MANITOBA PUBLIC INSURANCE

2020 GENERAL RATE APPLICATION

Round 2 Information Requests

September 13, 2019

Consumers' Association of Canada (Manitoba)

MANITOBA
PUBLIC INSURANCE

CAC (MPI) 2-1

Part and Chapter:	CAC (MPI) 1-1 a) and k)	Page No.:	5, 9
PUB Approved Issue No:	9. Cost of operations and cost containment measures		
Topic:	Broker commissions		
Sub Topic:			

Preamble to IR:

Question:

a) The response to part a) indicates a retro commission rate increase for the years 2009/10 to 2012/13. This appears to raise the extension commission rate to 24.25% in 2012/13, 24.25% in 2013/14, 22.75% in 2015/16 and 21.25% in 2015/16 and then stabilizing at 19.75% for years thereafter. For greater clarity please explain in detail the rationale for the extension retro commission rate adjustment.

b) The response to part a) indicates a top up adjustment for extension flat fees for the years 2014/15 to 2016/17. For greater clarity please explain in detail the rationale for the top up adjustment to extension flat fees.

c) The response to part k) provides the amount of trailing commission paid to brokers for the years 2010/11 to 2018/19:

   i. Please confirm the trailing commissions paid to brokers represent commission paid by MPI on transactions labeled as "Automated" as described and shown in part t) Figure 3.

ii. Please confirm that for fiscal year 2018/19, MPI paid $46,485 million (part k)) Figure 2 in broker commissions for Basic and Extension for which brokers performed no work.

Rationale for Question:

To clarify and better understand the current brokers' commission model for the services provided by the brokers to policyholder with respect to Basic and Extension insurance products.

RESPONSE:

a) In 2008, MPI and the Insurance Brokers Association of Manitoba (IBAM) entered into an agreement (refer to *PUB (MPI) 1-47 Attachment F, MCTRA Agreement*) whereby Brokers were paid a commission of 18.5% on the sale of all MPI Extension products. In subsequent years, MPI was required to reduce the rates for a number of Extension products which resulted in a decrease in premium revenue and a reduction in the overall commissions paid to brokers. This led MPI and IBAM to enter into new discussions in the summer and fall of 2011 on ways to increase the level of compensation from the original agreement to ensure a similar level of compensation of Brokers as though the price reduction didn't happen. As a result of these discussions, MPI issued a retroactive payment to Brokers in April 2012 to compensate them for commissions on Autopac Extension products not realized in past years because of the rate decreases.

b) The 2008 Agreement mentioned above introduced several new elements to support MPI's new service delivery model. Chief among them was the expectation that renewing existing policies (due to the streamlined renewal process) would require far less effort on the part of brokers. This compelled MPI to demonstrate a corresponding reduction in the overall compensation paid to brokers for renewal transactions. MPI also recognized that any reduction in compensation needed to be gradual in order to provide the broker network with a reasonable opportunity to prepare and adapt its business models for MPI's new service delivery model.

Detailed projections accompanied the 2008 Agreement to demonstrate the impact to brokers of the new service delivery model (refer to *PUB (MPI) 1-47(ii) Attachment C, IBAM Amendment Agreement, September 2012*). According to these projections, any loss of remuneration based on the new service delivery model would be offset by increases in other remuneration streams. The projections supported a stable remuneration stream for brokers of approximately $71,000,000 annually – even with the reduction in work expected to obtain those commissions.

Further, in 2012, MPI and IBAM formalized this commitment by entering into an agreement whereby MPI guaranteed a minimum annual compensation of $71,000,000 to be paid in aggregate to brokers for the six fiscal periods covered/projected from March 1, 2012 through February 28, 2018. MPI can no longer justify and therefore will not entertain these types of guaranteed compensation clauses to the broker or repair trade groups.

It is in accordance with the 2012 Agreement that MPI paid commissions to "top-up" the remuneration paid to brokers to the minimum threshold of $71M in years 2014/15 to 2016/17.

c)

i. There are occasions where trailing commissions do involve a face-to-face interactions with brokers. This only represents approximately 6% of all reassessment transactions.

ii. MPI predicted and realized the reduction in the effort required by brokers for streamlined renewal based on the revised service delivery model introduced in the 2008 Agreement. While these trailing commission transactions may not require face-to-face interaction, brokers have the opportunity to service these customers outside of an official transaction, throughout the year. These services would not necessarily be captured in our systems (depending on the type of interaction).

CAC (MPI) 2-2

Part and Chapter:	CAC (MPI) 1-1 r) and Appendix 14	Page No.:	Appendix 14, pp 6-7
PUB Approved Issue No:	9. Cost of operations and cost containment measures		
Topic:	Broker commissions		
Sub Topic:			

Preamble to IR:

As a response to CAC (MPI) 1-1 r), MPI provided six operating models reviewed with respect to service delivery by MPI and brokers.

Question:

a) Please explain in detail the implications of the six operating models reviewed on the business case for the Legacy Systems Modernization project.

b) Will MPI consult/engage with Manitoba ratepayers regarding the six operating models reviewed with respect to service delivery by MPI and brokers? If so, please provide MPI's plan for ratepayer engagement. If not, please explain why not.

Rationale for Question:

To understand the Legacy Systems Modernization business case in light of possible future operating models.

RESPONSE:

a) The six operating models have not been reviewed against the Legacy Systems Modernization (LSM) Business Case as this time.

b) The six operating models were analyzed as part of a full spectrum of options. At this time MPI is not intending to consult or engage with Manitoba ratepayers regarding these models as MPI considers it imprudent expending resources to canvass Manitobans as to whether MPI should pursue a service delivery model consistent with modern forms of commerce.

MPI's intention in modernizing its service delivery is to improve customer service, expand service delivery channels and reduce costs. In developing new features such as online insurance purchase or renewal, MPI will likely seek customer input pertaining to functionality choices and minimum viable product features. As with any other customer-facing business, MPI will seek customer input when their preferences are unknown and/or specific to an issue.

CAC (MPI) 2-3

Part and Chapter:	CAC (MPI) 1-1, Appendix 11 Autopac Agency Appointment & Operating Standards	Page No.:	P 5 and p 16
PUB Approved Issue No:	9. Cost of operations and cost containment measures		
Topic:	Broker commissions		
Sub Topic:			

Preamble to IR:

The Appointment Process - Upon receipt of the completed Application form and the business case by from the applicant, Manitoba Public Insurance will perform an initial review for accuracy and completeness. If relevant information is missing, all material submitted by the applicant will be returned together with a summary of all omissions. The Corporation will take no further action until an amended business case is submitted. When all relevant/required information is received, the Corporation will take the following steps:

a) A financial review of both the applicant and its owners (if applicable) will be performed.

b) New Appointment considerations will be reviewed by a committee with representatives from both the Corporation and IBAM membership. The Corporation will notify the applicant in writing.

Change of Designated Location . . . At any time during the identified portion of the process the broker at issue may take the opportunity to seek assistance through IBAM. At the request of IBAM, the Corporation shall enter into discussions with IBAM in a collaborative attempt to resolve the remaining outstanding matters.

Question:

a) Are there any agents who are not members of IBAM? If so, how many?

b) Is membership in IBAM compulsory to be an appointed agent?

Rationale for Question:

To clarify and better understand the process by which brokers are appointed.

RESPONSE:

a) MPI does not maintain an active database to track its agents for Insurance Brokers Association of Manitoba (IBAM) membership status and is therefore unable to answer this question.

b) MPI does not require its appointed agents to be members of IBAM.

CAC (MPI) 2-4

Part and Chapter:	CAC (MPI) 1-1 r), Appendix 14	Page No.:	P 15
PUB Approved Issue No:	9. Cost of operations and cost containment measures		
Topic:	Brokers and customers		
Sub Topic:			

Preamble to IR:

MPI engaged Deloitte to conduct a review of customer needs and expectations

MPI also conducts ongoing customer research, including the Voice of the Customer ePanel, which was launched in 2018.

Question:

Please provide an electronic copy of the Deloitte Review of customer needs and expectations and an electronic copy of any Voice of the Customer ePanels conducted since they were initiated.

Rationale for Question:

To better understand consumer perspectives on service and rates for service.

RESPONSE:

Please see *Appendix 1* for results of relevant customer ePanels.

Please see *Attachment A* for the Deloitte's Customer Research Fact Pact, which has been filed with redactions. MPI will file an unredacted version through the Commercially Sensitive Information (CSI) process.

Deloitte also requested the following disclaimer be provided with the report:

> *Please note, the presentation they are requesting was part of an engagement performed by Deloitte for the benefit of MPI, and that it was not intended for any third party. Accordingly, a third party should not place any reliance upon it for any other purpose.*

MPI has conducted the following ePanel surveys:

Online Self-Service & Customer Satisfaction
Customer Satisfaction
MPI Ad Survey (Fraud)

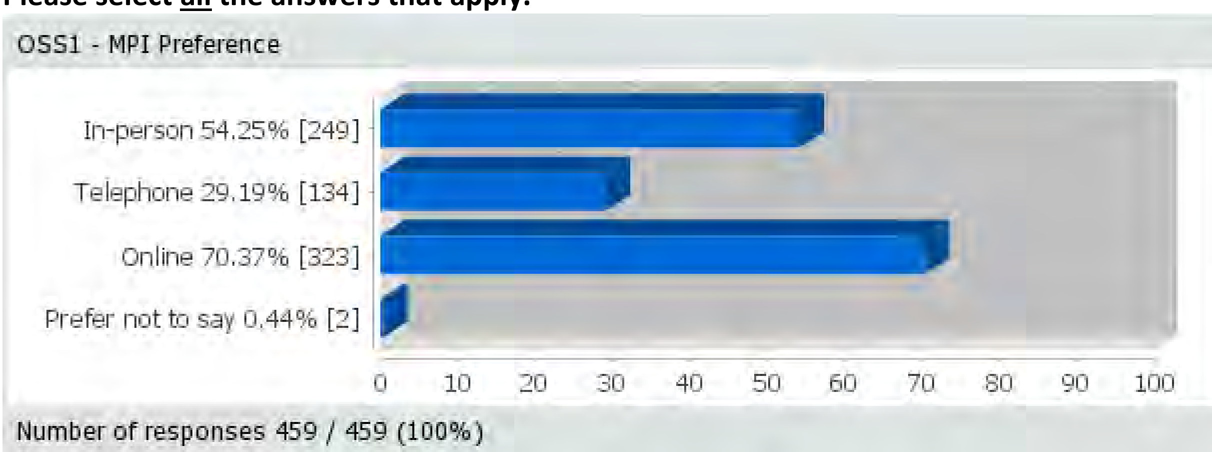
Results reported reflect current complete counts for each survey. These results are provided below.

The following ePanel surveys and results are not provided, as these have not been finalized or disseminated for internal review:

MPI Ad Survey (Game Show)
DSR Public Consultation I
DSR Public Consultation II
DSR Public Consultation III

Results - Online Self-Service & Customer Satisfaction

Given the option, how would you prefer to receive service from Manitoba Public Insurance? Please select all the answers that apply.



When considering the following situations, would your most preferred option be to complete the following transactions in-person, over the phone, or online?

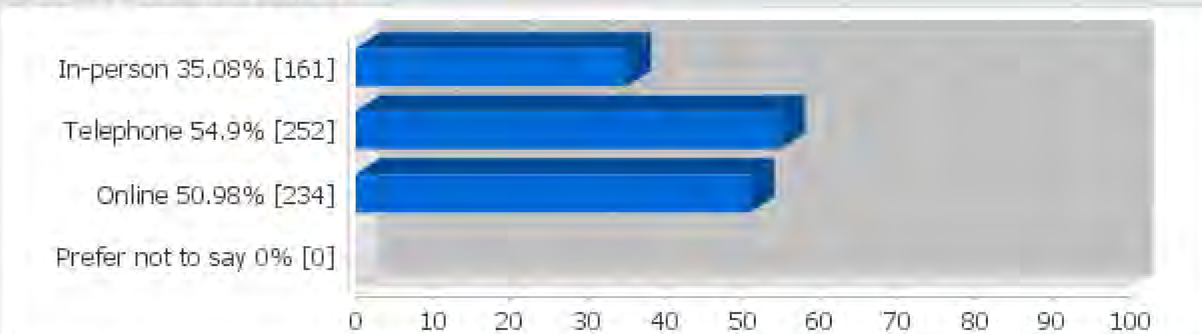
OSS2 - Preference to Complete

	In-person	Telephone	Online
Make an address change	51 (11.11%)	47 (10.24%)	361 (78.65%)
Purchase new insurance products	289 (62.96%)	17 (3.7%)	153 (33.33%)
Renew your insurance	169 (36.82%)	13 (2.83%)	277 (60.35%)
Make changes to your insurance policy	253 (55.12%)	26 (5.66%)	180 (39.22%)
Book/pay for driver licence testing appointments	89 (19.39%)	45 (9.8%)	325 (70.81%)
Replace your driver's licence or vehicle registration (lost or stolen)	202 (44.01%)	39 (8.5%)	218 (47.49%)
Review letters and correspondence (such as renewal notices)	110 (23.97%)	31 (6.75%)	318 (69.28%)

Number of responses 459 / 459 (100%)

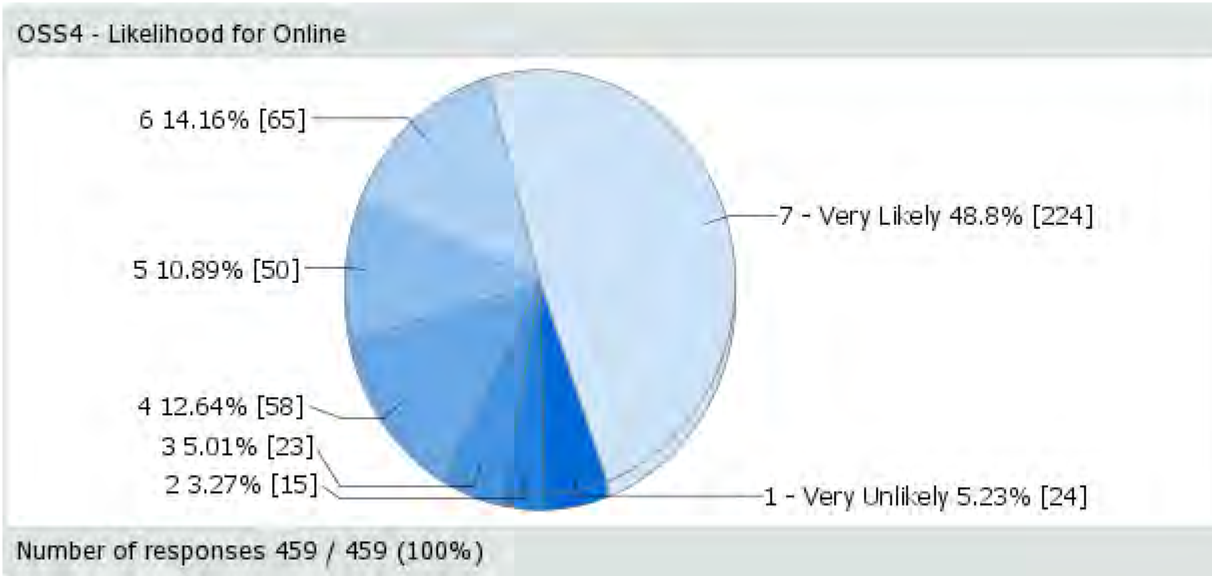
Given the option, if you had to make an insurance claim with Manitoba Public Insurance, how would you prefer to <u>open</u> that claim?
Please select <u>all</u> the answers that apply.

OSS3 - MPI Preference for Claim

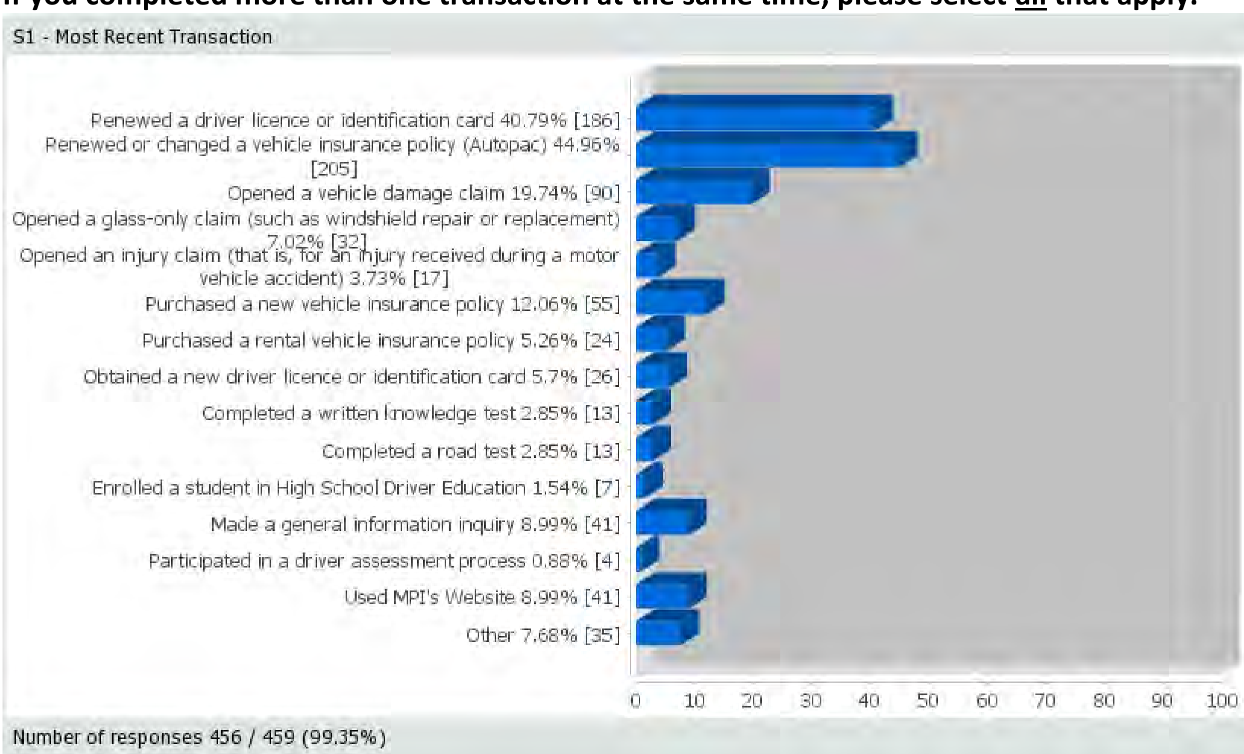


Number of responses 459 / 459 (100%)

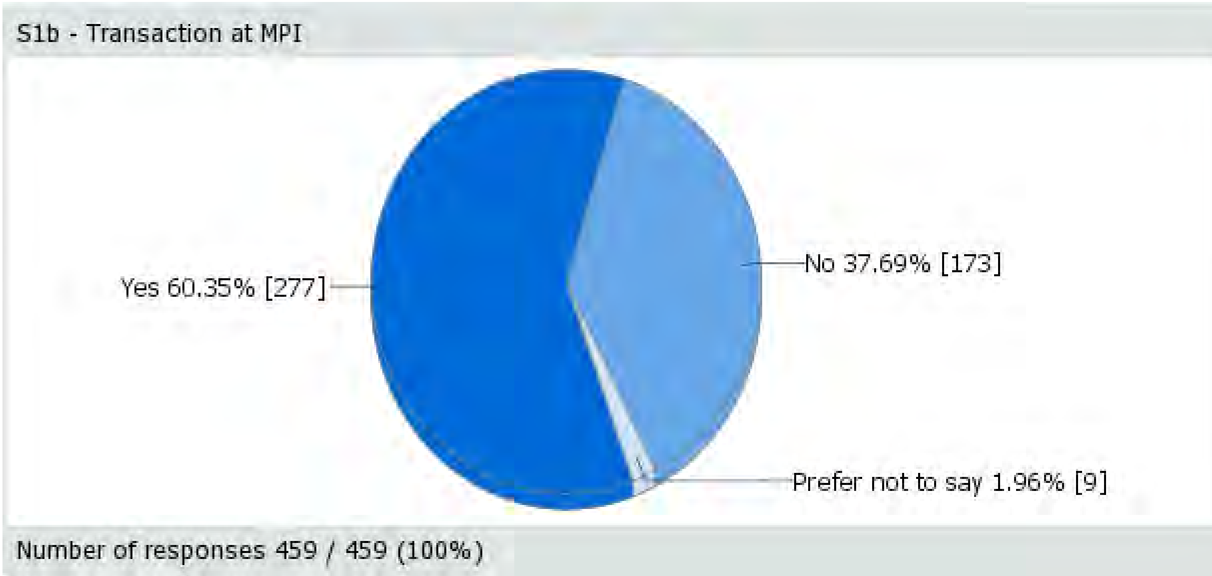
How likely would you be to use online services to perform transactions if the option was available?
Please provide a response between 1 to 7, where 1 is Very Unlikely and 7 is Very Likely.



