Shops • Streamlining the supplements process by allowing repair shops to work collaboratively with MPI • Ensure customers and staff are kept informed of the repair status • The automatic maintenance of a "gold copy" estimate which eliminates the need for manual reconciliation between repair shops and MPI, enabling the automation of payments to repair shops • Implementing a robust and proactive quality assurance program to ensure quality repairs are being performed • Increasing customer satisfaction by providing repair status to customers electronically

Program / Project	Description
Distributed Estimating (DE)	This project includes: • Implementing a Distributed Estimating model allowing repair shops to assess the initial damage to a vehicle and produce estimates directly for MPI Customers • Designing and implementing a proactive quality assurance program to ensure quality repairs are being performed • Implementing required estimating standards for Repair Shops to follow to ensure consistent creation of the first estimate • Loss of Use (LOU), which includes: ▪ Implementation of Repair Shop administration of loss of use (vehicle rental) for customers with repairable vehicles. ▪ Create and implement agreed upon processes and tools which provide repair shops a fixed level of funding based on the projected time for the repair. ▪ Provide repair shops with the incentive to not only meet projected timelines, but to shorten timelines since if they manage better, they can keep the excess and alternatively, if they manage poorly, they will be responsible for any shortfalls
Accreditation	Support the accreditation and rates negotiation process with the repair shops. Develop, obtain agreement on, and implement tools and process which use mathematical models to determine different rate scenarios. • By building these models, the project will be able to depict the impact to total spend created by the tiered accreditation model. • Each tier and the composition of benefits accrued to the tier as well as capabilities will result in a potential rate change. • Each likely rate change will be modeled with forecasts of the shops that are expected to be part of the tier.
Shop Support Administration (SSA)	This project includes: • Implementing a robust system of key performance indicators to measure the abilities and success of Repair Shops • Creating an internal team to work closely with Repair Shops to address ongoing needs and ensure success in the new Collaborative and Distributed Estimating model
Remote Estimating	Allow remote and rural repair shops to participate in a collaborative estimating process. Largely achieved by equipping rural repair shops with technology to share digital imaging with MPI estimators. • When vehicles are brought in for estimates at these locations, the shop will review the damage with an MPI estimator using digital imaging technology while the estimator writes the estimate. • The shop will then be able to utilize this estimate to order the parts and proceed with the repair. • Unlike Distributed Estimating partners, Remote Estimating partners will not have any authority to repair claims without express MPI approval today.
Out of Province Estimating	Develop an approach to use existing solutions when dealing with out of Province repair shops and repair scenarios.
Interim Shop Search	Implement an online search functionality for repair shops that will assist customers in finding and choosing shops that can perform the required repairs based on their specific requirements including body type, location, satisfaction rating, etc.

Program / Project	Description
	Shape customer and repair shop behaviour by ordering results based on a composite KPI score, so as to induce customers to choose repair shops that best meet MPI's goals.
Optimized Adjusting	
First Notice of Loss (FNOL) and Adjusting	This project includes the following: • First Notice of Loss: ▪ Creating defined Accident profiles ▪ Implementing a profile-based mobile platform customer self-serve FNOL channel ▪ Implementing a profile-based FNOL into the contact centre channel • Adjusting Process Improvements: ▪ Leverage opportunities for efficiencies made available by profile-based FNOL ▪ Implementation of a customer self-serve total loss valuation solution to ensure vehicles are valued consistently and accurately ▪ Implementation of Repair Shop administration of loss of use (vehicle rental) for customers with repairable vehicles
FNOL – Self Service Analytics	Combination of internal analytics of data collected via interaction with MPI claims management system, and channel analytics provided from Mitchell indicating customer behaviour in the mobile FNOL channel
Towing	This project includes development of a solution interface for towing operators. Through this interface new work will be assigned to tow operators, tow incidents will be captured and recorded, for both contract and non-contract bases. The scope of the project may include changes to Vehicle Tracking and FNOL applications and processes.
Enhanced Registration Card	This project entails electronic capture and verification of customer contact information followed by the generation and imprinting of a barcode on the customer registration card based on the customer profile
Enhanced Accident Profiling	This project includes the enhancement of previously defined accident profiles to determine the amount and type of post FNOL effort (No Touch/Low Touch/High Touch).
Physical Damage Support	
Shop Training Management	This project provides support to the repair shops training program based on the Center of Excellence's (COE) defined training requirements. This entails development of training, scheduling and delivering the training to shops, and maintaining the shops training records.
Body Integrity Inspection Certificates (BIIC) and Certificates of Inspection (COI)-BIIC/COI	The development and deployment of a solution to digitally capture and store Body Integrity Inspection Certificates (BIIC) and Certificates of Inspection (COI) linked to online repair records.
Parts	Increase recycled parts usage through expansion of the recycler network by: • Improving the recycled parts process through automation whereby recyclers provide their inventories online and repair estimates include