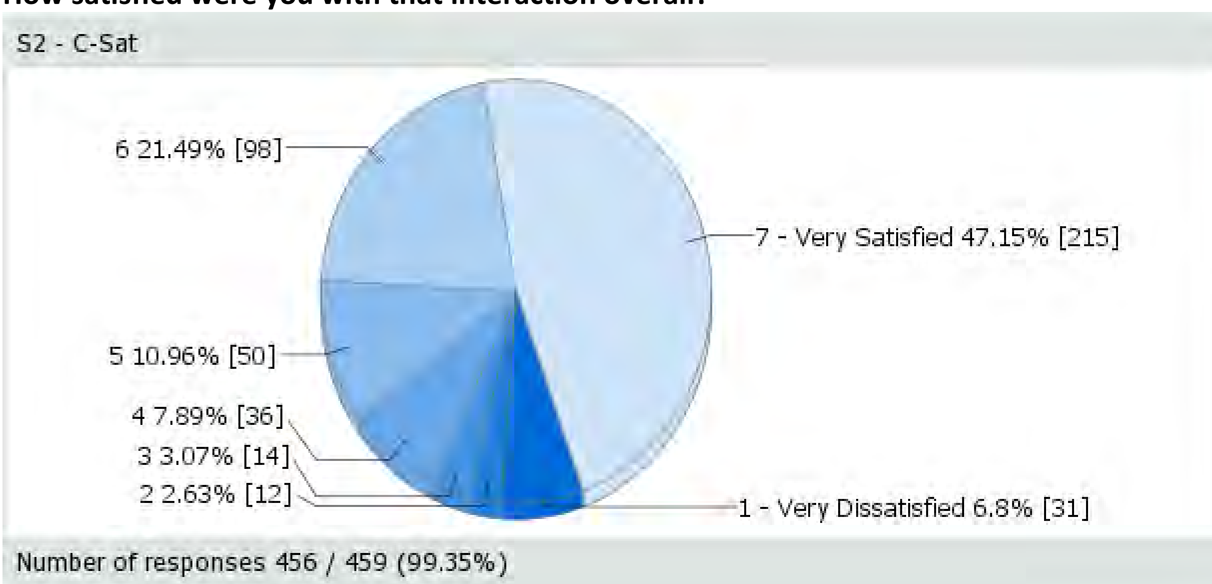
Not including your recent agreement to participate in the *Voice of the Customer ePanel*, what was your most recent interaction with MPI?
If you completed more than one transaction at the same time, please select all that apply.



Was your most recent transaction completed at a MPI Service Centre or through the MPI Contact Centre?

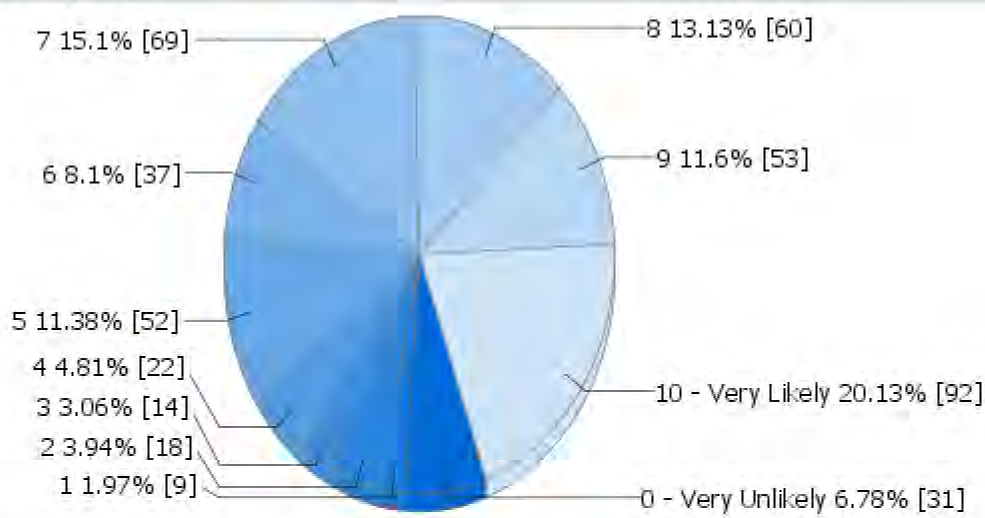


Considering your most recent interaction, where 1 is Very Dissatisfied and 7 is Very Satisfied: How satisfied were you with that interaction overall?



On a scale of 0 to 10 where 0 means Very Unlikely and 10 means Very Likely, please tell me to what extent you agree with the statement:
I would speak highly of the services provided by Manitoba Public Insurance if discussing auto insurance with a friend or family.

S3 - NPS Categorical

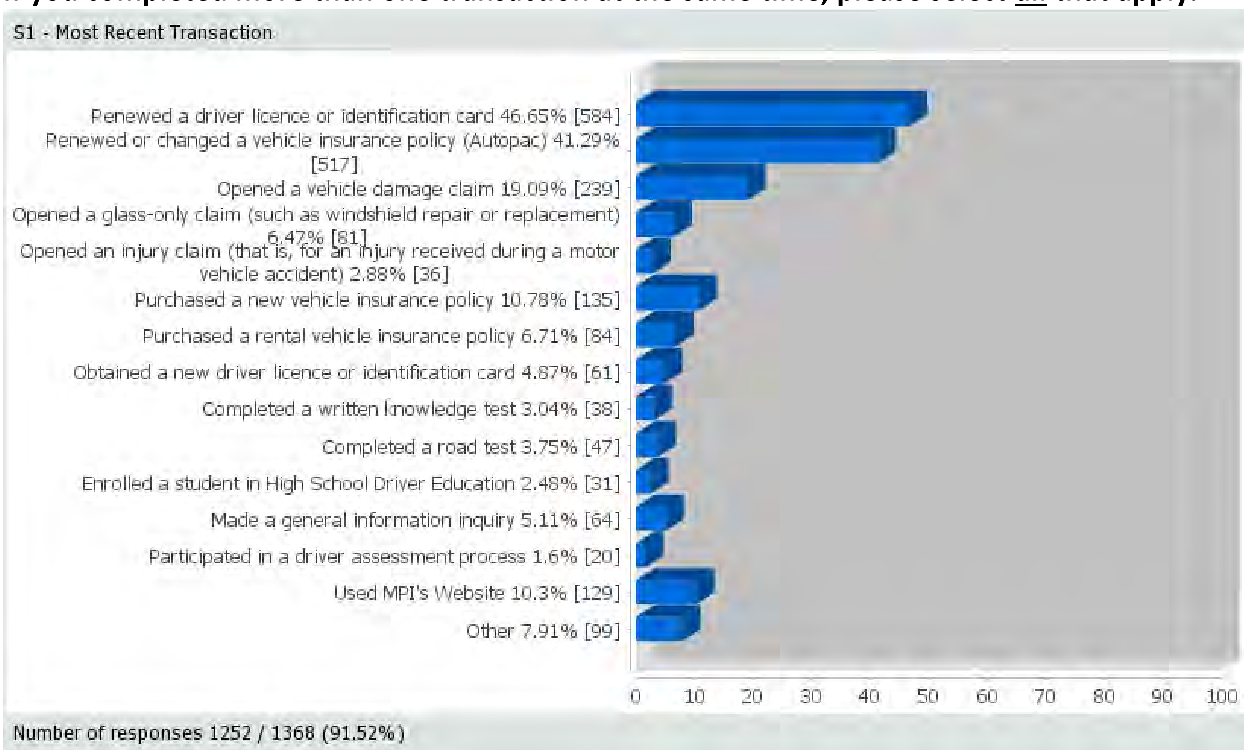


Number of responses 457 / 459 (99.56%)

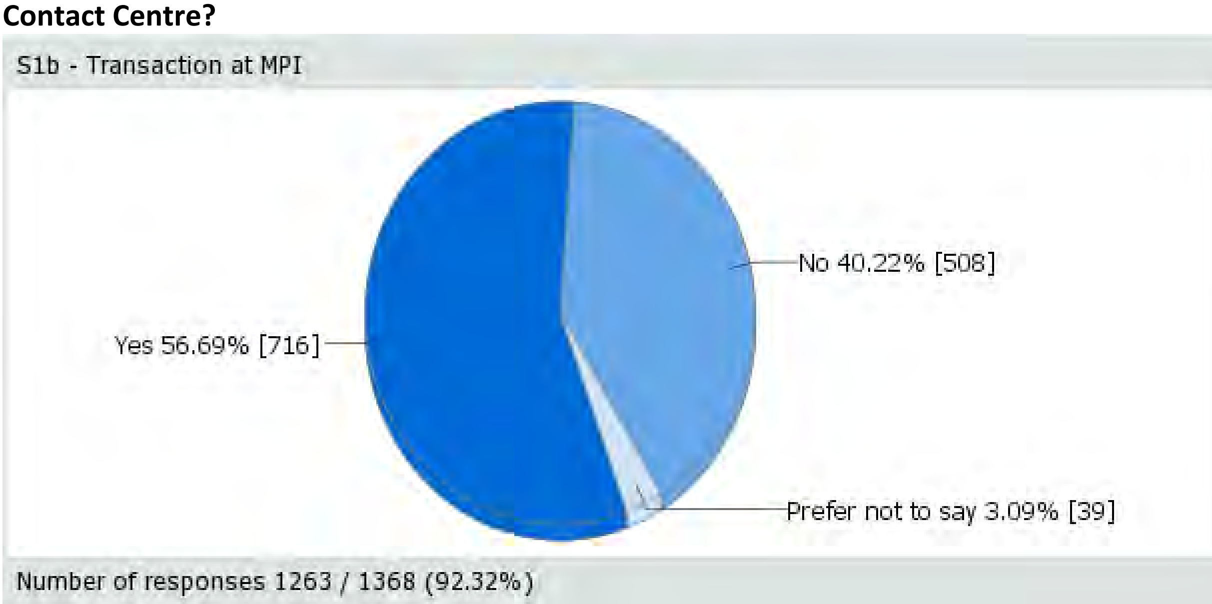
Results - Customer Satisfaction

Not including your recent agreement to participate in the *Voice of the Customer ePanel*, what was your most recent interaction with MPI?

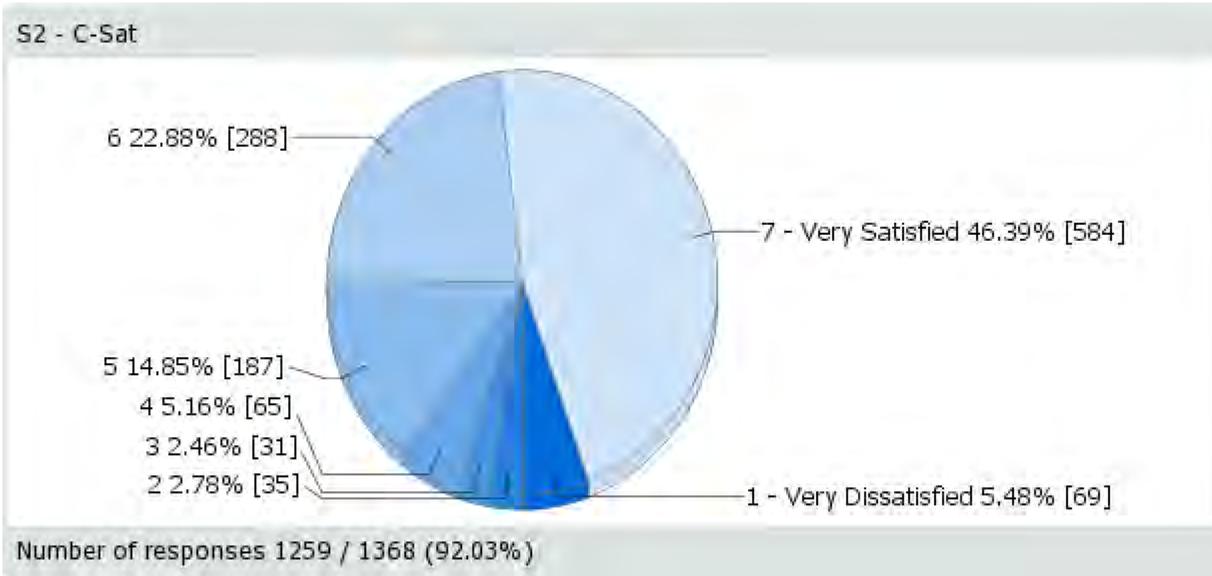
If you completed more than one transaction at the same time, please select all that apply.



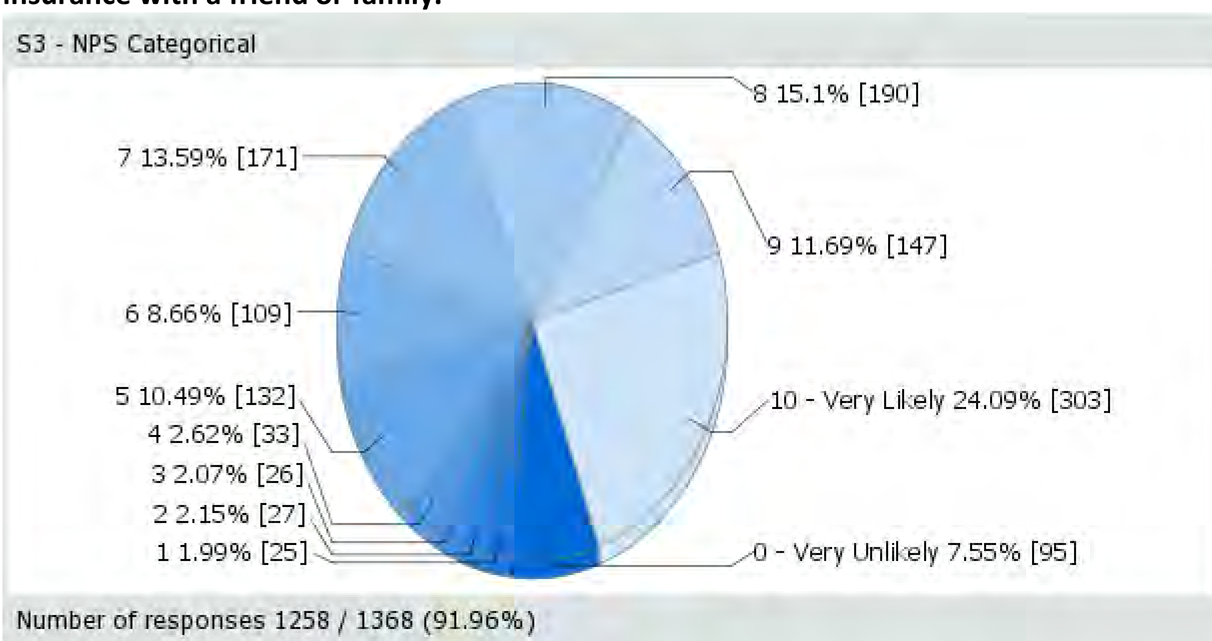
Was your most recent transaction completed at a MPI Service Centre or through the MPI Contact Centre?



Considering your most recent interaction, where 1 is Very Dissatisfied and 7 is Very Satisfied: How satisfied were you with that interaction overall?

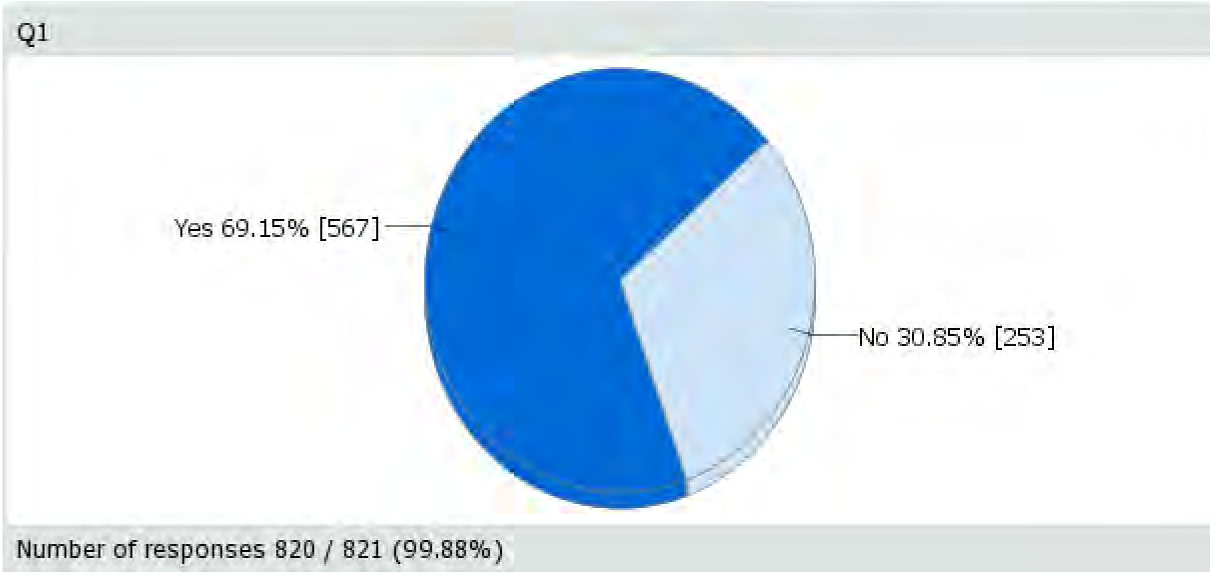


On a scale of 0 to 10 where 0 means Very Unlikely and 10 means Very Likely, please tell me to what extent you agree with the statement:
I would speak highly of the services provided by Manitoba Public Insurance if discussing auto insurance with a friend or family.

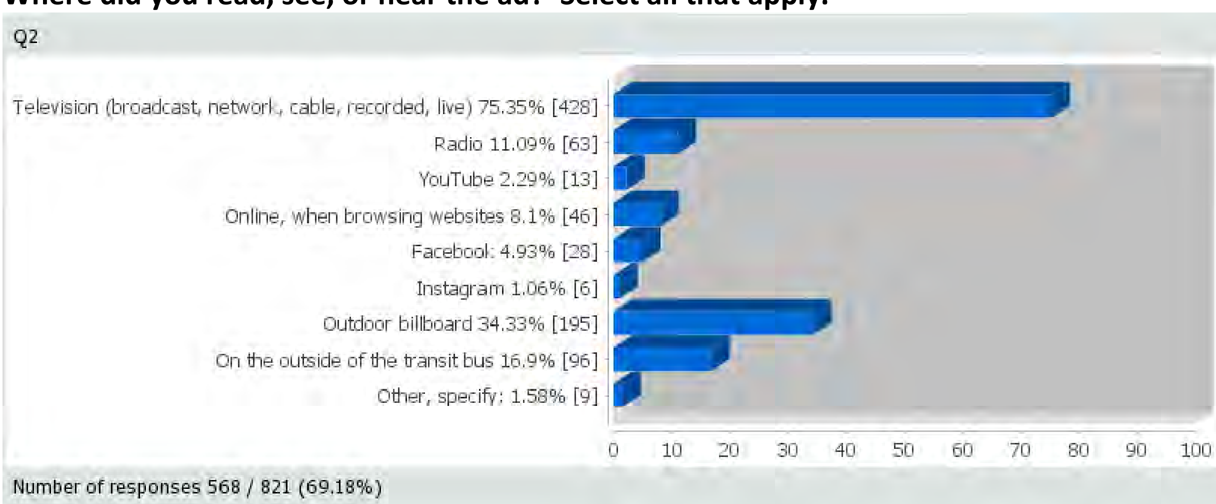


Results - MPI Ad Survey (Fraud)

Have you recently read, seen or heard an advertising campaign with a message that *we all pay for auto insurance fraud?* Example images of the ads are shown below.



Where did you read, see, or hear the ad? Select all that apply.



Please rate your agreement to the following statements [using a scale of 1 to 7, where 1 is strongly disagree and 7 is strongly agree]. This advertising campaign...

Q3

	1	2	3	4	5	6	7
Gets across the message that *we all pay for auto insurance fraud*	12 (2.11%)	7 (1.23%)	10 (1.76%)	43 (7.57%)	99 (17.43%)	157 (27.64%)	240 (42.25%)
Is unique and different from other advertising campaigns	21 (3.7%)	14 (2.46%)	30 (5.28%)	88 (15.49%)	121 (21.3%)	148 (26.06%)	146 (25.7%)

Number of responses 568 / 821 (69.18%)

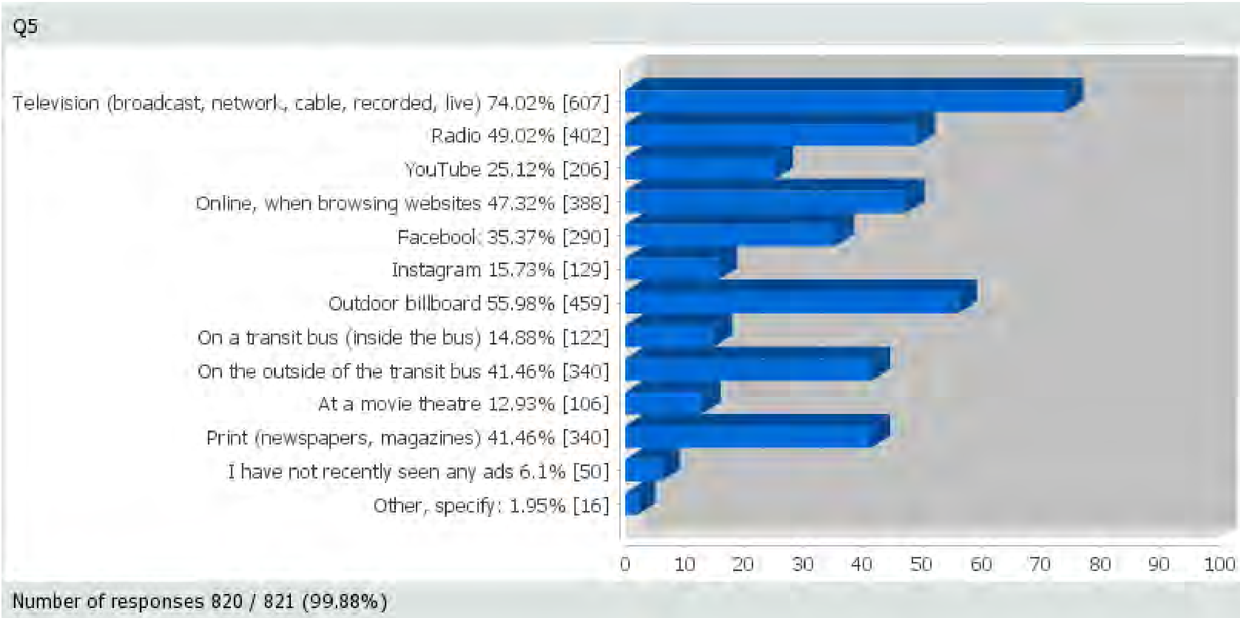
Please rate your agreement to the following statements [using a scale of 1 to 7, where 1 is strongly disagree and 7 is strongly agree].

Q4

	1	2	3	4	5	6	7
This ad campaign convinces me to report fraud	34 (5.99%)	24 (4.23%)	30 (5.28%)	99 (17.43%)	104 (18.31%)	121 (21.3%)	156 (27.46%)
I like this ad campaign	35 (6.16%)	14 (2.46%)	34 (5.99%)	80 (14.08%)	103 (18.13%)	140 (24.65%)	162 (28.52%)
The ad raised my awareness of the fraud tips phone line	38 (6.69%)	28 (4.93%)	33 (5.81%)	85 (14.96%)	108 (19.01%)	133 (23.42%)	143 (25.18%)
I am more likely to report auto insurance fraud after seeing this ad	52 (9.15%)	21 (3.7%)	34 (5.99%)	104 (18.31%)	101 (17.78%)	114 (20.07%)	142 (25%)
The ad raised my awereness that auto insurance fraud is a problem in Manitoba	31 (5.46%)	17 (2.99%)	24 (4.23%)	70 (12.32%)	104 (18.31%)	132 (23.24%)	190 (33.45%)
Before seeing this campaign, auto fraud wasn't something I thought about	62 (10.92%)	67 (11.8%)	64 (11.27%)	93 (16.37%)	69 (12.15%)	88 (15.49%)	125 (22.01%)
This campaign taught me something new	58 (10.21%)	61 (10.74%)	55 (9.68%)	94 (16.55%)	89 (15.67%)	108 (19.01%)	103 (18.13%)

Number of responses 568 / 821 (69.18%)

Now thinking about advertising in general, and not just MPI's ads, where do you recall recently reading, seeing, or hearing advertising? Select all that apply.



Monitor Deloitte.

Manitoba Public Insurance

Manitoba Public Insurance | Customer Research Fact Pack

Evolving customer behaviours and leading industry case studies

Executive Summary | April 2019

DRAFT

For Discussion Purposes Only

BACKGROUND & OBJECTIVES

DRAFT – For Discussion Purposes Only

BACKGROUND & OBJECTIVES

Manitoba Public Insurance is looking for support to evaluate customer preferences in P&C insurance to drive its transformation agenda

Background

- Manitoba Public Insurance (MPI) is in the process of planning a major business and technology transformation to ensure that MPI adds value to Manitobans and remains relevant as a public insurer in the future insurance ecosystem
- While MPI has already investigated technology options to support the future of its business, MPI would like to conduct fact-based, unbiased customer research (globally, nationally, and within Manitoba) to assess the true needs and preferences of customers, to:
  - Confirm that the current corporate strategic direction is aligned with Manitoban's expectations
  - Test hypotheses on customer preferences related to the distribution, servicing, and management of insurance claims, as well as driver licensing, vehicle registration, and issuance of identification cards

Objective

- Clearly articulate and evaluate evolving customer needs globally, within Canada, and in Manitoba, with respect to insurance and DVA services offered by Manitoba Public Insurance:
  - P&C Insurance (primary focus)
  - Driver Licensing
  - Vehicle Registration
  - Identity Cards

EXECUTIVE SUMMARY

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EXECUTIVE SUMMARY

*Across all industries, modern customers' expectations of **differentiated** experiences continue to evolve, with common behaviours across most buying journeys*

Industry Agnostic Customer Behaviours

"Make My Life Easy"
Customers appreciate companies that actively eliminate stressors and pain points from the shopping experience across all channels

"Educate and Inspire Me"
Customers are smart and informed, and companies must be willing to provide a differentiated level of relevant information for their customers

"Bring Me Closer to My Community"
Customers feel a strong connection to brands that help foster a deep connection with family, friends, and community

THE MODERN CUSTOMER

"Know Me"
Customers now expect relevant and personalized interactions, and a more streamlined experience; as such, companies are investing heavily in data analytics and AI

"Reward Me for Being Me"
Loyalty programs are the new norm; customers expect to be rewarded for how they engage with brands on a regular basis

"Make Me Feel Special"
Customers don't want to be faceless; exclusive benefits and personalized recognition make them feel valued and rewarded for their loyalty

"Keep Me Coming Back for More"
Certain brands have an intangible quality that instills customers with a feeling of emotional, and sometimes irrational, loyalty

Trust is a key success factor as businesses aim to establish long-term client relationships; giving customers piece of mind that their provider knows them well and takes care of their individual needs has become a ***key component in driving customer satisfaction***

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EXECUTIVE SUMMARY

With other sectors having led the response to customer dynamics, insurance and public sector are reaching a critical inflection point to better serve today's customer

The Retailization of Canadian Insurance and Public Sector Services

Retailers and non-financial services players continue to experiment with and **shape new and innovative customer experiences** which are frictionless, convenient, and omni-channel

Both insurance and public sector, which have generally been slower to respond, **are at a critical inflection point** and face a set of tough choices to both keep pace while evolving proactively, as they begin to suffer a customer satisfaction deficit relative to other businesses

Insurers and public sector players looking to evolve must ask themselves: "**How do we meet new and heightened customer demands while balancing quality and cost**?"

In parallel, cultural, agility, and structural issues, among others, can **slow down the ability for government and Crown organizations to innovate against customer dynamics**

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EXECUTIVE SUMMARY

As retailization unfolds across Canada, customers are expecting similar interactions and offerings within insurance that they receive in other industries

Evolving Customer Behaviours in Canadian Insurance

Customer consumption and interaction habits are being shaped by innovations across several industries; notably in technology, retail, banking, and now, insurance (i.e., the "retailization" of insurance)

Across all generations, **customers are not only increasingly willing to use technology to purchase insurance, but they are expecting to be able to do so**; in addition, even small business owners are expressing a willingness to purchase insurance online, but often do not find the access and interaction channels to do so

As customer preferences have evolved, **new customer needs are going unaddressed**, including a desire for simplicity and convenience, personalized support (e.g., ongoing services that meet their unique needs), an enhanced customer experience, and additional value beyond just insurance products

Unmet needs across the entire insurance value chain (from purchase to claims and policy servicing) create **opportunities for innovative, differentiated market offerings**, provided by traditional and non-traditional insurers

Relevance to MPI	High	Mid	Low

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EXECUTIVE SUMMARY

With the evolution of these insurance customer preferences, several unmet needs continue to exist, resulting in market opportunities for insurers

Tech Retailers and Non-FSI (~2010+)
Retailers continue to shape new and innovative customer experiences, and are top of mind for best-in-class examples of customer service

Financial Services Institutions (~2012+)
These consumer expectations have permeated to banks; meanwhile, the industry has seen an influx in innovative and disruptive fintech players

Insurance Providers (~2016+)
Insurance providers continue to fall short of customer expectations, and suffer a trust deficit relative to other businesses

Public Sector Entities (~2018+)
Cultural, agility, and structural issues, among others, can slow down the ability for government and Crown organizations to innovate against customer dynamics

Unmet Customer Needs in Canadian Insurance

Desire for Simplicity and Convenience
Customers are increasingly demanding a simplified research, purchase and billing process from their insurance providers

Providing Confidence and Peace of Mind
Customers seek peace of mind and confidence from their insurance providers

Post-Purchase Value from Insurance
Consumers want to realize value from their insurance purchase after the transaction is complete

Creating Enthusiasm to Enhance the Customer Experience
Customers are not enthusiastic about their insurance purchase decisions, creating an opportunity for more meaningful engagement

Personalized Support Across the Lifecycle
Customers desire a personalized insurance journey, with insurers providing them with support and assistance that meets their unique needs

Accessing Trusted Information
Customers seek a consolidated source of trustworthy data to help inform and simplify their home/auto purchase decisions

Relevance to MPI	High	Mid	Low

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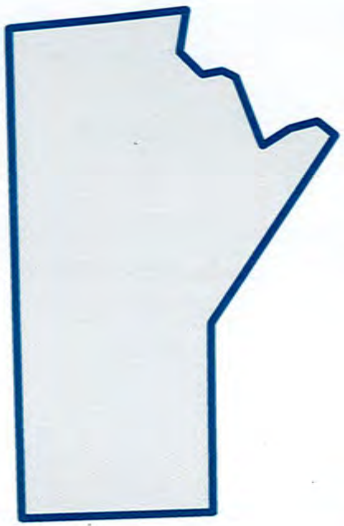
EXECUTIVE SUMMARY

In Manitoba, retailization has led to innovation across retail financial services, primarily credit unions, which may serve as a proxy for unfolding customer expectations in the insurance industry

Evolution of Retailization in Manitoba



The broader financial and public sector services in the province are **setting the tone by educating consumers on the intersection of today's digital trends with financial services** (e.g., fraud and social media)

Amongst Manitoba's credit unions (some which balance digital and non-digital channels), the **three largest credit unions are leading the digital narrative amongst their peer group**

As leading Manitoba-based credit unions respond to evolving customer expectations, **Manitoban insurers may be subject to these heightened consumer standards across retail financial services**

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EXECUTIVE SUMMARY

In part due to Manitoba's unique insurance market structure, Manitoba customer preferences differ slightly in certain areas to those of the average Canadian (1/2)

Evolving Customer Behaviours in Manitoban Insurance

- Both Manitobans and the average Canadian have a **strong desire for an efficient, easy-to-use purchase and claims experience**
- Manitobans are highly interested in **post-purchase communication for value-add services**, in addition to the ability to **easily customize their policy, make updates post-purchase, and accumulate loyalty points**
- Driven by Manitoba's unique market structure (especially in primary auto insurance), Manitobans' view on comparative offerings and channel/access optionality is somewhat restricted; while **Manitobans do have a desire to access information and services, and even may want to purchase products via multiple channels** (incl. digital), the reality of the Manitoba market currently limits their options to do so

While Insurance operates differently in Manitoba, the way the market and providers operate (i.e., single provider for the entire province) is similar in other jurisdictions

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EXECUTIVE SUMMARY

In part due to Manitoba's unique insurance market structure, Manitoba customer preferences differ slightly in certain areas to those of the average Canadian (2/2)

Evolving Customer Behaviours in Manitoban Insurance

Keeping in mind that there are **no channel alternatives for Manitobans to purchase their auto insurance**, they do **value their relationships with their brokers more than the average Canadian** to support them throughout the customer journey (e.g., shopping for policies, receiving ongoing services post-purchase)

In regards to auto insurance (where there are no alternatives due to MPI's monopoly on the market), **Manitobans are highly price sensitive**; with respect to other insurance products, **Manitobans consider an insurer's brand in addition to price**, when deciding to buy insurance, and therefore are open to considering that during their insurance journey as it pertains to other insurance products not sold by MPI

However, Manitobans are **less likely to consider insurance offerings from non-traditional, non-insurance companies** relative to their Canadian peers, again in part driven by the lack of options especially in primary auto insurance

While Insurance operates differently in Manitoba, the way the market and providers operate (i.e., single provider for the entire province) is similar in other jurisdictions

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EXECUTIVE SUMMARY

Similar to the evolution in insurance, consumers of public services and Crown Corporations are starting to expect more digital interactions with service providers

Customer Expectations of Digitized Public Services and Crown Corporations

Canadian Players Lagging

Select Canadian and Manitoban public sector organizations and Crown Corporations, while offering some ability for customers to transact digitally through channels, **generally lag global leaders in digital maturity across customer engagement**; instead of innovating and disrupting, many Crown Corporations are playing "catch-up"

A Balance of Digital and Personal Should be Struck

While there is a strong desire from customers for digital self-serve abilities for simple transactions (e.g., license renewal), **in-person and/or human engagement still hold value for customers, especially for more complex interactions**

Leaders Provide Digital Optionality

In the public sector, global leaders in customer experience **provide digital optionality for their customers across services**, with non-digital channels being actively maintained for those who still prefer in-person or call access to their service providers

Canadians and Manitobans Likely to Expect More

Consumers in Canada and Manitoba are becoming **aware that they receive a "digital lite" experience relative to more progressive geographies**; these customers, in turn, are likely to **expect more digitally-mature interactions** with public service providers and Crown Corporations

Relevance to MPI	High	Mid	Low

DRAFT – For Discussion Purposes Only

EXECUTIVE SUMMARY

Consumers of the public sector are increasingly receptive to interactions in both traditional and non-traditional channels, and may begin expecting it

Customer Expectations of Public Sector Across Channels

Optionality of Interactions

Customers expect **greater optionality in how they engage with a service provider**, such as through physical locations built for multi-purpose visits to enhance their experience (e.g., Canada Post's partnership with Shopper's Drug Mart and Pay Pal allows for **integrated payment and shipping solutions**)

Omni-channel Experience

Customers expect service providers to deliver **omni-channel offerings,** in which they can **transact across multiple channels in a connected, seamless fashion**; customers have also learned to appreciate **non-traditional methods of interacting with service providers** that increase convenience and offer breadth (e.g., a Danish municipality is **providing telepresence kiosks in existing service centers** which offer the same level of customer service as staffed centers)

User-Friendly and Streamlined

When engaging service providers digitally, customers appreciate **centralized, user-friendly applications** which drive a streamlined experience, and **online experiences that are collaboratively-designed** to address users' direct requests and feedback (e.g., India's government has developed a mobile app to integrate more than 200 central, state and local gov. applications and 1,200 services onto one platform)

Support When and Where it is Needed

In interacting with service providers' contact centers, users have come to expect **interactive, convenient support at all times,** and are increasingly looking to **interact with the public sector through the online channel** (e.g., the Australian Taxation Office introduced Alex (2016) – **a 'virtual assistant' who can help individuals with their tax questions**)

DRAFT – For Discussion Purposes Only

EXECUTIVE SUMMARY

Given the evolving customer trends across insurance and DVA services, MPI is facing a number of implications that will drive what it offers and how it interacts with customers in the future

Implications for MPI's Insurance Business

Overview of Customer Expectations

As the retail financial services ecosystem evolves within Manitoba, Manitoba Public Insurance should be mindful of how to respond to unfolding customer dynamics, resulting from experiences with adjacent, non-insurance companies

Considerations

Use of Channels

MPI should consider the mediums it needs to use in order to meet customer expectations, whether it be through digital (e.g., online, mobile) or non-digital (e.g., brokers) means; each medium drives a different type of consumer utility depending on the specific transaction type

Consistent Engagement

Regardless of channel, MPI should consider how it can provide Manitobans with consistent and quality engagement, seamless across channels along the end-to-end customer journey (e.g., policy renewals)

Convenience, Ease and Accessibility

In each interaction with the customer, MPI should consider how it can provide a convenient, easy experience and accessible, province-wide coverage (especially rural areas) to build a foundation of simplicity and trust with every Manitoban

[redacted]

DRAFT – For Discussion Purposes Only

EXECUTIVE SUMMARY

MPI should also consider the pros and cons of further digitizing its DVA offering for Manitobans, as customer expectations continue to evolve

Implications for MPI's DVA Business

Overview of Customer Expectations

Based on comparable (e.g., Canadian DVA peers) and peripheral (e.g., Manitoban public services and Crown Corporations peers) players, Manitobans are growing accustomed to and expecting meaningful digital experiences across public sector, setting the tone for expectations of MPI's DVA business

Considerations

Level of Digital Ambition

Provided the varying level of digital maturity which exists amongst public sector players, MPI should work to define its digital aspiration across customer-facing interactions (e.g., "Digital Lite" or "Digital by Default")

Benefit to the Customer

Given DVA's relative weighting in MPI's overall business, MPI should consider the tradeoffs of the cost to digitize versus the benefit of fulfilling DVA customers' evolving expectations, particularly if MPI modernizes its adjacent insurance business

- E.g., can simple transactions primarily be done through self-service while complex transactions are still served through higher-touch mediums?
- E.g., How much more customer satisfaction can be achieved?