Program / Project	Description
	those parts automatically • Reducing administration required for recycled parts through process automation • Expanding the catalogue of certified aftermarket parts
Others	
Autochex	A 3rd-party solution for the implementation of a survey tool which will collect data and provide specific and aggregate reports on customer satisfaction regarding their experience at particular repair shop
Predictive Analytics / Loss Prevention	Improve fraud detection and recoveries through the use of predictive analytics
Centre of Excellence (COE)	This project will setup the infrastructure and mechanisms (people & processes) to provide support and leadership to operational areas of MPI, as well as the Manitoba collision repair industry involved in the Automotive Physical Damage Claims Administration and Repair processes

Evaluation Approach

Gartner reviewed a number of key program artifacts including the following:

- The PDR Program Charter which documents program objectives.
- The vision document which provides an explanation of problem and opportunities.
- The Physical Damage Re-Engineering Financial Report which includes an itemization of initiatives and explains the expected timing and budget.
- The PDR Business Case which clarifies business interventions and includes estimates of expected financial benefits and timing.
- The Change Request which documented changes to the project savings, scope and approach due to new insights and decisions made during the project elaboration phase.

Gartner interviewed a number of key individuals including the PDR Program Executive Director, a number of the project managers and business relationship managers, and senior members of the MPI program and project organization including the Business Transformation Office, Corporate Initiatives, and Value Management.

Gartner applied its proven risk and readiness methodology to address the key questions raised in the PUB order and to identify overall Program challenges and risks.

The PUB order specified four key areas:

- Progress of pilots to date
- Timing of full implementation
- Project costs
- Savings / benefits to be realized

The following sections address these key issues in light of the key risk areas identified in the Gartner risk and readiness methodology described below.

Progress to Date and Timing of Full Implementation

Projected Program Schedule

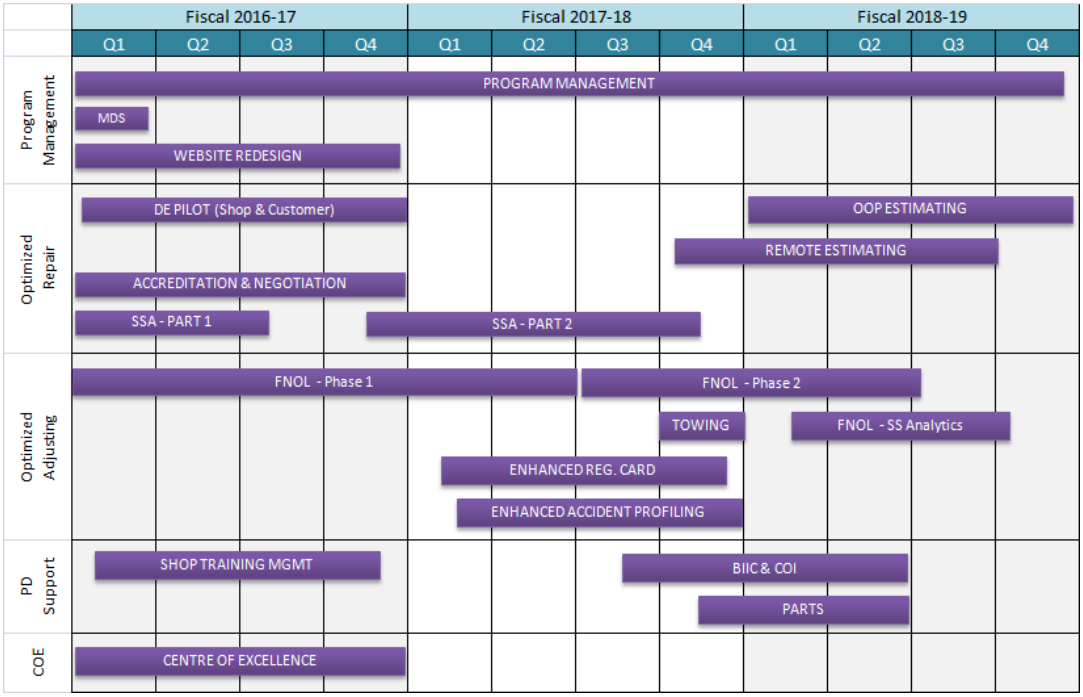
Progress has been steady but slow due to a number of changes in direction regarding the definition of the actual projects required to deliver the objectives of the overall Program, and due to a number of shifts in the overall Program delivery structure.