CAC (MPI) 2-5

Part and Chapter:	CAC (MPI) 1-1, Appendix 16	Page No.:	P 2
PUB Approved Issue No:	9. Cost of operations and cost containment measures		
Topic:	Broker commissions		
Sub Topic:			

Preamble to IR:

Special Risk Extension Concerns – SRE Profit Pool Changes:

- Since 1999, MPI has provided, without any formal agreement, Contingent Profit Commissions (CPC) to qualifying brokers selling SRE products on an annual basis. To qualify, brokers must have a minimum of $250,000 in earned premiums and a claim loss ratio of 60%.
- The CPC was designed to encourage brokers to maintain annual minimum premium volumes. (emphasis added)

Question:

Please provide greater detail on how the CPC is calculated and the rationale for its creation. Please indicate whether a similar incentive exists for extension or basic and if not, please explain why not.

Rationale for Question:

To clarify and better understand the relationship between the basic, extension and SRE lines of business and brokers.

RESPONSE:

The main focus of MPI's Special Risk Extension (SRE) line of business is commercial policies and MPI competes in the marketplace with private insurers for customers. SRE products are underwritten on a policy by policy basis. Information is manually requested, coverages are customized and premiums are negotiated with brokers on a risk by risk basis. An additional Contingent Profit Commission (CPC) is offered to brokers by the SRE line of business and is similar to private insurer offerings that are designed to promote premium growth and profitability in a competitive marketplace. MPI offers the CPC on a sliding scale based on the premium generation levels and loss ratios of a particular broker. Thus, the percentage of CPC MPI pays to brokers increases as their respective premium levels increase and loss ratios decrease.

MPI does not offer a similar commission structure for the Basic Autopac or Autopac Extension lines of business due to their comparative ease of processing business.

CAC (MPI) 2-6

Part and Chapter:	CAC (MPI) 1-1, Appendix 17	Page No.:	P 1-2
PUB Approved Issue No:	9. Cost of operations and cost containment measures		
Topic:	Broker service and MPI Service Centres		
Sub Topic:			

Preamble to IR:

Several factors are influencing changes to the customer service experience, including:

- Brokers are increasingly referring customers with complex business transactions to MPI service centres. This is placing significant pressure on MPI resources, resulting in increased wait times for services at many locations. (emphasis added)

. . .

- In response to these communications, IBAM informed MPI that the Association and its broker members did not support the direction being taken by the Corporation, nor the timing of the launch. While IBAM indicated it was not opposed to offering enhanced online and mobile service options to customers, the Association's position was that online provisioning should be done through the broker distribution channel as opposed to offering direct online services from the MPI website.
    - MPI suspects that IBAM is interested in an online service model similar to what exists in Saskatchewan whereby customers access SGI services online through hyperlinks from broker websites; for which brokers earn commission or flat fee compensation, despite no associated broker work effort.

Question:

a) Please provide the analysis supporting the conclusion that "This is placing significant pressure on MPI resources, resulting in increased wait times for services at many locations."

b) Please elaborate on the Saskatchewan model and the basis for the MPI conclusion that adopting it in Manitoba would enable brokers to "earn commission or flat fee compensation, despite no associated broker work effort." Please provide any response by IBAM to the MPI concern that adopting the Saskatchewan model would enable brokers to "earn commission or flat fee compensation, despite no associated broker work effort.

Rationale for Question:

To clarify and better understand the potential models for online service and the value in delivering service to ratepayers.

RESPONSE:

a) The statement that an increase in customer traffic at MPI Service Centres for complex business transactions leading to increased wait times was based on the direct observations and accounts of MPI Service Centre managers. Please see also *IBAM (MPI) 2-31*.

b) For details of the Saskatchewan model, please refer to the *CAC (MPI) 1-1(g) Attachment C Confidential*. Please see also the response to *IBAM (MPI) 2-24*.

   MPI bases its 'suspicion' that IBAM would prefer to adopt the Saskatchewan model on conversations between IBAM and MPI senior executives. The statement that the Saskatchewan model allows brokers to "earn commission or flat fee compensation, despite no associated broker work effort" is based on MPI's understanding of how that model operates.

CAC (MPI) 2-7

Part and Chapter:	CAC (MPI) 1-6	Page No.:	SGI Report, p 13 and ICBC Annual Report, p 99
PUB Approved Issue No:	18. Proposed Capital Management Plan		
Topic:	Capital targets in Saskatchewan (SGI) and British Columbia (ICBC)		
Sub Topic:			

Preamble to IR:

Page 13 of the SGI Annual Report states the following:

> *"The Auto Fund maintains a Capital Management Policy that applies a factor to move towards its MCT target of 140% in small increments with each rate program."*

Page 99 of the ICBC annual report states:

> *"For the Basic insurance business, IC2 requires the Corporation to determine capital targets in accordance with a capital management plan approved by the BCUC (note 23) and to set Basic insurance rates in order to maintain an MCT ratio of at least 100%. <u>If the Basic insurance capital is projected to fall below that minimum, a capital restoration plan must be filed with the BCUC.</u>"*

In response to CAC (MPI) 1-6, MPI states: "Ultimately, while the comparisons made to other public insurers are informative, MPI is now bound by and must comply with the MCT percentages in the Reserves Regulation (for Basic, Extension and Special Risk Extension)."

Question:

a) Does MPI have the SGI policy or has it reviewed it? If so, please provide it.

b) Does MPI have IC2 or has it reviewed it? If so, please provide it.

c) In terms of how Saskatchewan and BC established their capital targets can MPI provide any evidence that the capital target was developed or imposed on SGI or ICBC through an independent rate setting process analogous to the PUB process?

d) In terms of how Saskatchewan and BC established their capital targets can MPI provide any evidence establishing and confirming that the capital target was reviewed and affirmed through an independent rate setting process?

e) If not, for each of Saskatchewan and BC, please provide the understanding of MPI on how that target was established?

Rationale for Question:

To clarify and better understand whether the targets of Saskatchewan and BC were established or reviewed by independent rate setting bodies analogous to the PUB process.

RESPONSE:

As a preamble to the response, MPI notes that this information request seeks information that is not relevant to the 2020 General Rate Application (GRA) as it did not factor in the capital target frameworks in Saskatchewan and B.C. Despite this, MPI provides the following response.

a) MPI does not have a copy of the Capital Management Policy of Saskatchewan General Insurance (SGI). MPI's understanding of this Policy is limited to the presentation provided by Mr. McCullough at the PUB's Technical Conference on Capital Maintenance Provision and Rate Setting in Accordance with Accepted Actuarial Practice that was held on March 2, 2018.

b) MPI has only a cursory understanding of the Special Direction IC2 to the British Columbia Utilities Commission, a copy of which is available here: http://www.bclaws.ca/civix/document/id/complete/statreg/307_2004.

c) MPI cannot provide any evidence that the capital targets for Saskatchewan or B.C. were developed or imposed on SGI or the Insurance Corporation of British Columbia (ICBC) through an independent rate setting process analogous to the PUB's process.

d) MPI cannot provide any evidence to establish or confirm that the capital targets for SGI or ICBC were reviewed and affirmed through an independent rate setting process.

e) MPI is unaware of how the capital targets for each of SGI and ICBC were established.

CAC (MPI) 2-8

Part and Chapter:	CAC (MPI) 1-7 and CAC (MPI) 1-10 d)	Page No.:	
PUB Approved Issue No:	18. Proposed Capital Management Plan		
Topic:	Implications of the reserve regulation for rate setting		
Sub Topic:			

Preamble to IR:

In response to CAC (MPI) 1-7, MPI states:

> *"Just as with regulation governing permanent impairments, the Reserves Regulation is a specific factor that must be considered in the calculation of the amount Basic ratepayers will pay for Basic premiums. The PUB cannot ignore the Reserves Regulation or favour subordinate alternatives when approving the rate application."*

In response to CAC (MPI) 1-10 d), MPI states:

> *"The preamble provides MPI's interpretation of how it achieves compliance with the Reserves Regulation. Simply stated, when the Rate Stabilization Reserve (RSR) is below the 100% Minimum Capital Test (MCT) minimum, MPI must have a plan to reach that level within a reasonable time to avoid onerous requests upon ratepayers. Further details are provided in response to PUB (MPI) 1-100. MPI believes that the proposed maximum rebuild period of five (5) years is 'timely' in terms of restoring capital adequacy, while still achieving the purpose of the RSR (which is to stabilize rates). Given that 2019 Basic rates have already been set and MPI has already transferred all existing excess Extension capital to Basic, it is not possible to build Basic capital to 100% MCT minimum in the 2019/20 fiscal year (except through better than budget performance on net income). MPI's interpretation of the Reserves Regulation reflects these practical realities of the rate setting and regulatory processes." (emphasis added)*

Question:

a) Does MPI assert that the PUB is bound by the reserves regulation in its independent rate setting process? For greater clarity, please respond to the following scenario and explain your answer.

Consider a scenario, where the rate stabilization reserve sits at $50 M below the 100% MCT target established in the Regulation, no transfers from other lines of business are available, and a 4% AAP in required with an additional 4% forecast in year 2. Apart from any required AAP increases, does MPI consider the PUB bound to:

impose an additional RSR rate increase over and above the 4% AAP calculation to directionally move toward the 100% MCT target?

impose an additional RSR rate increase equivalent to at least $50 M in year 1 to comply with the Reserve Regulation;

b) Please explain the basis for the MPI conclusion that the reserve regulation enables the development of a plan to reach the MCT target rather than imposes an obligation to comply with the target at all times.

Rationale for Question:

To clarify and better understand the MPI assertion that Reserves Regulation must be considered.

RESPONSE:

a) MPI asserts that the PUB is bound by and cannot ignore the requirements set out in the Reserves Regulation in performing its task of approving just and reasonable rates. The PUB has, over the past two decades, determined the amount that MPI should hold in the Rate Stabilization Reserve (RSR) using various methods. The Reserves Regulation replaces those methodologies with a requirement that MPI calculate the appropriate amount using a Minimum Capital Test (MCT) ratio of 100%. While the Reserves Regulation does not require the PUB to approve a particular rate or require it to approve a rate in a particular way, it necessarily (or by implication) limits the jurisdiction of the PUB to direct MPI to use an alternative to the MCT in order to generate a different minimum target for the RSR. In other words, the PUB cannot direct MPI to do something other than what it is legally bound to do. Since MPI is now legally required to maintain the RSR at an MCT Ratio of at least 100%, the PUB cannot direct MPI to do otherwise.

Further, MPI is not aware of any scenario wherein it would be just and reasonable for the PUB to approve rates purposely designed to ensure that MPI could not satisfy its legal obligations.

In regards to the scenario presented, MPI would follow the steps as laid out in *Part VI Rate Stabilization Reserve RSR.6 Capital Management Plan*. Specifically, MPI would perform the following steps in sequential order:

- Apply for a 4% Basic rate increase in accordance with the Accepted Actuarial Practice (AAP) ratemaking methodology.
- Apply required rate changes to the Extension line of business based on the profitability target of the Board of Directors of MPI. Assume no rate change is required in this scenario.
- Determine if any capital transfers are available from Extension. Assume no Extension capital transfers are available in this scenario (i.e. Extension MCT is projected to be less than 200% over the rating period).
- The scenario indicates that the RSR is $50 million below the amount required for 100% MCT. Assume that the $50 million figure equates to an MCT ratio of 85%, which is approximately proportional to the 100% MCT requirement of $345 million in the 2020/21 year (as shown on PF-3). The scenario also assumes (incorrectly) that the $50 million RSR shortfall must be fully recovered in one year. In reality, MPI would follow its capital build and release plan and rebuild over 5 years.

- Given that the Basic MCT ratio is 85% at the beginning of the rating period, a capital build provision may be required. The capital build provision requires the Basic MCT ratio to move toward the 100% target at a rate of 1/5 per year (or 3% increase in MCT per year in this scenario) from *all sources* (e.g. natural growth, rebuilding fees, capital transfers). Since the scenario assumes no capital transfers are available, MPI has assumed (for illustrative purposes) that a rebuilding fee of 1.5% is required to achieve the target MCT ratios of 88% in 2020/21 and 91% in 2021/22.
- Note: The scenario implies that Extension capital is unavailable, the implication is that MPI Extension must have been subjected to very adverse conditions in the recent past such that the profitability of Extension is not sufficient to achieve a 200% or greater MCT ratio before the end of the 2020/21 rating period. The reasons for this financial position of Extension are not provided in the scenario.
- The combined AAP rate change (+4.0%) plus the indicated capital build provision (+1.5%) results in a +5.5% rate change. Based on the capping rules of the Capital Management Plan, MPI would apply a +4% AAP rate change and a +1% capital build provision for a total overall rate change of +5%.
- The above process, as described in *Part VI Rate Stabilization Reserve RSR.6 Capital Management Plan*, would be repeated for all future GRAs.

b) Please refer to the response to *CAC (MPI) 1-100* for the basis for MPI's conclusion that the Reserve Regulation enables the development of a plan to reach the MCT target.

CAC (MPI) 2-9

Part and Chapter:	CAC (MPI) 1-22 a) and b)	Page No.:	3, 4 & 5
PUB Approved Issue No:	18. The proposed Capital Management Plan		
Topic:			
Sub Topic:			

Preamble to IR:

Question:

a) Please explain the reason the term 'reserve' is used in loss reserves and also in rate stabilization reserves when for Unpaid Claims (which presumably includes loss reserves) it is labeled as a "Provision for Unpaid Claims" on the Statement of Financial Position.

b) MPIC Act subsection 44(1) in part states "*but not so as to reduce the remaining balance of the excess of assets over liabilities below 125% of the total of the unearned premiums upon all its outstanding unmatured policies, calculated pro rata for the time expired, together with the amount of outstanding claims and all its other* liabilities of every kind."

In Figure 1 the excess of assets over liabilities (total equity) Ratio of 66% only includes Unearned Premiums as the denominator in the ratio calculation when the subsection 44(1) appears to also include 'the amount of outstanding claims and all its other liabilities of every kind'. Please further clarify the calculation provided for subsection 44(1).

Rationale for Question:

To further clarify accounting and legal terminology and clarify the analysis of subsection 44(1) of the MPIC Act.

RESPONSE:

a) Reserves can be established for different reasons. In the context of unpaid claim liabilities, reserves are established for specific claims (reported claims) and for future unknown claims (incurred but not reported).

The Rate Stabilization Reserve (RSR) essentially represents the total equity position of Basic (with certain exceptions when applying in the context of the Minimum Capital Test).

Both items can be termed as 'reserves' however they are quite different; one being for the provision of claims liabilities and one for the overall capital position (assets less liabilities or; total equity).

b) MPI interprets the calculation provided for in Subsection 44(1) as being subject to the first part which reads: "*but not so as to reduce the remaining balance of the excess of assets over liabilities below 125% of the total of the unearned premiums upon all its outstanding unmatured policies".*

While the second part of Subsection 44(1), which states: "*calculated pro rata for the time expired, together with the amount of outstanding claims and all its other* liabilities of every kind", clarifies what is to be included in unearned premiums and liabilities, it does not itself add elements to the formula.

CAC (MPI) 2-10

Part and Chapter:	CAC (MPI) 1-54 (a)	Page No.:	2
PUB Approved Issue No:	9. Cost of operations and cost containment measures 17. IT Strategic Plan		
Topic:	Customer self-service		
Sub Topic:			

Preamble to IR:

The response to CAC (MPI) 1-54 a) states: "The LSM project proposes the selection and implementation of modern Property and Casualty Insurance and Driver and Vehicle Administration systems, complemented by a High Productivity Application Platform, in order to allow MPI to deliver the CSS product and services that Manitobans want, through more capable systems, technology and architecture."

Question:

a) Can MPI provide references of P & C (Property and Casualty) companies in Canada that have successfully implemented and currently operating on 'modern Property and Casualty Insurance and Driver and Vehicle Administration systems'? If yes, can these companies (or MPI) confirm that these companies have achieved and realized the anticipated benefits articulated in their business case?

b) For greater clarity, please elaborate and explain what is meant by 'High Productivity Application Platforms'.

Rationale for Question:

To better understand the concepts of modern P & C company systems.

RESPONSE:

a) Over the last 18 months, MPI has conducted marketplace research through a Request for Information (RFI), engaged two assessment vendors and has issued Request for Proposals (RFP) in order to better understand the market. During this time, vendors with whom MPI engaged, identified a number of companies / organizations who use their software. Of those identified, the ones who MPI was informed have implemented either a 'modern Property and Casualty Insurance system' or a 'modern Driver and Vehicle Administration system' are listed in the table below. MPI cannot confirm whether they ultimately realized the anticipated benefits.

References using P&C and DVA Systems

Reference	Technology	Type
Insurance Corporation of British Columbia	P&C	Reference Contacted
The Wawanesa Mutual Insurance Company	P&C	Reference Contacted
The Economical Mutual Insurance Company	P&C	Reference Contacted
Sonnet Insurance	P&C	Reference Provided (Not Contacted)
CAA Insurance Company	P&C	Reference Provided (Not Contacted)
The Co-operators Group Limited	P&C	Reference Provided (Not Contacted)
Northbridge Financial Corp	P&C	Reference Contacted
RSA Canada	P&C	Reference Contacted
Manitoba Blue Cross	P&C	Reference Contacted
Arkansas Department of Finance and Administration	DVA	Reference Provided (Ref Checks TBD)
North Dakota Department of Transportation	DVA	Reference Provided (Ref Checks TBD)
Minnesota Department of Safety	DVA	Reference Provided (Ref Checks TBD)
SAAQ	DVA	Reference Provided (Ref Checks TBD)
Talanx International AG	DVA	Reference Provided (Ref Checks TBD)

Reference	Technology	Type
Ministry of Transportation, Ontario, Canada	DVA	Reference Provided (Ref Checks TBD)
West Virginia Department of Motor Vehicle	DVA	Reference Provided (Ref Checks TBD)
New Brunswick Department of Public Safety	DVA	Reference Provided (Ref Checks TBD)
Service Nova Scotia	DVA	Reference Provided (Ref Checks TBD)

b) A High Productivity Application Platform (HPAP) is a versatile tool whose primary function is to deliver a digital, web-based, experience to end users for any type of business transaction. MPI will use HPAP to:

- surface an orchestrated sales channel for customers and brokers
- provide a self-service channel for managing contact information
- provide a platform for digital based communication with MPI

Use of a HPAP will provide MPI with the following capabilities:

- Customer 360 view: the ability to capture and present customer information and interactions with MPI.
- Digital Engagement: the ability to inform customers of self service capabilities (contact information updates, user account management, secure messaging) and to surface digital engagement layers from other applications.
- Integrated Custom App Creation: the ability to rapidly create custom applications that natively expose and integrate application information into the digital engagement capability and customer 360 view. App creation also allows for custom external integrations to be built to exchange information with external systems and update customer 360 view data.
- Self Service and Registration: the ability to register and administer broker agency information (contacts, end user access), broker agency remuneration (commissions and billing), and broker agency performance (reporting, Key Performance Indicators).