Early in 2016, an Executive Director was appointed and he has created clear structures for Program governance, delivery, and overall project structure. These changes are being implemented and they are having a noticeable effect on the clarity around timelines and deliverables, and on the pace of delivery.

The overall Program Charter has been documented and approved. The Program approach is to build out Project Plans for each of the identified projects which make up the overall Program. Current project plans and schedules are mostly at a macro level. Project plans and detailed schedules are not available for several of the projects or sub-projects.

While project plans and schedules will continue to change as several projects are undergoing scoping, planning and mapping of program outcomes to individual projects / sub-projects, the most current schedule for the PDR Program has been determined to be as follows:

Figure 1. PDR Schedule



Of the 20 projects that make up the PDR program 4 have been completed, 10 are in progress, and 6 are scheduled to start in the future as described in Table 2 below:

Table 2. Current Status

Program	Project	Status	Qrtr	Fiscal Year

Program Management	Collaborative Estimating (CE)	Completed		
Program Management	Interim Shop Search	Completed		
Others	Predictive Analytics / Loss Prevention	Completed		
Optimized Adjusting	Towing	Scheduled	Q4	2017-2018
Optimized Adjusting	Enhanced Registration Card	Scheduled	Q4	2017-2018
Optimized Adjusting	Enhanced Accident Profiling	Scheduled	Q4	2017-2018
Physical Damage Support	Body Integrity Inspection Certificates (BIIC) and Certificates of Inspection (COI)- BIIC/COI	Scheduled	Q2	2018-2019
Physical Damage Support	Parts	Recently initiated	Q4	2016-2017
Program Management	Remote Estimating	Scheduled	Q3	2018-2019
Program Management	Out of Province Estimating	Scheduled	Q4	2018-2019
Optimized Adjusting	FNOL – Self Service Analytics	Scheduled	Q4	2018-2019
Others	Autochex	Complete	Q2	2015-2016
Program Management	Mitchell Data Services (Tableau) - MDS	In-progress	Q1	2016-2017
Program Management	Shop Support Administration (SSA) Phase 1	In-progress	Q3	2016-2017
Physical Damage Support	Shop Training Management	In-progress	Q4	2016-2017
Program Management	Website Redesign and Portal Consolidation	In-progress	Q4	2016-2017
Program Management	Distributed Estimating (DE)	In-progress	Q4	2016-2017
Program Management	Accreditation	In-progress	Q4	2016-2017
Others	Centre of Excellence (COE)	In-Progress	Q4	2016-2017
Program Management	Shop Support Administration (SSA) Phase 2	In-progress	Q4	2017-2018
Optimized Adjusting	First Notice of Loss (FNOL) and Adjusting	In-progress	Q3	2018-2019

Progress of Pilots

The PD Re-engineering program includes a number of projects that span a time period of 5 years. One of the key approaches to these projects is to, where applicable, utilize Pilot Tests to validate and test system functionality, workflows, processes, effort, and impacts.

To date, Pilot Tests have been performed, and have contributed to, the successful delivery of Collaborative Estimating, Distributed Estimating, and AutocheX (Customer Service Surveys tracking the Net Promoter Score).

Other Pilot Tests are in progress or are being planned for subsequent projects within the PDR Program, as summarized in the table below.

Project/Initiative	***Pilot Test Duration***	***Status***
Collaborative Estimating (CE)	Mar 2014 – Jun 2014	Complete
AutocheX	Aug 2015 – Jan 2016	Complete
Distributed Estimating (DE)	Jul 2015 – Dec 2016 (planned)	In Progress
Quality of Repair	May 2016 – Oct 2016	In Progress
Remote Estimating	June 2016 – Nov 2016	Planning

Some of the key outcomes and learnings from the Pilots include:

- Collaborative Estimating
    - 11 Repair Shops participated in the Pilot, deployed in 2 waves;
    - Validation of workflow and opportunities identified to improve overall processes;
    - Identification of technology faults early and were able to resolve quickly;
    - Established a refined implementation approach for all participating Repair Shops including operational procedures, training, and communications

- AutocheX
    - 45 Repair Shops selected to participate in 2 waves
    - Technology tested and validated with the Vendor
    - Identified opportunity for improved information flow and reduced effort
    - Effectiveness of communication to Repair Shops
    - Establishment of automated reporting

- Distributed Estimating (in Progress)
    - 17 Repair Shops selected and actively participating
    - Strong customer take up on the offer to go directly to a shop for the first estimate (~600 claims +90% uptake when offered)
    - Repair Shops can estimate per MPI standards (~10,300 estimates performed to date in conjunction with MPI performed estimates)
    - Shop performance tracked objectively
    - Phased approach with strategic increase in claim complexity is allowing incremental learnings and risk mitigation
    - Pilot results continue to be monitored and shared with the participating shops
    - Pilot Test expected to continue to the end of the year (Dec 2016)

Quality of Repair

- Three repair shops have been selected to participate
- Currently establishing and monitoring quality-of-repair practices and procedures

Overall Progress

Based on reviews of the Program charter and project plans, the schedules for the ten in-progress projects appear to be reasonable and achievable. However, to achieve that schedule, the Program must address a number of known issues:

- The program continues to undergo scoping, planning and mapping of outcomes to projects and the scope of several of the projects are still to be confirmed – projects in progress need to be confirmed, and those yet to start will naturally evolve based on the outcomes and insights gained from prior projects
- Coordination and collaboration of several vendors (Mitchell, HP, IBM)
- Mitchell's ability to develop and deploy the FNOL product meeting MPI's requirements
- Resourcing the overall program with the appropriate skills and in a timely manner:
  - Several projects are running concurrently
  - Resources with relevant skills and experience in the legacy applications are limited
  - The Program will experience peak periods when there will be a large demand for skilled and experienced Business Analysts and Business Architects
  - A strong reliance on Mitchell resources as well as contracted resources from HP

One of the key risks is Mitchell's ability to deliver the expected outcomes of the FNOL project. This is due to the innovation and complexity specified by MPI and due to the fact that Mitchell has a dual interest in delivering to MPI's requirement and to create a commercially viable product. One of the ways that MPI can manage this risk is to ensure that Mitchell is taking an iterative approach to developing and demonstrating to MPI interim FNOL functionality.

In general, MPI can reduce the risk of delays by finalizing scope and project plans, and managing each project / sub-project according to a detailed project plan inclusive of project schedule. In addition, MPI should ensure that there is clear and explicit agreement on roles and responsibilities among all stakeholders including vendors, and that dependencies among projects and resources are clearly identified and managed.

The level of specification and planning for the seven scheduled projects is at such a high level, that the end dates are, at face value, realistic and achievable. However, it is possible that these schedules will likely be revisited and revised to achieve optimal business outcomes, as MPI learns more through the projects that are currently underway.

There is work underway to investigate the possibility of completing the in-progress projects earlier than the current schedule. Based on the available project documentation and on the planning exercises to date, it is unlikely that these projects can be completed on a faster schedule than currently projected with the full scope that is currently in place. While the time lines for the scheduled projects seems to be reasonable given the high level understanding of the scope and approach for those projects, there is a reasonable likelihood that these projects could be re-scoped based on the experience of and learnings from in progress projects. The timing for the overall project will depend on the outcomes of the in-progress projects and the scope for the scheduled projects may change, thus changing the overall Program schedule.

Project Costs and Savings / Benefits

Cost

The overall program budget has been consistently $65M (in 2012 dollars) throughout all changes in direction and approach. This excludes the re-platforming of the CARS application which was rejected as being costly and complex early in the discovery process. Approximately $32.8M has been spent on the Program to date with $32.6M remaining to complete the project.

The Collaborative Estimating (CE) project (including Autochex) was completed for an overall cost of $10.8M (about $0.3M less than the $11.1M budget). The Distributed Estimating project is under way and is the other major set of pilot projects. With a high level of confidence, it has a projected completion at a cost of $5.6M ($1.4M less than the original $7M budget).

As is to be expected in a program of the duration and complexity of PDR, and given the rapid changes in automotive and repair technologies, the program continues to undergo scoping, planning and mapping of outcomes to projects. This has the benefit of realigning the project scope and objectives to achieve optimal business, consumer, and industry benefits. However, it also introduces the potential for additional cost, extended timeline and deferred benefits realization.