CAC (MPI) 2-11

Part and Chapter:	CAC (MPI) 1-60 b) PUB (MPI) 1-50	Page No.:	3 4
PUB Approved Issue No:	17. IT Strategic Plan and LSM and PDR		
Topic:	DR repair estimates—shop estimates cost more than MPI estimates		
Sub Topic:			

Preamble to IR:

On page 4 of PUB (MPI) 1-50 it states "Lesson: disappointing administrative savings as increased review time and the DR premium mean that shop-written estimates cost more than MPI-written estimates."

Question:

Please provide the understanding of MPI regarding why estimates prepared by eligible body shops, under the Direct Repair/Distributed Estimating banner, were higher than estimates prepared by MPI estimators. How did the actual results compare with expectations?

Rationale for Question:

To better understand the rationale as to why eligible body shops estimates would be higher than estimates written by MPI estimators. The notion of rising collision severities became obvious at about the time body shops were preparing claims estimates. At the time it was suggested that it was the new vehicle technology and vehicle body materials that were causing the higher severities for physical damage claims.

RESPONSE:

To clarify, the lessons learned regarding "Shop-written estimates cost more than MPI-written estimates", did not mean that the claim estimate value was higher when prepared by eligible body shops. The cost of the Direct Repair (DR) Premium payment plus the administrative cost of MPI efforts required to review those estimates was higher than the administrative cost of MPI writing the first estimate.

The $81 DR premium paid to shops to perform the estimate and followed by MPI estimators' review of the shop estimate, and matching photos of the damage, resulted in a higher cost than would have been incurred had MPI estimated the vehicle first and then only approved the supplement. The additional cost of the $81 DR premium was an important additional cost of DR. Further, the $81 DR premium was negotiated to apply to all vehicles a DR shop repaired, not just those estimated using DR.

Originally in the PDR program, and for the entire period of time until October 2016, there was no expectation to pay shops to perform the DR estimate, nor was this an industry practice. This was a late concession by MPI in negotiating the LVAA agreement that ran from 2017 through April 2019. Therefore, the economic results for DR were negative and the premium needed to be dramatically altered to make it a sustainable program.

Since April 2019, the new compensation program for shops has eliminated the DR premium. Shops are still participating in the DR program at the same level and customers continue to make use of DR with good satisfaction results.

CAC (MPI) 2-12

Part and Chapter:	CAC (MPI) 1-46 and 1-59	Page No.:	
PUB Approved Issue No:	5.Corporate Strategic Plan 9. Cost containment measures		
Topic:	Employee Opinion Survey		
Sub Topic:	Employee engagement – Success to LSM Execution?		

Preamble to IR:

On page 3 of CAC (MPI) 1-46 b) v. it states "In conjunction with its Legacy Systems Modernization project, MPI expects that FTE savings in both systems support and operations will be made available through adoption of new technologies once these new platform systems are fully implemented – currently anticipated for 2023/24".

Question:

Has MPI recently conducted an Employee Opinion Survey to assess the readiness and receptivity of its employees (specifically IT and Business employees) to embark on another major IT project (LSM)? If yes, please file a copy of this survey. If not, please explain the processes and methods MPI senior management will use to ensure its employees will support the LSM project execution and implementation process.

Rationale for Question:

The success of the LSM may largely be dependent on the support of MPI's IT and Business employees who will be required to work with the new systems once in production. PDR and BI3 are examples of systems that were driven by outside consultants and the policyholders paid the price.

RESPONSE:

MPI recognizes that engagement of business and Information Technology (IT) employees is a key success factor for the Legacy Systems Modernization (LSM) Program. MPI has therefore developed and will implement a number of strategies aimed at ensuring their engagement in and ultimately their support for the LSM Program.

For example, as part of its planning, MPI will fully integrate a dedicated stream for Organizational Change Management (OCM) into the LSM Program. OCM will focus on ensuring that stakeholders (including employees) in all areas of the Program are engaged and ready throughout the program, during implementation and post-program. MPI will then conduct impact assessments for key stakeholders to determine whether the Program is satisfying its objectives.

The LSM governance structure also includes Operational Business Champions (business and IT Directors) whose role it will be to ensure the full engagement of the business and IT sectors and to make certain that these sectors are involved in key decisions.

Finally, MPI will assign Subject Matter Experts from the business and IT sectors to the LSM.

CAC (MPI) 2-13

Part and Chapter:	CAC (MPI) 1-60 Part IV(ii)—Value Management	Page No.:	50-52
PUB Approved Issue No:	5. Annual Business Plan		
Topic:	PDR		
Sub Topic:	Parts Sourcing		

Preamble to IR:

GRA 2020, Part IV(ii)—Value Management page 50 "The PDR Project was initiated in 2012 and was completed and closed at the end of Fiscal Year 2018-19." "MPI also introduced new estimating standards and repair shop accreditation program, and enhanced models for replacement parts, which has resulted in higher quality repairs while better managing claims operating expenses."

Question:

a) Please provide an update of the actual project costs relating to the Parts Sourcing Project, the annual operating costs to operate the parts sourcing system and the annual actual claims incurred savings as a result of the Parts Sourcing Project.

b) Please elaborate on the acceptance and use of the parts sourcing system by the body shops.

c) Please elaborate on the quality control MPI exercises on the use by the body shops of after-market and recycled parts. Is there a testing process MPI uses to determine which after-marked and recycled parts are safe for use as replacement parts for cars determined reparable? Please explain.

d) For Advanced Driver Assistance System (ADAS) vehicles please elaborate whether the use of recycled and/or after-market parts will be required if broadcast as available for cosmetic parts containing sensors or radars?

e) Please discuss the historical trend in year-over-year costs and percentage usage of:

i. after-marked parts
ii. recycled parts
iii. new parts

Rationale for Question:

To better understand the Parts Sourcing project (part of PDR) costs and benefits to both body shops and quality of repair parts to policyholders' damaged vehicles; as well as the impact on claims incurred forecasts. The new system should be better than the old system.

RESPONSE:

a) Please find at Figure 1 below an update of the actual project costs relating to the Parts Sourcing Project, as provided in *PUB (MPI) 1-86 Appendix 1*. Please find at *Figure 2* the annual operating costs to operate the parts sourcing system and the annual actual claims incurred savings as a result of the Parts Sourcing Project as of February 2019.

Figure 1 Parts Sourcing Project

Line No.	Parts Sourcing Project	Amount
1	Original Approved Budget	$500,000
2	Change Requests	
3	CR-PS-01	$132,110
4	CR-PS-03	$222,584
5	Current Budget	$854,694
6	Life to Date Actuals (as of Feb 2019)	$613,887
7	Variance to Current Budget	$240,807
8	Variance to Original Budget	($113,887)

Figure 2 Annual Operating Costs & Projected Savings

Line No.	Parts Sourcing Project	17/18	18/19	19/20	20/21	21/22
	Costs – DS	0	0	0	0	0
1	**Benefit – DS**	$600,000	$520,000	$900,000	$1,000,000	$1,000,000
2	NET - DS	$600,000	$520,000	$900,000	$1,000,000	$1,000,000
3	**Costs – CPP, licensing fee**	0	0	$49,314	$20,000	$20,000
4	Benefit - CPP	0	0	$73,000	$267,000	$650,000
5	NET - CPP	0	0	$23,686	$247,000	$630,000
6	**Cost – Total**	0	0	$49,314	$20,000	$20,000
7	Benefit - Total	$600,000	$520,000	$973,000	$1,267,000	$1,650,000
8	**NET – Total**	$600,000	$520,000	$923,686	$1,247,000	$1,630,000
9	DS = Diamond Standard, CPP = Car-Part Pro					
10	CPP savings are not being realized currently as solution is not yet implemented.					

b) MPI is phasing out the in-house Claims Response System to align with industry best practices and to remove MPI from direct involvement in part sourcing. As part of applying MPI's business rules, shops will need to transition to the new system. The ATA and MMDA have been engaged to discuss policy changes needed to facilitate the transition to a new part sourcing approach. Car-Part Pro is a widely used part sourcing platform.

c) MPI's Accredited Repair department exercises quality control through its functions. The Accredited Repair department understands the business rules for recycled and aftermarket parts, ensuring compliance when re-inspecting vehicle repairs. All body shops and MPI staff have access to the parts business rules and related estimating standards and are required to adhere to them. The Estimatics department is an available resource for shops, staff and suppliers when clarity is required.

The automotive parts business encompasses a vast array of applications with different needs. Regarding testing, MPI endorses the Automotive Recyclers Association (ARA) grading standards for recycled parts and promotes the use of Certified Automotive Parts Association (CAPA) crash parts for aftermarket. For items such as headlamps where a federal standard exists Canadian Motor Vehicle Safety Standards (CMVSS), the part must be compliant.

d) ADAS components typically accept a range of film thicknesses to accommodate repainting. OEMs also outline areas where repairs cannot be performed. MPI follows repair procedures and if alternate parts cannot be used due to repair or technical reasons, it would act in accordance. MPI's business rules require alternate parts to be like kind and quality in form and function. If a part does not meet these requirements, then the shop must demonstrate that and MPI will approve an OEM replacement part instead.

e) The Alternate Parts Usage (APU) is 43.4% for the fiscal year to date (FYTD) 2019, and 42.4% for the same period in 2018. The same trend was apparent in recent years. Improved understanding and adherence to parts business rules, related estimating standards and workflow by body shops and MPI staff have all contributed to this consistency.

Figure 3 Parts Usage Trends from FYTD 2018 to 2019

Line No.		Historical Trend in Year-over-Year Costs & Percentage Usage
1	After Market Parts	0.3% increase
2	Recycled Parts	0.4% increase
3	New Parts	-1.0% decrease
4	Note: remanufactured usage accounts for balance	

CAC (MPI) 2-14

Part and Chapter:	CAC (MPI) 1-44	Page No.:	
PUB Approved Issue No:	4. Financial Forecasts		
Topic:	Total losses / vehicle write-offs		
Sub Topic:			

Preamble to IR:

Question:

a) For greater clarity please describe the various categories of vehicle write-offs (ie. salvageable, irreparable, hail, Pre-1995, etc.).

b) Please elaborate on the historical trends in year-over-year values (claims incurred) and numbers of vehicle write-offs by the various categories.

c) Please describe the criteria and process the adjudicators undertake in establishing whether a vehicle ought to be written off.

Rationale for Question:

To gain a fuller understanding of the significant increases in total loss frequency and claims costs.

RESPONSE:

a) Total Loss vehicles (write-offs) can be classified by salvage status type. The following is a description of these classifications:

Salvage Status	Definition
Irreparable	Irreparable status is defined by the *Canadian Council of Motor Transport Administrators* (CCMTA) *Stolen and Wrecked Vehicles Monitoring Program (Version 3, Nov 2009)* as follows: "Any vehicle that is incapable of operation or use on the highway and has sustained severe damage to the extent that rebuilding is prohibited. Irreparable vehicles must not be put back on the road, and must be towed or hauled from one location to another as required. Components from an irreparable vehicle may be used as donor parts for repairing or rebuilding other vehicles, except if the part is from an irreparable flood-damaged vehicle and it is determined that the donor part was affected by the flooding occurrence. Irreparable status is also applied to stolen vehicles that have been surgically dismantled. * all 1995 and older model years are designated irreparable and sold for parts only with the exception of those deemed as classic/collector vehicles.
Normal	Vehicle has not been deemed as a total loss, but is sold at salvage auction due to other reasons. Also includes trailers, snowmobiles and off road vehicle total losses which do not fall under the Stolen Wrecked Vehicle Monitoring Program (SWVMP).

Salvage Status	Definition
Salvage with Exception (write-off Hail)	When a total loss vehicle has sustained cosmetic hail damage, and does not have any other structural damage caused by collision, upset, or structural corrosion. These vehicles will not require a Certificate of Inspection (COI) or Body Integrity Inspection Certificate (BIIC) if retained by the customer; however, they will require a COI if sold as salvage.
Salvage with Exception (write-off Other)	When a total loss vehicle has sustained cosmetic damage, and does not have any structural damage caused by collision, upset, or structural corrosion. These vehicles will not require a COI or BIIC if retained by the customer; however, they will require a COI if sold as salvage.
Salvage with Exception (write-off Stolen)	When a total loss stolen vehicle has sustained cosmetic damage, and does not have any structural damage caused by collision, upset, or structural corrosion. These vehicles will not require a COI or BIIC if retained by the customer; however, they will require a COI if sold as salvage.
Salvageable	When a total loss vehicle was damaged by collision or upset, and does not have any structural corrosion, but is still capable of being rebuilt and sold at a salvage auction.
Rebuilt	Vehicles that were a prior total loss and sold as salvageable. These were repaired, passing all inspections and subsequently became another total loss.
Stolen (Not Recovered)	When a vehicle has been stolen and was never recovered

A further classification of total losses is by age of vehicle.

b) Figures 1, 2 and 3 below shows a breakdown of total losses year over year by both classifications:

Figure 1 Claim Count and Incurred Amount Categorized by Status at the Time of the Salvage Sale

Line No.	Year Status at Salvage Sale	2014 Claim Count	Incurred Amount	2015 Claim Count	Incurred Amount	2016 Claim Count	Incurred Amount	2017 Claim Count	Incurred Amount	2018 Claim Count	Incurred Amount
1	Salvageable	13,873	$99,292,606	15,357	$116,877,774	16,481	$130,160,523	17,907	$141,716,670	17,337	$146,356,219
2	Irreparable	9,453	$43,406,536	10,261	$50,326,110	10,466	$49,671,764	7,797	$43,063,189	6,580	$38,145,283
3	Normal	1,313	$7,049,041	1,803	$9,383,152	1,810	$11,694,274	1,594	$10,427,690	2,252	$15,186,334
4	Writeoff (Hail)	319	$1,226,351	1,542	$6,622,574	1,163	$4,659,031	116	$382,826	1,432	$7,221,334
5	Writeoff (Other)	416	$1,940,479	580	$2,826,061	543	$2,717,191	418	$1,943,928	326	$1,673,810
6	Rebuilt	212	$806,281	464	$1,715,538	358	$1,395,051	139	$573,414	273	$1,107,819
7	Writeoff (Stolen)	102	$627,883	105	$716,597	120	$833,962	101	$628,584	112	$982,938
8	Stolen	2	$10,044	5	$57,376	7	$26,314	3	$29,205	2	$19,935
9	Unfit					1	$464	1	$221	1	$500
10	Grand Total	25,690	$154,359,221	30,117	$188,525,183	30,949	$201,158,574	28,076	$198,765,729	28,315	$210,694,171

Figure 2 Claim Count and Incurred Amount Categorized by Age of Vehicle

Line No.	Year Vehicle Age	2014 Claim Count	Incurred Amount	2015 Claim Count	Incurred Amount	2016 Claim Count	Incurred Amount	2017 Claim Count	Incurred Amount	2018 Claim Count	Incurred Amount
1	Current	385	$8,868,685	412	$9,105,304	412	$9,163,097	543	$12,694,570	408	$9,262,007
2	1-3 Years Old	1,538	$25,281,754	2,118	$35,295,823	2,147	$37,878,292	2,046	$37,726,314	2,097	$39,860,266
3	4-6 Years Old	2,901	$29,843,225	2,870	$31,361,054	3,020	$35,025,234	2,949	$36,293,700	3,206	$40,067,190
4	7-9 Years Old	5,465	$37,434,234	6,237	$44,811,098	5,967	$43,705,688	5,099	$39,845,825	4,399	$37,302,973
5	10+ Years Old	15,062	$51,089,420	17,997	$65,504,120	18,935	$72,729,316	16,967	$69,395,595	17,772	$81,761,703
6	NA	339	$1,841,903	483	$2,447,783	468	$2,656,947	472	$2,809,725	433	$2,440,032

Figure 3 Ultimate Claim Count and Incurred Amount Categorized by Claim Peril

Line No.	Accident Insurance Year Claim Peril	2014 Claim Count	Incurred Amount	2015 Claim Count	Incurred Amount	2016 Claim Count	Incurred Amount	2017 Claim Count	Incurred Amount	2018 Claim Count	Incurred Amount
1	Collision	21,555	$119,794,277	23,378	$140,615,024	24,731	$151,528,906	25,090	$161,991,259	23,576	$158,177,777
2	Hail	1,055	$3,527,250	5,114	$18,733,976	3,928	$14,163,767	434	$1,459,780	4,702	$19,259,325
3	Rodents	886	$3,786,623	969	$4,474,969	1,088	$5,000,150	164	$825,094	133	$614,966
4	Theft	1,449	$7,619,083	1,558	$9,233,977	1,657	$10,763,371	1,566	$10,286,105	1,712	$12,067,644
5	Vandalism	763	$2,331,306	942	$3,165,789	1,089	$3,816,180	999	$3,444,303	865	$3,054,177
6	Other	1,529	$9,939,230	1,727	$11,088,371	1,481	$10,757,676	1,205	$9,818,511	1,382	$11,170,082

c) To determine if a vehicle is a total loss, the adjuster determines the Actual Cash Value (ACV) of the vehicle just prior to the loss based on its condition, recent repairs and old damage. The determined salvage value is subtracted from the ACV and, if the repair cost exceeds this amount, the vehicle is deemed a total loss.

For example:

Line No.		
1	ACV	$6,528.00
2	ACV with Tax	$7,311.36
3	Salvage Value	($1,462.00)
4	Total Value	$5,849.36
5	Cost of Repairs	$9,600.00

In this example, because the cost of repairs exceeds the ACV of the vehicle less its value as salvage, the vehicle would be deemed a total loss.

CAC (MPI) 2-15

Part and Chapter:	Part VI – Rate Stabilization Reserve	Page No.:	15
PUB Approved Issue No:	7. Capital Management plan and update of Dynamic Capital		
Topic:	Response to CAC (MPI) 1-16 b)		
Sub Topic:			

Preamble to IR:

CAC (MPI) 1-16 b) asked "What plausible threat would cause the statement value of the insurer's assets to be less than the statement value of its liabilities if the Corporation held surplus at the 100% MCT level? What probability level would such an adverse scenario be at?"

MPI's response was "In order to assess how a 100% MCT target relates to the analysis undertaken in the DCAT, it would be reasonable to exclude any capital transfers from other lines of business and management action arising from an adverse scenario. Under these assumptions, approximately a 4-year 1-in-127 year Combined Scenario would result in a depletion of Basic's Total Equity from a 100% MCT level."

Question:

a) Please respond to the question with capital transfers from other lines of business and management action included in the calculation.

b) Does the Corporation support holding capital at the level that would only be depleted in the case of a 4-year 1-in-127 year Combined Scenario? If so, please explain why that level of capital held in a Crown Corporation would be necessary or helpful to the Manitoba public.

Rationale for Question:

To link the level of capital that MPI is requesting be held to a DCAT scenario.

RESPONSE:

a) Please see rationale for refusal below.

b) All insurers hold capital. The capital target for MPI is lower than all private insurers in Canada and consistent with those of the other public insurers in Canada. The Basic capital target is required for prudent fiscal management of the Basic line of business, which benefits all rate payers. The capital target for Basic, with the Capital Management plan, provides rate stability for all rate payers. MPI uses all capital held in Basic and Extension for the benefit of rate payers. It is not transferred to the Government or other stakeholders.

   While the Dynamic Capital Adequacy Test (DCAT) may be used to test the adequacy of MPI's projected financial results against a number of adverse scenarios, it is, relative to the Minimum Capital Test (MCT), limited in its ability to fully capture the extent of all adverse scenarios impacting property and casualty insurers in Canada. An MCT ratio of 100%, as recognized in the Reserves Regulation, is accepted by the insurance industry as the minimum capital requirement and is a more consistent and comparable measure for MPI.

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:

a) MPI respectfully submits that information requested has no probative value to this GRA.

   i. In response to *CAC(MPI) 1-16(b)*, MPI stated that:

      "it would be reasonable to exclude any capital transfers from other lines of business and management action arising from adverse scenarios".

This was an understatement. MPI should have indicated that it would be correct to exclude capital transfers and management action.

Capital is required to withstand adverse events *before* the application of management action. The purpose of the Rate Stabilization Reserve is to limit rate volatility caused by adverse events. Modelling adverse events after management action, (i.e. rate increases in response to adverse events), and after transfers of hundreds of millions of dollars from other lines of business to offset adverse scenarios is not a reasonable way to assess how the 100% MCT target relates to the analysis undertaken in the DCAT. Producing a flawed analysis will not assist the PUB in determining just and reasonable rates.

CAC (MPI) 2-16

Part and Chapter:	Part VIII – External Actuary Review, Attachment B Oct 31/18 Actuarial Valuation	Page No.:	46-47
PUB Approved Issue No:	10. Claim Forecast		
Topic:	Response to CAC (MPI) 1-34 a)		
Sub Topic:			

Preamble to IR:

CAC (MPI) 1-34 a) MPI responded in part that "the report (on the valuation) did not document the rationale for making the change" for a 5.0% to 7.5% MFAD for Collision and Comprehensive.

Question:

a) Please provide the rationale with references to Actuarial publications on the 7.5% MFAD used for physical damage coverage.

b) Does the Corporation agree that the 7.5% is excessive given the large stable book that is MPI's physical damage book?

Rationale for Question:

To understand why a 7.5% MFAD was chosen on a large stable book.

RESPONSE:

a) One consideration in determining a Margin for Adverse Deviations (MFAD) is the stability of the historical Loss Development Factors (LDF). For Collision, a review of the 12-20 historical LDFs indicates a moderate degree of variability. Per *Part VIII External Actuary Review Attachment A, page 146*, the five most recent 12-20 observed LDFs range from a low of 1.0161 to a high of 1.0531, with a selected LDF of 1.0300. If the actual LDF for 2018 was 1.0500, which is still lower than the highest LDF observed in recent years, it would result in an additional $7.9 million in estimated ultimate losses for the year, which is marginally higher than the claims development Provision for Adverse Deviations (PFAD) of $7.7 million (*Part VIII External Actuary Review Attachment A, page 81)*.

Another consideration is the relative adequacy of case reserves. For Comprehensive, per *Part VIII, EAR Attachment A, page 65*, the indicated Incurred but not Reported (IBNR) for 2018, using the paid development method, is $2.3 million higher than the indicated IBNR for 2018 using the incurred development method. One possible explanation for this is that case reserves may be inadequate for 2018. The claims development PFAD of $1.8 million (*Part VIII External Actuary Review Attachment A, page 81)* provides a margin for this.

b) As stated in *CAC (MPI) 1-34(a)*:

> *"MPI is of the view that a 7.5% MFAD for Collision and Comprehensive remains a reasonable and acceptable standard."*

Accordingly, MPI does not agree that a 7.5% MFAD for Collision and Comprehensive is excessive.

CAC (MPI) 2-17

Part and Chapter:	Part VIII – Attachment B	Page No.:	24
PUB Approved Issue No:	2. Rate Indication based on accepted actuarial practice in Canada and 4. Financial forecast		
Topic:	Response to CAC (MPI) 1-36		
Sub Topic:			

Preamble to IR:

In CAC (MPI) 1-36, MPI responded in that "The 50% number used assumes that of the open claims that are 10 years old (or older) that were re-opened for various reasons, have a 50% chance of becoming lifetime claims. As of February 28, 2019, only 1% of open claims (or 8 claims) between 1994 and 2009 did not have tabular reserves."

Question:

Given this response, does the Corporation see the 50% assumption as reasonable? If so please give the reasoning.

Rationale for Question:

To clarify MPI's response to the original question.

RESPONSE:

MPI sees the 50% assumption as reasonable given the nature of the claims to which it applies. These 9 claims are older claims, with claimants between the ages of 34 and 67 (as at February 28, 2019), with an average age of 49 (i.e. a relatively older group). For them, the potential for recovery and a return to work is reduced.

CAC (MPI) 2-18

Part and Chapter:	Part V(ii) – Rate Setting Framework	Page No.:	6
PUB Approved Issue No:	2. Rate Indication based on accepted actuarial practice in Canada		
Topic:	Response to CAC (MPI) 1-40		
Sub Topic:			

Preamble to IR:

In CAC (MPI) 1-40, MPI responded that "The term 'reserves' when used in the actuarial context, refers to the case reserves only. The term 'unpaid' is used to refer to case reserves plus Incurred But Not Reported (IBNR)."

Question:

Please give the actuarial source for this definition of reserves.

Rationale for Question:

To determine the source of MPI's definition of reserves.

RESPONSE:

By this response, MPI modifies its response to *CAC (MPI) 1-40*. While the term 'reserves', when used in the actuarial context, can refer to case reserves plus Incurred But Not Reported (IBNR), it is more common to use the term 'unpaid claim estimates'.

From the Actuarial Standard of Practice (ASOP) No. 43 the term 'reserves' is defined as follows:

> "*The terms "reserves" and "reserving" are sometimes used to refer to "unpaid claim estimates" and "unpaid claim estimate analysis". In this standard, the term "reserve" is limited to its strict definition as an amount booked in a financial statement.*"

Further, the ASOP defines the term 'unpaid claim estimate' as:

> "*The actuary's estimate of the obligation for future payment resulting from claims due to past events*" i.e. case reserves plus IBNR.

Further, J.G. Friedland, in *Estimating Unpaid Claims Using Basic Techniques*, Casualty Actuarial Society, Third Version, highlights the difficulties in defining the term 'reserves':

> "*The term reserves itself is tricky. The financial statements of insurers in the US and Canada contain many different types of reserves including: case reserves, loss reserves, bulk and IBNR reserves, case LAE reserves, unearned premium reserves, reserves for bad debts, reserves for rate credits and retrospective adjustments, general and contingency reserves, and earthquake reserves.*"

It is therefore clear that the term 'reserves' carries multiple definitions and that consideration must be given to the context of the discussion in which the term is being used in order to ascribe the most appropriate meaning to the term.

CAC (MPI) 2-19

Part and Chapter:	Part V(ii) – Ratemaking	Page No.:	6
PUB Approved Issue No:	2. Rate Indication based on accepted actuarial practice in Canada		
Topic:	Response to CAC (MPI) 1-42		
Sub Topic:			

Preamble to IR:

In CAC (MPI) 1-42, MPI responded that "MPI has not explored the use of Generalized Linear Modelling for the purpose of setting rates."

Question:

Would the Corporation be in agreement that this is an area worth exploring and commit to doing so with timelines associated with activities? If not, please explain why not.

Rationale for Question:

To encourage MPI to explore the use of GLMs in rating given their large volume of data and the increase in loss propensity information that GLMs can offer.

RESPONSE:

While MPI agrees that it is worth considering the use of Generalized Linear Models (GLMs) for the purpose of rate setting, as per its response to *CAC (MPI) 1-42*. Due to the significant resource commitment required, MPI has not explored this option and is unable to commit to doing so at this time.

CAC (MPI) 2-20

Part and Chapter:	CAC (MPI) 1-65 a)	Page No.:	3-5
PUB Approved Issue No:	20. Road Safety		
Topic:	Mobility devices		
Sub Topic:			

Preamble to IR:

In response to CAC (MPI) 1-65 a), MPI responded that:

> *MPI conducted a review of road safety issues surrounding mobility devices five years ago, resulting in updates to the education/awareness content on its website emphasizing motorized mobility aid safety (safe operation and safety tips). Medically at-risk pedestrians (the primary users of mobility devices) have also been identified as a future attention issue for the Provincial Road Safety Committee (the "Committee") going forward, with discussions to take place in the future.*

Question:

Please provide any report or analysis prepared as a result of MPI's "review of road safety issues surrounding mobility devices five years ago," including the methodology of the review.

Rationale for Question:

To better understanding MPI's research and road safety strategy relating to medically at risk drivers and mobility devices.

RESPONSE:

Please see *Appendix 1*.

Manitoba Public Insurance

OLDER PEDESTRIANS and MOBILITY AID USERS

Proposed Short Term Strategy

Healthy Living Minister Jim Rondeau participates in warm-up exercises beside Anne Skuba before the first Age-Friendly Walk in Winnipeg. The walk began behind the Legislative Building Friday, June 3, 2011. (CHRIS PROCAYLO/Winnipeg Sun)

- April 2013 -

This report has been prepared as advice, opinions, proposals, recommendations, analyses or policy options developed for internal managers at Manitoba Public Insurance.

Table of Contents

INTRODUCTION

The purpose of this paper is to provide background information, short term actions, and ideas for MPI's future role in education and awareness on the issue of older pedestrians and mobility aid users. This paper includes: current legislation and issues, insurance context, risk factors, current MPI website information (and gaps), education and awareness initiatives from MPI and others in Manitoba, insights from Canadian regulatory bodies and safety partners, recommended short term actions, and ideas.

According to the CCMTA's "Countermeasures to Improve Pedestrian Safety in Canada Report," October 2011, p.34, section on Elderly Pedestrians:

> The number and proportion of older people in Canada is increasing rapidly, and since many who currently drive will cease driving for various reasons in the coming years, they are likely to travel more by walking. Encouraging physically active transportation modes prior to driving cessation will help older adults to maintain safe pedestrian behaviours and stay healthy and active for longer.
>
> Walking in a traffic environment can be dangerous for older pedestrians for several reasons, including limited vision and hearing, slower reaction time and decision making, lower levels of attention, and reduced walking speed. Those over 70 are more likely to be involved in a serious pedestrian collision than are younger people. Older pedestrians account for about 17-20 percent of those killed in road traffic collisions. They are more likely to suffer severe or critical trauma as well as mortality if struck as pedestrians than are younger pedestrian victims. Greater injury severity to older pedestrians is due in part to their greater physical fragility, (e.g., more easily broken bones) and longer recovery times from injury.

In Manitoba, between 2007 and 2011, 1,857 pedestrians were injured by a vehicle, and 78 were killed[1]. Per year, the average number of pedestrians aged 65+ who are injured or killed is 47, split between the 65-74 (23) and 75+ age groups (24). [Unfortunately, victims on mobility aids are not consistently tracked.] Teens and young adults have the highest injury rates, but the fatality rate is highest among the elderly.[2]

Table 1: Injury and Fatality Rates for Pedestrians by Age *(per year, per 100,000 population per group)*

	Injury + Fatality	Fatality Only
Age 5-14:	23	0.6
Age 15-24:	42	1.1
Age 25-64:	28	1.4
Age 65-74:	27	1.6
Age 75+:	29	2.1

Parallel with Statistics Canada population projections, pedestrian injuries in Manitoba for the 65+ age group could increase by 38% by 2021, and could double by 2036.[3] Increasingly, seniors are opting to use motorized mobility aid devices outdoors – often in rural Manitoba towns where they are retiring to. Staff at MPI have noticed an increase in the number of calls and website inquiries on mobility scooters,

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[1] Manitoba Public Insurance claims statistics, as per News Release, February 2013.
[2] MPI claims statistics, Claims Collisions Statistics Report, June 2011, p.66-68.
[3] Statistics Canada, Table 12-8, Medium-growth projections last updated December 20, 2012.

and stakeholders report overall uncertainty regarding mobility aids. Legislation is currently a concern across Canada, as is the safety of riders and others interacting with mobility aid users. Whether they are walking or using mobility aids, there is a need to protect this growing segment of vulnerable road users.

OLDER PEDESTRIANS (ON-FOOT)

Current Legislation in Manitoba

Currently, pedestrians have right of way over vehicles at controlled intersections. They also have right of way at uncontrolled intersections, if they are already crossing. When there is no sidewalk, pedestrians are allowed to use the left shoulder of the road, facing traffic.

Current Insurance Advice from MPI Website

- Customers are advised that as a pedestrian, if they are injured by a vehicle they will be covered under PIPP.
- Since mobility aids are not considered vehicles and are not registered or insured by MPI, a pedestrian injured by someone on a mobility aid (whether on the sidewalk or on the road) would not be covered for injury by MPI.

Risk Factors

Older pedestrians travelling on foot are affected by several risk factors: weather (winter/fall) and poor sidewalk or road conditions, other road user behaviour, and the pedestrian's own behaviour.

Older pedestrians are subject to risk due to medical conditions (impairments) associated with aging, which affect: vision, hearing, reaction and decision time, general attention levels and walking speed.

Many injuries occur in areas that are familiar, where the pedestrians have a subjective feeling of safety and where their attention and caution are low. Seniors underestimate the speed and overestimate the distance of vehicles (especially on wide roadways); they abruptly cross after waiting a long time to cross, and demonstrate indecisive behaviour when entering a pedestrian crossing, and walk in traffic under stress of time or emotion. Although they know the rules of and regulations, some older pedestrians may interpret the rules generously as applied to them.[4] Importantly, walking difficulties and fear of falling contribute to inattention to traffic.

Older pedestrians may also not fully understand a number of traffic engineering changes that have taken place over the last few years. Among other things, this includes: Walk / Don't Walk pedestrian signals, the variety of crossing times, roundabouts and traffic Circles, bicycle and diamond lanes. These tendencies may explain why so many seniors are injured when they have the right of way, and why so many older (60 yrs+) vs. younger pedestrians are injured at intersections (70% vs. 48%).[5]

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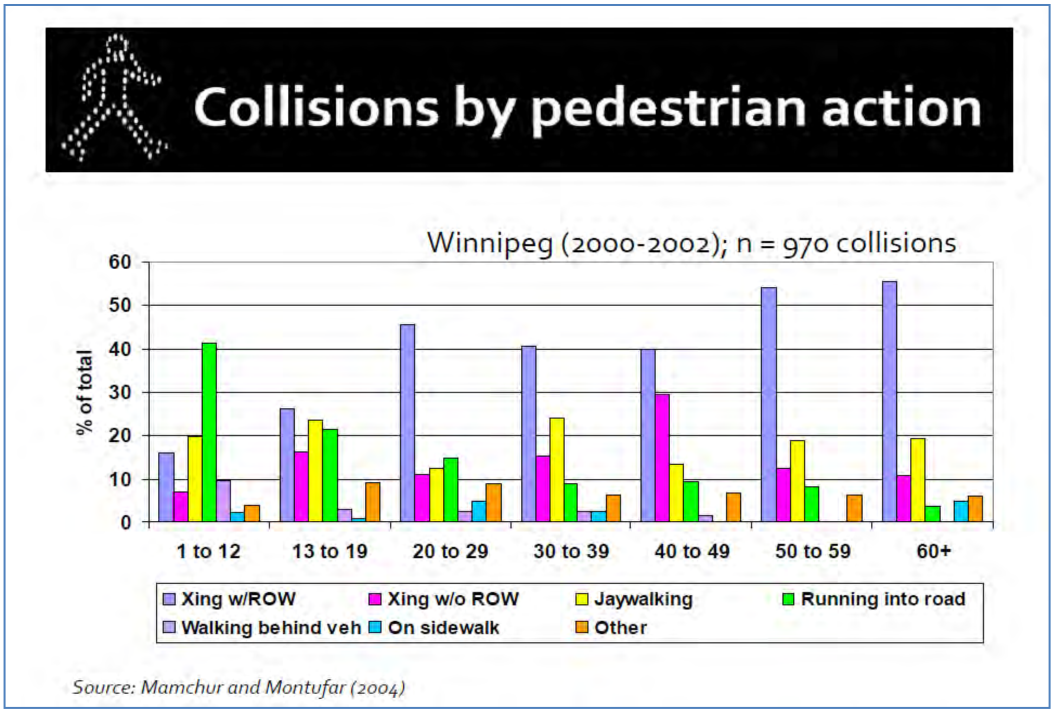
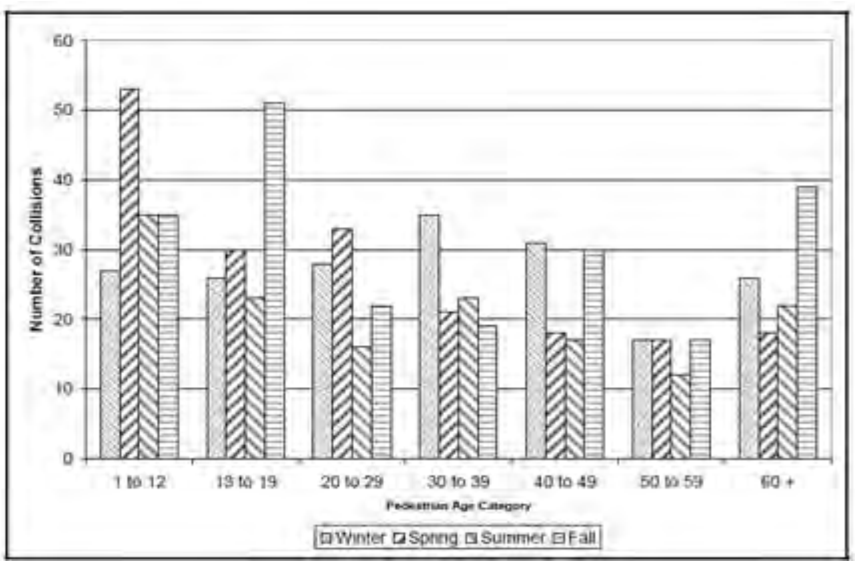
[4] Mathey, F. J. (1983). Attitudes and behavior of elderly pedestrians. International Journal of aging and human development, 17, 1, 25-28.

[5] Jeanette Montufar, Jocelyn Mamchur, and Luis Escobar; Improving the Safety of Older Pedestrians: From Understanding of the Problem to Generating Strategies, 2004.



Winnipeg Collisions (2000 – 2002) by Age Category by Season



Source: Montufar, Mamchur, Escobar (2004)

Finally, seniors are likely at increased risk simply because they spend more time being pedestrians.

Current Road Safety Education and Awareness Initiatives from MPI

News releases on pedestrian safety: Now and again, Manitoba Public Insurance forwards news releases (most recently in Feb. 2013), but not specifically for or about elderly pedestrians. Our focus has been primarily on the mature driver, pedestrians at large, and children pedestrians. Even when MPI sponsored a safety column in the now defunct seniors' MSOS Journal, topics did not include pedestrian safety.

The **60-Second Driver** series is scheduled to air a newly filmed tip ("Pedestrian Lights at Intersections") (Spring/Summer 2013), which discusses the Walk/Don't Walk signal for pedestrians of all ages. Another newer segment ("Joggers and Pedestrians") which discusses use of sidewalks recently aired in 2012.

Currently, there is no MPI Road Safety website page devoted to older pedestrians.

MPI draft presentation on pedestrian safety for seniors: Up until now, there were no known presentations for older pedestrians in Manitoba. To fill the gap, Road Safety recently prepared a draft presentation, including interactive Q&A, modelled in part after the NHTSA's "Watching Out for Us!".

Other Local Initiatives

City of Winnipeg: In addition to supplying longer crossing times at intersections in neighbourhoods with more seniors, the City[6] publishes a daily "SureFoot Winter Walking Conditions Bulletin", providing the public (particularly those with limited mobility) and local media with free daily updates on winter walking conditions within Winnipeg. It is available in multiple formats: online, Twitter, Facebook, and 311. The overall condition is accompanied by a description of the problems, and related safety tips, e.g.:

[6] Surefoot is an initiative of Safe Communities Winnipeg, developed by and with the support of The City of Winnipeg, University of Winnipeg, Winnipeg Regional Health Authority, Canadian Footwear, Manitoba Falls Prevention Network, University of Manitoba, Age-Friendly Manitoba, Arthritis Society Manitoba-Manitoba/Nunavut Division, Active Living Coalition for Older Adults, and Velocity Branding.