Some of the key risk areas for cost extension include:

- The scope of several projects are still to being finalized
- The FNOL project entails the implementation of an innovative and fairly complex accident profiling approach which is new to the industry and requires the development of net new software to support same
- Mitchell, a long-standing MPI partner will be developing the FNOL functionality, it is a net new business area for them
- There is currently no budget for ongoing support.
- Some of the ongoing projects do not have detailed project plans and schedules
- Some of the project plans and schedules will continue to change as they are planned in more detail and as individual projects / sub-projects are mapped to program outcomes

There has been an allocation of funding from the original Optimized Adjusting Project to a number of other projects which were conceived of and developed after the PDR Program assessment. Approximately $29M has been reallocated from the Optimized Adjusting Project to address:

- The FNOL project which original had a minimal budget and is now forecast for approximately $8.9M
- A projected $4M overage in Program Management (likely due to the extended duration of the Program)
- A projected $1.8M overage in Optimized Repair – Remote Estimating
- A projected $1.3M overage in the Enhanced Registration Card project
- A number of projects which were not in the original budget as follows:

• Body Integrity Inspection Certificates (BIIC) and Certificates of Inspection (COI)- BIIC/COI	$2.6M

• Enhanced Account Profiling	$1.9M
• Joint Services Support Team	$0.1M
• Parts	$1.4M
• PDR - Mitchell Claims Workbook	$0.1M
• PDR - SSA-Part 1 (Vendor Management)	$1.5M
• PDR – Interim Shop Search	$0.1M
• PDR Accreditation and Support	$0.7M
• Self Service and FNOL	$0.9M
• Shop Training Management	$1.7M
• SSA - Part 2	$3.6M
• Towing	$0.2M
• Optimized Repair - Distributed Est.	$5.6M

The reporting for the Program has been aligned to the actual projects which make up the Program (as described above). This makes the budget and spending reporting transparent and effective.

At this time the vast majority of projects are projecting on (or below budget) completion. Two projects are projecting to be materially over budget: PDR - SSA-Part 1 (Vendor Management) which is projected to be completed for $1.1M than the budget and Distributed Estimating which is projected to be completed for $0.4M over the budget. These are offset by the large number of projects which are projected to be delivered for les than the projected budget, the most material of which are Shop Accreditation and Negotiation and FNOL and Adjusting Model both projected to be complete for $0.6M under budget. Given the historic experience, the project reporting, and the relatively recent re-baselining there is a high level of confidence that the overall Program will be completed within the original $65.5M budget.

Benefits

At a very high level, the Program is structured as an investment of about $65M over about 9 years, which will generate a steady flow of benefits starting in year 7 and ramping up to approximately $13.65M starting in 2020/21 (year 11).

The projected benefit stream is as follows (in millions of dollars):

Program Component (in $,000,000)	*2016/17*	*2017/18*	*2018/19*	*2019/20*	*2020/21*	*2021/22*
Process Improvements (internal)	$ .75	$ .75	$ 3.25	$ 3.25	$ 3.25	$ 3.25
Repair Shop Process Improvements	-	-	$3.0	$3.0	$3.0	$3.0
Parts Sourcing	$.9	$.9	$1.5	$2.4	$2.8	$2.8
Loss Prevention (PA)	-	-	$.5	$1.0	$1.0	$1.0
Loss of Use	-	-	-	$1.4	$2.6	$2.6
TL Valuation with Salvage	-	-	-	$1.0	$1.0	$1.0
Total Est. Savings	***$1.65***	***$1.65***	***$8.25***	***$12.05***	***$13.65***	***$13.65***

In general, each project contributes to multiple benefits streams. And the Program is starting to provide the expected benefits:

- 2016 Internal Efficiencies Realized ($750K) – the successful deployment of CE, resulted in reduction of the FTE's from the Estimating System Clerical group from 21 to 4 – at an average loaded cost of ~$45.5K per FTE
- 2016 Parts Savings Realized ($910K) – a portion of the overall Parts Strategy was deployed in 2015 resulting in an increase in alternate part usage. Such activities as: increasing the number of recyclers, enhancements to the recycling application to improve part sourcing/timing of requests, and the introduction of Diamond Standard Parts resulted in savings in repair costs

In addition to the above-mentioned savings, a further benefit will be achieved by the recent repurposing of the Pembina Highway Service Centre. This will allow MPI to reduce operational costs for project team members, resulting in additional savings of $680K in 2018/19, and continuing to future years.