Community Therapy Services (CTS): As part of their case management, occupational therapists work with seniors with health conditions, which can include 'some' pedestrian safety.

No Other Local Initiatives: Following conversations with seniors organizations and RCMP, and an online scan, there does not appear to be anything further in terms of road safety tips or presentations for older pedestrians (those travelling on foot) in Manitoba.

Insights from Local Seniors Advocates and Partners

City of Winnipeg' Age-Friendly Recommendation #9 – 60-Second Driver: The Mayor's Age Friendly and Seniors Advisory Committee (MAFSAC), in its bid to move towards making Winnipeg an Age Friendly City (a World Health Organization initiative) recently forwarded a number of recommendations. The Executive Director of the Manitoba Association of Senior Centres (MASC) indicated to Road Safety that Recommendation #9 aims to address a key issue of confusion for elderly pedestrians ("walk" / "don't walk") through an MPI "60-Second Driver" tip.

City of Winnipeg's Age-Friendly Recommendation #7 – Countdown Signals: MAFSAC recommended installing more "countdown" pedestrian traffic signals. Public Works has now submitted a capital budget proposal for 2013 to support a yearly deployment of PCS's at intersections with specific criteria.

Manitoba Age-Friendly Week Walking Events: Over 80 Manitoba communities are now involved with this Age-Friendly Communities Initiative. Groups of seniors in Manitoba walk together to draw attention to the importance of physical activity and the need for age-friendly environments. This typically takes place in early June, although groups are encouraged through earlier posters and notices to get together and practice earlier. Variations include *intergenerational* walks (a sub-initiative of Age-Friendly Manitoba)[7], and Nordic pole walking.

MASC / RCMP Community Presentations to the Elderly – Lacks a Pedestrian Section: Five years ago, the Manitoba Association of Senior Centres (MASC) together with RCMP and Winnipeg Police produced and distributed a seniors' safety presentation series called the **"Police Academy"**, mainly for community centres serving older adults. This is a 13-module, power point presentation with facilitator notes, handouts and everything one would need to know in terms of how to organize the workshop series for older adults.). Included: aging driver and mobility scooter sections[8] (but no older pedestrian section). Ideally, subject experts present different sections over six weeks, and police deliver 2 or 3 sections (usually crime related) along with the opening or closing. Some sections are skipped or adapted (e.g.

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[7] This program supports meaningful and respectful interactions between generations by increasing youth awareness of the aging process and creating respectful intergenerational relationships. Government provides support to youth and senior-serving organizations to implement and integrate intergenerational programs.

[8] Other topics include: Identity theft, Frauds & Scams, Internet Safety, Safe Banking Practices Safely Home Program, Falls Prevention Substances and Gambling, Elder Abuse, Planning for your future, Emergency Preparedness, Fire Safety.

ATVs, not scooters, in the north). From 50 to 60 sessions have been delivered, but few in the north due to the expense. RCMP currently requires more funding (grants) to organize sessions. Sessions have not been very successful in "senior homes"; level of attention wanes very quickly among those under care.

Insights from Other Seniors Initiatives

SafetyAid: Begun in 2003, two-person SafetyAid teams (funded by Government of Manitoba) visit seniors' homes to conduct home-safety audits. In addition to a personal examination of the exterior and interior of the homes, income-qualified seniors are provided with free home-safety and falls-prevention devices, usually on the same day. Seniors who have been the victims of home invasion or break and enter receive priority. "Safety Aid is a successful crime prevention initiative that helps seniors to feel safer and more secure in their homes," said Swan. "It's an important component of Manitoba's Poverty Reduction Strategy and it demonstrates our commitment to supporting low-income seniors so they can remain in their homes and community with greater piece of mind."

Senior Zone U.S. Campaigns: Targeting a whole province or even a city to improve older pedestrians' habits may be inefficient. One research project in Phoenix and Chicago[9] (funded by NHTSA and the Federal Highway Administration) focused on identifying and targeting "zones" or areas where many crashes involving senior pedestrians have taken place. As part of the project, information packets with safety tips were hung on senior citizens' door handles in the targeted zones. Pedestrian safety presentations were also made at senior health fairs and senior citizen centres. Additionally, radio stations helped by broadcasting safety tips. Seniors in these zones were later surveyed about their knowledge of pedestrian safety and about where they received that information.

National Regulatory Body Guidelines:

Recommended countermeasures to address the pedestrian safety issue, as per "CCMTA's Countermeasures to Improve Pedestrian Safety in Canada Report" (2011) include the following:

- Special messages for all pedestrians (including elderly pedestrians):
    - ➢ Educate pedestrians about the dangers of being distracted around traffic.
    - ➢ Mount widespread educational campaigns that discourage the wearing of dark clothing at night and during the winter months, and promote wearing retro-reflective materials.
    - ➢ Because studies show that *impaired* pedestrian collisions are often concentrated in circumscribed urban areas, it may be possible to apply localized crash engineering, education or public health countermeasures.
- For drivers:
    - ➢ Expand driver focused awareness campaigns on pedestrian safety. Example provided: Victoria, BC created a multimedia campaign encouraging left-turning drivers to yield to pedestrians, producing a long-term effect of increasing drivers' yielding behaviours.

[9] Richard Blomberg, Dunlap & Associates, "Spotlight on Safety", www.walkinfo.org.

- Particular messages to emphasize with pedestrians “on wheels” (special needs):
  - Educate users of these assistive modes of transportation of the need to wear proper safety equipment and to be aware of the dangers of interacting with traffic.
- Particular messages to emphasize with elderly pedestrians:
  - Encourage seniors to improve and maintain their level of physical fitness through education and awareness and through programs and facilities.
  - Alert hearing impaired individuals to the dangers associated with the inability to hear traffic properly, and the need to rely on visual cues to judge the speed and distance of approaching vehicles.
- Research, enforcement, and legislative initiatives:
  - Collect accurate data on pedestrian/vehicle collisions. Collect and analyze data regarding all types of pedestrian collisions (i.e. minor, moderate, major, and fatal injuries) and neighbourhood characteristics (i.e. older adults, school zone, commercial district etc.).
  - Establish relationships and knowledge about the community.
  - Provide officers with pedestrian-specific professional development opportunities and resource guides.
  - Combine targeted enforcement with education, engineering, and evaluation.
  - Governments should consider pursuing legislation that will enable greater gains in the area of pedestrian safety by expressly prohibiting other forms of distracted driving (hand held cell phone use).
  - Restrict the use of assistive devices on roadways, giving consideration to type of road and volume of traffic.
  - Consider requiring licensing and protective equipment for those using Segways.

- Traffic engineering and motor vehicle standards initiatives aimed at elderly pedestrian safety:
  - Increase the time allowed for crossing the street at signalized intersections where there is a concentration of senior pedestrians.
  - Reduce traffic density and speed limits in areas where there is a concentration of senior pedestrians.
  - Provide adequate street lighting that takes into account the fact that seniors see less well at night.
  - Equip electric (or silent) motor vehicles with noise-making equipment, so that pedestrians with visual impairments will be able to hear the vehicles approaching or idling nearby.

Insights from Other Governing Bodies and Research Papers

Improving the Safety of Older Pedestrians: From Understanding of the Problem to Generating Strategies (Montufar, Mamchur, Escobar): Focuses on differences between older and younger pedestrian injuries, injury sites and implications for road engineering.

Findings have some application for timing and content of safety tips: Older pedestrian injuries tend to spike in fall (38%), and are lowest in spring and summer. Like others, seniors are primarily injured along major corridors, but a much higher proportion of their injuries are at intersections (70% vs. 48%), and with right of way (43% vs. 29%) compared to younger pedestrians. Inattentiveness by both pedestrians and motorists make "high exposure" situations (e.g. left turns at long crosswalks, and high pedestrian volumes) even worse for injuries. Winter sidewalk conditions pose a particular challenge for older pedestrians, who fall more easily.

Pedestrian Death Review (Office of the Chief Coroner for Ontario):

Recommendations include:

1) MTO to create an educational body (government and NGOs members) to assist in the creation and delivery of focused education strategies and programs <u>for each of senior citizens, children, and drivers</u>.

2) Promote awareness of darkness as a time when pedestrian fatalities often occur, and advice to all pedestrians to wear bright or retro-reflective clothing when walking in evening or at night.

3) Stress the need for walk safely, particularly at arterial streets and high risk corridors.

4) Update the Driver's Handbook to include a chapter clarifying those traffic scenarios in which motorists are most likely to be involved in a collision with a pedestrian.

5) Municipalities to develop a "complete streets" approach, review collision histories and consider recommended pedestrian infrastructure initiatives benefiting all pedestrians but particularly senior citizens, such as installation of crossing islands on 4+ lane roads where pedestrian collisions occur.

6) Allow municipalities to set the unsigned default speed limit to 40 km/h on residential streets.

7) Strengthen penalties for improper crossing.

8) Police to create strong STEP campaigns addressing pedestrian and driver faults (including right turn failure to yield to pedestrians).

Focusing on the Senior Pedestrian (NHTSA):

1) Include tips on visibility, eye contact, being alert for backing vehicles and parked cars about to move.

2) Law enforcement to enforce speed limits in pedestrian zones and to ensure that right turning drivers yield to pedestrians.

3) Community improvements to include addition of sidewalks and walkways, lengthened traffic walk signals where older people live and walk, raised medians and curb cuts for wide streets, removal of ice and snow on sidewalks in winter.

Watching Out for Us! (**Presentation and facilitator guide developed for NHTSA by the University of North Carolina Highway Safety Research Center):** A 25-30-minute presentation. Content emphasizes: walking is healthy (and promotes a connection with the community), defensive walking, and the concept that older pedestrians should feel empowered to “notice things others can fix” (drivers speeding or failing to yield on a turn, poor condition of sidewalks, need for sidewalks, and intersections that are timed too short for crossing). Although many concepts are covered, the lessons learned are categorized into four memorable sections: intersections, backing vehicles, drivers not seeing you, and too much trust in the system.

MOBILITY AID USERS

Users of mobility scooters tend to be: mostly seniors with reduced mobility, those who can no longer drive and see scooters as a new mode of transport, and some with limited walking stamina (cardio, lung issues, and obesity). Individuals with significant disability tend to use wheelchairs. Powered wheelchairs are versatile (indoor-outdoor) but very expensive and so appeal to only some with "reduced mobility".

Current Legislation in Manitoba

- "Motorized mobility aid" *[virtually all scooters, wheelchairs]* means a device which is specifically manufactured or modified for operation by a physically handicapped person and which has

  (a) a maximum speed capability of **not more than 15 kilometres per hour**,
  (b) a maximum width of not more than 81.2 centimetres, and
  (c) a maximum mass of not more than 226 kilograms,
  and includes a motorized wheel chair."

  > ➢ Riders are classified as pedestrians and must use a sidewalk. If none is available (rural areas, newer developments), or not usable (e.g. snow), riders use the left shoulder of road facing traffic.[10] Issue: Some MMAs are not roadworthy, but no HTA rules apply.

- "Mobility vehicle": A device or vehicle which is specifically manufactured or modified for operation by a physically handicapped person and which has a maximum speed capability of **more than 15 km/h** but not more than 50 km/h." "No person shall operate a moped or a mobility vehicle on a Provincial Trunk Highway on which the maximum speed limit is more than 80 km/h." "Every motorcycle, mobility vehicle and moped shall be equipped with (numerous HTA rules)."

  > ➢ The mobility vehicle, as defined above, exists in theory only in Manitoba. MPI currently has no such vehicles registered under that definition (Vehicle Registration). MPI did register one at one time, but it turned out that it was with actually an off-road vehicle fitted out as a mobility device. One retailer who has been in the business for 20 is unaware of any sold on the market that would fit this definition.

Current Insurance Advice on MPI Website

- "The Personal Injury Protection Plan (PIPP) doesn't cover injuries caused by or through:[11]

  A vehicle that doesn't have to be registered under *The Drivers and Vehicles Act,* such as motorized mobility vehicles (electric wheelchairs), self-propelled farm implements (combines), bulldozers or snow vehicles, unless the accident was with a moving automobile."

  > ➢ The above incorrectly refers to "motorized mobility vehicles." Instead, it should read "motorized mobility aids" (mobility scooters, electric wheelchairs).

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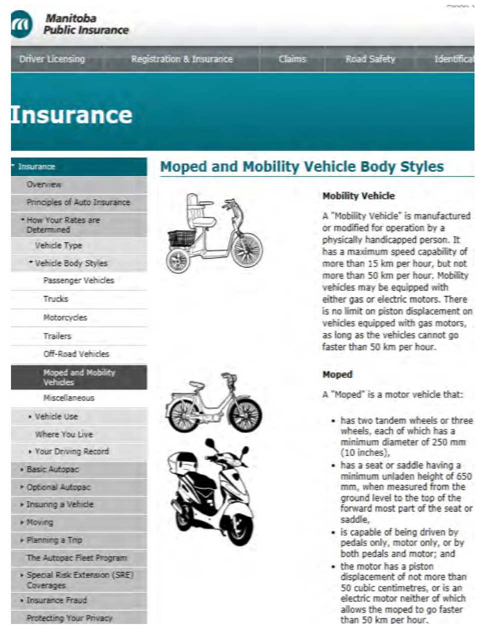
[10] Fine for not using a sidewalk (Sect 143(1)) or for obstructing traffic (Sect 140(2): $111.10.

[11] http://www.mpi.mb.ca/en/Reg-and-Ins/Insurance/Basic-Autopac/PIPP/Pages/pipp_whats_not_covered.aspx



- In the Principles of Insurance[12] section, beside the HTA definition of a “Mobility Vehicle” (MV) *(see right)*, our website page incorrectly shows a clipart next to it that illustrates a “Motorized Mobility Aid” (MMA).

  - The MV definition exists in theory only in Manitoba. Nothing matching this HTA definition is sold in this market; images of much larger / powerful models should be used.
  - The MMA (the scooter illustrated in the clipart, along with power chairs), on the other hand, operates at much lower speeds than indicated, requires no registration, no driver insurance, no driver’s license. Both require no training and no helmets. MMA riders are considered pedestrians under the HTA. There is no clarification on the differences (MMA v. MV), and no information on MMAs on our website.
  - Registering an MV with MPI requires that the device is equipped with a series of specified safety features to make it ‘road worthy’. MPI strongly recommends having the vehicle inspected. No requirements exist for an MMA (virtually all mobility scooters, wheelchairs).
  - While there may be some changes in the future on the HTA definitions, along with where these mobility devices may be allowed, that could take some time, and an interim change to the website is recommended. (See Recommendations)

Risk Factors

Riders of mobility aids are subject to the same risk factors as older pedestrians travelling on foot - and more. Riders lack the protection of sidewalks in rural areas and newer developments, and sidewalks can be snow covered as they are typically a secondary priority when it comes to snowplowing. Without proper training (a particular issue with the increasing number of second-hand sales), and in poor conditions, riders can easily tip over and get stuck in the roadway. On the roadway, riders may be focusing on uneven pavement or built up snow on the roadside, instead of on traffic around them. Crossing buttons can be hard to reach. Visibility can be obstructed by canopies, and riders can be stranded when batteries fail.

Some riders assume they are more visible than they actually are, but this isn’t the case, especially when partially obscured by larger vehicles such as trucks and buses. With their faster speed (vs. a pedestrian) they may surprise a driver at an intersection, but may not be quick enough to react. MMA riders may be a risk factor to older pedestrians who are travelling on foot on a sidewalk, or to cyclists on roads and paths. They may also be a risk to themselves when they are no longer able to operate their device due

[12] http://www.mpi.mb.ca/en/Reg-and-Ins/Insurance/Rates/Body/Pages/rf_bodystylesmopeds.aspx

to dementia or other medical issues. Many obtain an MMA after having lost the privilege of driving, but it can be a quick descent in terms of loss of cognitive abilities after that.

Current Road Safety Education and Awareness Initiatives from MPI

Scooterama Event: In the summer of 2012, MPI's Road Safety Department together with the Town of Beausejour co-sponsored a first ever "Scooterama" event in Beausejour (for $500). The event was organized by the Brokenhead Outreach for Seniors and held at a local community recreation facility parking lot. Local RCMP gave 10-minute presentation on the rules of the road (from the Police Academy series – see below). This was followed by a "scooter rodeo" obstacle agility course and display of scooters from local scooter retailer Medi-Wheel. Some information materials were distributed, but not relating to road safety tips. Although promoted to a wide detachment (Selkirk to Steinbach), the event was fairly not widely attended. This was not too surprising considering that mobility scooters are a challenge to transport any great distance, however lack of uniform advertising was part a reason.

MPI draft road safety presentation: Road Safety recently developed a presentation for mobility aid users. This was before becoming aware of the Police Academy presentation from MASC and police.

Other Local Initiatives

Some (but not all) retailers of scooters and wheelchairs provide some hands-on training and opportunity to practice using the mobility devices they sell, on site. They also recommend a series of accessories to enhance outdoor safety, although models do tend to come equipped with many basic safety features.

MASC / RCMP Community Presentations – Scooter Safety Segment: Five years ago, the Manitoba Association of Senior Centres (MASC) together with RCMP and WPS produced and distributed a seniors' safety presentation series called the "Police Academy", mainly for community centres serving older adults. This is a 13-module, power point presentation with facilitator notes and handouts and steps on how to organize the workshop series for older adults. Included are: aging driver and mobility scooter sections[13]. Ideally, subject experts present different sections over six weeks, and police deliver 2 or 3 sections (usually crime related) along with the opening or closing. Some sections are skipped or adapted (e.g. ATVs, not scooters are presented in the north). From 50 to 60 sessions have been delivered, but few in the north due to expense. RCMP currently requires more funding (grants) to organize sessions.

The **Swan River & District Community Resource Council Inc.** (Services to Seniors – 204-734-5707), before 2003 with help from RCMP, created a good informal leaflet of safety tips for Scooter Drivers.

"**Easy Street"** (a mini-community unique to Misericordia Health Centre's rehabilitation program) partners with Winnipeg Transit to teach life skills to individuals who have suffered some type of injury, be it a physical accident, stroke, or other type of injury that now requires them to use a wheelchair. It

[13] Other topics include: Identity theft, Frauds & Scams, Internet Safety, Safe Banking Practices Safely Home Program, Falls Prevention Substances and Gambling, Elder Abuse, Planning for your future, Emergency Preparedness, Fire Safety.

helps patients practice the skills they need for independent living – like banking, shopping and getting on buses, and includes some pedestrian tips.[14] Presentations provided on an as needed basis. **Winnipeg Transit** provides an online guide with routes for and how to use their low floor accessible buses. They also provide some group presentations now and then on this topic.

Insights from Local Seniors Advocates and Partners

The **Manitoba Seniors and Healthy Aging Secretariat** will be holding a round table of stakeholders on the safety of motorized mobility aids and mobility vehicles and whether there is a need for change to legislation. A key participant in this round table, the Executive Director for the Manitoba Association of Seniors Centres (MASC) and board member for Transportation Options Network for Seniors (TONS) was very interested in MPI providing input at these discussions and made this recommendation to the Secretariat. Details are still TBD.

MASC / RCMP "Police Academy" Community Presentations – Scooter Safety Segment: MASC invite MPI to review their scooter section and provide comments.

Insights from Other Seniors Initiatives

Other: Prior to creating a draft Scooter Safety presentation, MPI Road Safety reviewed other tips for scooter riders, within resources created by the City of Abbotsford and UCFV in B.C., Swan River, and an award winning website and presentation from Holland.