The overall Program spend and benefit stream is as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16
Fiscal Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Benefits							$ 1,650	$ 1,650	$ 8,250	$ 12,050	$ 13,020	$ 13,650	$ 13,650	$ 13,650	$ 13,650	$ 13,650
Cost																
Actual or Budget	$ 40	$ 1,346	$ 3,788	$ 11,831	$ 8,550	$ 7,304	$ 9,872	$ 11,756	$ 10,100							
Unallocated Budget**										$ 899						
Total	$ (40)	$ (1,346)	$ (3,788)	$ (11,831)	$ (8,550)	$ (7,304)	$ (8,222)	$ (10,106)	$ (1,850)	$ 11,151	$ 13,020	$ 13,650	$ 13,650	$ 13,650	$ 13,650	$ 13,650

Program spending and benefits realization actuals are proceeding as per the original plan that was presented to, and approved by, the Board of Directors in 2012.

The Program, as planned and approved, shows a lengthy payback period and an Internal Rate of Return of 8% and a Net Present Value of $18M (using a 3% cost of capital), over the period from inception (2010/11) until 10 years after go-live when benefits start to accrue in 2016/17.

Program Risks Constraints / Challenges

Gartner applied our risk and readiness methodology to identify risks and issues. The program is largely past the Strategy stage, is mostly in the Planning stage, and is entering the Execute stage (with CE and Predictive Analytics being in the Manage stage). Gartner assessed the Program on the most relevant areas in the following framework:

Key findings from that analysis include the following key risks and issues.

Planning

- The program continues to undergo scoping, planning and mapping of outcomes to projects
- Different perspectives regarding the level of project definition available and the level required by key stakeholders
- Managing the interdependencies among the several PDR projects / work streams as well as interdependencies between the PDR program and other MPI projects
- While there is a budget for the one-time expense of implementing the program, there is not an estimate for ongoing support / maintenance cost
- Benefits realization documentation and practice is yet to be aligned with the MPI approved Value Management process which has been in place for about a year. The PDR Program is working to implement the process by the end of 2016
- Individual(s) responsible for delivering business benefits while not currently clearly identified will be identified as part of the implementation of the Value Management process
- The Program business case presents projected benefits in aggregate since they are dependent on multiple projects, the Value Management process will need to develop a process to map specific project benefits

Execution

- Achieving adoption of the new SDM will have direct impact on trade partners and the general public with downstream risks such as:
  - External stakeholders will have broader access to customer information and broader access to MPI functionality, all with the potential for lapses in the level of discipline and excellence in customer service
  - Extended features and functionality to enhance customer service will change the way external stakeholders interact with MPI
  - Any service interruption will have a direct and noticeable impact on external suppliers, partners and customers
- Managing scope of the program and associated project to alleviate scope creep.
- Coordination and collaboration of several vendors (Mitchell, HP, IBM) involved in this program
- Mitchell's ability to develop and deploy the FNOL product meeting MPI's requirements — implementing accident profiling is a concept that is new to the industry
- Resourcing the overall program with the appropriate skills – several projects are running concurrently
- Changing existing behaviours to support the new Service Delivery Model (SDM)
- It is possible that the Mitchell offering will not deliver to the functionality and quality expected by MPI
  - FNOL is a new set of features that Mitchell plans to develop and distribute as a net addition to their strategic product plan
  - MPI's needs are being tempered by Mitchell's assessment of commercial viability
  - Implementing the innovative concept of "profiles" that MPI has put forward as a design framework is complex and may be challenging to implement
  - There have been prior challenges working with Mitchell as a SaaS vendor including:
    - Inconsistent solution deployment and updates to technical environments
    - Configuring user devices

Any questions regarding this Report should be addressed to:

Martin Geffen
Vice President
Gartner Canada Co.
5000 Yonge Street
14th Floor, Suite 1402
Toronto M2N 7E9
CANADA
Telephone: +1 416 228 7667
Facsimile: +1 416 222 9324
Email: martin.geffen@gartner.com

This Report was prepared for Manitoba Public Insurance:

Brad Bunko
Vice President and Chief Information Officer
Manitoba Public Insurance
234 Donald St, Winnipeg, MB R3C 4A4
Telephone: +1 (204) 223-8261
Email: bbunko@mpi.mb.ca