National Regulatory Body Guidelines:

In the paper "CCMTA Discussion Paper and Recommendations Regarding Issues of Managing Motorized Personal Mobility Devices (MPMDs)," October 25, 2010, the CCMTA discusses current management issues for: mobility scooters, motorized wheelchairs (powerchairs) and Segways. These are used by elderly persons who are unable to drive and have a mobility-related disability, as well as younger people with mobility-related disabilities (e.g. Multiple Sclerosis, handicapped, etc), and an increasing number of obese individuals who have difficulty getting around. Other potential users of scooters and Segways include those wanting environmental alternatives to traditional passenger cars, and fleet users (police, mail carriers, etc.).

Recommendations include:

- Where not clear in certain jurisdictions, identify in provincial regulations what constitutes a personal mobility device.

[14] Easy Street Contact: 788-8158, easystreet@miseri.winnipeg.mb.ca.

- Develop three MPMD classifications reflecting their different uses:
    1. assistive MPMDs intended for people with mobility impairments, (consider imposing a demonstrable need for a mobility aid)
    2. professional MPMDs for fleet use
    3. a general classification for use by the broader population, and recognition of overlap for some models.
- Consider further legal definitions for each that address a noticed trend in MPMD modifications, and a trend for new models that can pose a danger to other sidewalk users. Consider these criteria: width, weight, speed, number of wheels, power output of motor, and conforming to other safety standards, as suggested under CSA Standard Z604. Consider requiring additional safety equipment (e.g. helmets) on particular types of MPMDs (e.g. Segways).
- Determine recommended dimensions that consider:
    - transportability of MPMDs (and solutions for when they do not meet the criteria),
    - design of sidewalk furniture and bus shelters for clearance and pass-through,
    - enabling two MPMDs to pass one another on the sidewalk
- Address unavailability of registration and insurance, in view of potential theft and liability. E.g.: Consider a division of the category that requires registration and/or insurance on larger or more powerful models (e.g. maximum speeds over 6 or 10 km/h). Or only requiring insurance on fleet MPMDs (typically larger). Or recommending insurance for all, but not making it mandatory.
- Address need for operator fitness and training.
- Determine appropriate operating environments for each classification (e.g. road, sidewalk, supermarkets and shops), in particular, given that their lower speeds vs. other roadside vehicles may hinder traffic flow, and travel on some roads (where no sidewalk) can be dangerous.
- Address basic and critical safety issues:
    - failure to choose the footpath instead of the road
    - using roads that are unsafe and/or illegal
    - approaching hard of hearing older pedestrians
    - limiting speed on the sidewalk (e.g. 12 km/h), and slower when approaching pedestrians, in particular older pedestrians who have limited mobility and may become anxious about collisions
    - educating MPMD users on difficulty seeing them when they crossing on the road, especially in front of large vehicles (buses, trucks)
    - forgetting to charge the battery, and becoming stranded away from home, especially remote locations and on bicycle paths that cannot be accessed by equipment needed to transport large devices.

Insights from Other Governing Bodies and Research Papers

The **Transportation Development Centre**[15], among other things, advises that:

- Standards are being adopted by CSA, but more need to be created. Definition of an MMA should be based on performance specifications, rather than "detailed prescriptive specifications" to keep the door open and flexible to new device technologies.
- The regulation of imported devices needs to be addressed and regulated by a federal agency to unify regulations across the country; all municipalities should agree on definitions.
- Because mobility aids are not "vehicles", it is highly unlikely that Transport Canada will devise regulations for these devices. Therefore, the provinces need to apply any recommendations concerning device speed and areas where they may be used.

The **Government of Quebec** also conducted research[16]. The key conclusions and recommendations are:

- There is a need for a legislative framework in Quebec to regulate the use of motorized mobility aids (MMA) on the roadway. The definition should exclude motorized personal transportation devices, and apply only to devices "designed for and used by" a person with disabilities.
- Sidewalks should be reserved for those that cannot walk; otherwise mobility aid riders should travel on the road, in the same direction as other traffic, except on one-way roads where they should travel on the right side – and signs should indicate this. [More recently -- so advises a contact at SAAQ, policy analysts are no longer talking about a distinction according to walking ability; both the right side of road and sidewalks/paths are being proposed for all MMA users. An important development will be announced in the near future.]
- MMAs should have "dual status"; they should behave as a cyclist, with the exception of intersections where they should behave as a pedestrian.
- MMAs should be prohibited on roads with posted speeds over 50km/h, and allowed and encouraged to travel on bicycle lanes.
- All MAs (motorized and non-motorized) should be required to use an orange flag at a height or at least 1.5m, reflectors, a front headlight, and back light for night driving.
- INSPQ proposes to study and validate the effectiveness and applicability of certain control mechanisms (e.g. training, capacity to ride an MMA, certification of disability, licensing, etc.)
- There should be no restriction according to age or time of day.

[15] Transportation Development Centre, Analysis and Assessment of the Environment for Three- and Four-Wheel Mobility Scooters and Identification of Future Needs, 2010.
[16] Institut National de Santé Publique du Québec, Avis de santé publique sur la circulation des aides à la mobilité motorisées sur le réseau routier, May 2011.

Recommended Actions for Manitoba Public Insurance

Create a MPI web page with tips on the MPI website:

- **Create a "Mobility Aid Users"** subfolder issue under Vulnerable Road Users that allows for special road safety tips for this mode of transport (mobility scooters, wheelchairs and power chairs). Provide key tips endorsed by most partners:

  1. Be active and safe: Getting outdoors is a great way to improve your physical fitness, health and general well-being, but be safe.
  2. Be sure that you are medically fit to operate a mobility aid, to avoid putting yourself and others in danger. Get a checkup every 6 months.
  3. Know how to operate and maneuver your mobility device. Get any training if you can.
  4. Follow the same rules of the road and safety tips as pedestrians: (link to older pedestrian section). Travel on the sidewalk. If no sidewalk is available or sidewalks are not passable due to conditions or curb access, ride the left-hand edge of the roadway or of the shoulder, as the case may be. Return to the sidewalk as soon as possible.
  5. Be careful to ride the mobility aid on the right side of the sidewalk pavement, but not too far to the side to avoid tipping over. Take curbs head on.
  6. See and be seen: Include accessories that enhance your visibility (you and your mobility device). In particular, use an orange retro-reflective flag. You are not as visible as you think! Consider using a mirror to help see around you. When crossing a roadway, make eye contact with drivers before approaching another lane of traffic.
  7. Check weather forecasts and City of Winnipeg sidewalk conditions; avoid travelling on days with treacherous conditions.
  8. When travelling on a sidewalk, travel no faster than average speed of an on-foot pedestrian, and slower when approaching an older pedestrian.
  9. Be respectful to on-foot pedestrians – alert them with a horn, and ask for permission before passing.
  10. If you must travel on the roadway, avoid fast and busy roads. If you must travel often on the roadway due to sidewalk issues, consider wearing a bicycle helmet.

Produce an educational safety brochure for mobility aid users

- Produce a brochure, as other associations and partners may not have the funds to revise the brochure, should content regarding legislation change.
- Consult both the MPI presentation and Police Academy presentation for content.
- Consider including scooters, wheelchairs and power chairs.
- Distribute through retailers, social services partners and libraries.
- Produce an online version in order to capture the second-hand market.

Include messaging or giveaways for mobility aids in any sponsorships or news releases addressing older pedestrians

- Provide retro-reflective strips for mobility aids at existing partner events to do with seniors walking (Age Friendly walks in spring).
- Wear bright clothing. "If you are on a mobility aid, use visibility accessories including a retro-reflective flag, lights, and retro-reflective strips.

Leverage existing partner presentations and presenters

- **Partner with Manitoba Association of Seniors Centres (MASC) and RCMP, WPS:** They are already delivering the theoretical component of the Scooter Safety presentation that currently exists within the Police Academy safety series presentations. Review and suggest minor improvements, including the inclusion of "power chairs" in this presentation. Consider providing some funding to help with the expense of regional coordination.
- **"Scooterama" Partnerships:** Proactively offer sponsorship / funding for more "Scooterama" events during the summer, which are completely organized by other stakeholders: (1) an RCMP or Winnipeg Police officer presenting the scooter safety section within their Police Academy safety series, (2) a local mobility aid retailer setting up an agility training course for scooters and powerchairs, (3) coordination by towns and/or community resource centres, and (4) optional attendance by the MPI issue specialist.
- **Long Term – SSM:** Should training become mandatory, or in very high demand, explore the idea of Safety Services Manitoba (SSM) as a provider of a more full presentation with hands-on practice opportunity, leveraging SSM's existing contacts in communities, and complementing their work on the Mature Driver Workshop.

Participate in provincial and national discussions on the topic of potential changes in legislation and possibly insurance that address mobility aids

- The Manitoba Healthy Aging Secretariat is holding an upcoming "focus group" or round table with stakeholders, to examine current safety issues for mobility aid users. MASC has indicated that participation from MPI would be desirable. (Contacts are available.)
- Keep informed on national discussions surrounding this issue, particularly from Quebec as they prepare to actualize some options in the very near future.

Engage in Mobility Aid Messages and Initiatives Sooner Than Later

This will help seniors to transition from vehicles to other modes of transportation more safely (a CCMTA objective), as their population expands and they explore other modes of transport to retain their independence.

CAC (MPI) 2-21

Part and Chapter:	CAC (MPI) 1-65 b)	Page No.:	4
PUB Approved Issue No:	20. Road Safety		
Topic:			
Sub Topic:			

Preamble to IR:

In response to CAC (MPI) 1-65 b), MPI responded:

> *Though a list of potential action items or programs has been provided to Government, a review and discussion with participating stakeholder organizations, including any proposed budget requirements, is still to be finalized. Action items will focus on high priority road safety issues such as driver distraction, impaired driving, data sharing among stakeholders, and speed management strategies. Once details of the action items are finalized and approved, MPI will share that information.*

Question:

Please provide any available timelines with respect to a provincial plan which would include the action items and budget requirements referred to in MPI's response to CAC (MPI) 1-65 b).

Rationale for Question:

RESPONSE:

MPI has presented the list of proposed action items or programs to Government based on a priority ranking, with each item categorized as either a high or low priority. Working groups have developed potential timelines for completion, which varies significantly based on complexity and ease of implementation of each item.

MPI hopes to soon begin further planning and collaboration with stakeholders, as directed by the Provincial Road Safety Committee (PRSC), to develop more detailed work plans for action items confirmed as high priority in order to secure the necessary organizational approvals and resources for implementation, as well as to validate the timelines proposed by the working groups.

As for action items identified as low priority, MPI will develop their work plans once work on the high priority action items is underway or completed.

CAC (MPI) 2-22

Part and Chapter:	CAC (MPI) 1-66 Appendix 4	Page No.:	P 6 of 68
PUB Approved Issue No:	20. Road Safety		
Topic:	Bicycle Education and Skills Training in Schools Program		
Sub Topic:			

Preamble to IR:

Appendix 4 to CAC (MPI) 1-66 is the Outcome Evaluation Report for the BEST Program. On p6 of 68, the following is stated:

> *Overall, the results of the evaluation lend support largely for the short-term expected outcomes pertaining to cycling knowledge and skills.*

Question:

a) Does MPI plan to observe/survey students after one year has passed since the completion of the program?

b) Has MPI compared, or does MPI plan to compare, students who took the program with a "control" group of students who did not take the BEST training?

Rationale for Question:

To understand any long-term outcomes of the BEST program.

RESPONSE:

a) The evaluation of the completed pilot includes a review of the 2017 participants monitored months apart to determine retention of cycling knowledge and skills. MPI is currently assessing the need for ongoing Program evaluation.

b) As part of the initial evaluation, MPI compared the students who took the BEST program to a control group who did not. The results of this evaluation can be found in *CAC (MPI) 1-66 Appendix 4*.

<u>CAC (MPI) 2-23</u>

Part and Chapter:	CAC (MPI) 1-66	Page No.:	
PUB Approved Issue No:	20. Road Safety		
Topic:	Graduated Drivers License		
Sub Topic:			

Preamble to IR:

In response to CAC (MPI) 1-66, MPI has indicated that it will utilize several strategies to monitor student progress and course effectiveness through their Graduated Drivers License (GDL) journey; especially the Learners Stage.

Question:

Will MPI compare students progressing through the GDL program with a "control" group who did not take High School Driver Education?

Rationale for Question:

To better understand the evaluation of the High School Driver Education and the GDL program.

RESPONSE:

As part of its overall evaluation of the effectiveness of the High School Driver Education Program, MPI will compare the performance of students who enrolled in the Program to the performance of those who did not.

CAC (MPI) 2-24

Part and Chapter:	PUB (MPI) 1-1 Appendix 1	Page No.:	19 of 41
PUB Approved Issue No:	5. Annual Business Plan, 9. Cost of operations 17. IT Strategic Plan		
Topic:	LSM – ICBC Visit – Lessons Learned		
Sub Topic:			

Preamble to IR:

The answer to PUB (MPI) 1-1, Appendix 1 refers to "LSM – ICBC Visit – Lessons Learned":

> *Mr. Dessler presented Agenda Item C.4 "LSM – ICBC Visit – Lessons Learned". Following discussion, Members received the report as information.*

Question:

a) Please elaborate on the significance, objectives and outcome of the ICBC visit, and how that relates to MPI's decisioning regarding the LSM Program Strategy.

b) Please provide the report referred to in the preamble, if available.

Rationale for Question:

To better understanding the significance of the ICBC visit for MPI's decisions regarding the LSM.

RESPONSE:

a) Insurance Corporation of Britch Columbia (ICBC) hosted a one-day workshop with MPI during which they discussed their legacy transformation journey and shared their lessons learned. MPI's objective in attending the workshop was to gather information from a similar organization that had already implemented a transformation program. The topics covered in the workshop included:

- ICBC's Technology Vision and Claims Solution Overview
- Program Governance
- Delivery Methodology & Approach
- Change Management
- Risk of Over-Configuration/Customization
- Product Experience
- Adoption of Agile

The following MPI employees attended the workshop:

- Ben Graham – President & CEO
- Brad Bunko – Vice President ITBT & CIO
- Gary Dessler – Corporate System Architect

The following ICBC employees participated in the workshop:

- Chief Information and Technology Officer
- Manager Insurance Business Improvement
- Manager IT Strategic & Business Architecture
- Director Project Services
- Manager Claims Business Solutions (BRM)
- Manager IS Claims Management Solutions

b) The ICBC Lessons Learned report is confidential as it contains sensitive information related exclusively to the ICBC legacy program. The key messages shared with MPI were:

- do not underestimate the level of effort required from the business teams to support the transformation effort

- executives and senior sponsors must provide clear and consistent leadership
- be flexible and adaptable as the program is delivered
- expect chaos when going live
- increase staffing levels where possible (as SLAs will be impacted)
- consider the total cost of ownership when deviating from the out-of-the-box functionality
- establish a good working relationship with the vendor(as they will be a strategic partner)

CAC (MPI) 2-25

Part and Chapter:	CAC (MPI) 1-56	Page No.:	
PUB Approved Issue No:	5. Annual Business Plan, 9. Cost of operations 17. IT Strategic Plan		
Topic:	IT Strategy		
Sub Topic:			

Preamble to IR:

The answer to CAC (MPI) 1-56 discusses the skill set and roles of the Operational Business Champions assigned to the LSM project.

Question:

Notwithstanding the IR Response in the Preamble, how will these new roles participate in LSM Modernization, Agile transformation?

Rationale for Question:

To better understand the role of Operational Business Champions on LSM Modernization, Agile transformation.

RESPONSE:

The Operational Business Champions (OBC) will play a significant role in the implementation of the Legacy Systems Modernization (LSM) Program. Specifically, the OBCs will be responsible for:

- establishing a vision for their respective area of the business that aligns with MPI's strategic direction and ensuring that others understand their vision

- sponsorship of LSM in an active and visible way within their respective area of the business
- participating in Request for Proposal evaluations and selections of vendors
- approving business requirements for solutions
- approving process changes
- assigning decision-making authority to subject matter experts (SMEs) and Business Owners
- providing day-to-day direction to the SMEs
- making decisions, managing risk and resolving issues for their respective business area
- providing input into the development of the product roadmap and the minimum viable product
- setting the priority of product features for implementation
- providing recommendations related to product customization and scope changes
- providing business context, expertise, and guidance to the LSM Program
- establishing a strategy and plan to achieve benefits post-Program implementation
- participating as members of the LSM Program Steering Committee

CAC (MPI) 2-26

Part and Chapter:	CAC (MPI) 1-57	Page No.:	
PUB Approved Issue No:	5. Annual Business Plan, 9. Cost of operations 17. IT Strategic Plan		
Topic:	Information Security and IT Risk Management Processes		
Sub Topic:			

Preamble to IR:

MPI's response to CAC (MPI) 1-57 does not adequately cover the details of Office of the Superintendent of Financial Institutions (OSFI) Security Guidance that should impact the mandate of the Corporate Information Security Office (CISO) Office.

Question:

a) Can MPI confirm that the OSFI Cyber Security self-assessment was completed by CISO Office? Can MPI share the outcome?

b) Can we assume that the CISO Office will be using the National Institute of Standards and Technology (NIST) Cybersecurity Maturity Model (when completed) to satisfy OSFI requirements?

c) When will the NIST Cybersecurity model be completed?

Rationale for Question:

To follow-up on the details of OSFI Security Guidance that should impact the mandate of the CISO Office.

RESPONSE:

a) An independent assessment was conducted by PriceWaterhouseCooper (PwC) using the Information Security Forum's (ISF) Healthcheck assessment tool. The tool is comprised of 398 information security questions, which are aligned to the content of the ISF Standard of Good Practice for Information Security (SoGP).

The SoGP provides complete coverage of the topics and controls set out in the Office of the Superintendent of Financial Institutions (OSFI) cybersecurity questionnaire, ISO/IEC 27002, NIST Cybersecurity Framework, CIS Top 20, PCI DSS and COBIT 5 for Information Security.

The ISF Healthcheck assessment tool helps to identify current and emerging information security threats in order to enable organizations to respond to the rapid pace at which threats, technology and risks evolve.

b) MPI has adopted, the NIST Cybersecurity Framework (CSF) and its related maturity model to measure going forward. While OSFI's security requirements were taken into consideration to determine the target maturity level and ensure that MPI is aligned with its Canadian industry peers, it is worth noting that OSFI's mandate does not extend to MPI and that MPI is not obligated to satisfy the OSFI requirements.

With reference to the statement in the preamble relating to the impacts to CISO Office's mandate, MPI would like to clarify that the adoption of the NIST CSF does not impact said mandate. Furthermore, the first bullet under the Information Security and IT Risk Management Processes section of the 2020 General Rate Application, *Part IV(ii) Information Technology Appendix 1*; may have been misconstrued as MPI will review information produced by OSFI. The intent was to state the MPI will consider OSFI requirements in determining the target maturity level.

c) MPI has an approved Information Security Maturity implementation program to incrementally protect against the highest risk factors and the escalating / emerging cyber threats. The program is planned for completion by end of fiscal year 2021/22.

Appendix 1 (filed confidentially) describes MPI's approach to developing the target state maturity services and how it supports future compliance with OSFI's questionnaire.

Appendix 1:
Information/Cybersecurity Program

This material is the subject of a confidential motion.

CAC (MPI) 2-27

Part and Chapter:	Part VI – INV Appendix 10 CAC (MPI) 1-24 b) and c)	Page No.:	1,666 – 1,669
PUB Approved Issue No:	19. Asset Liability Study		
Topic:	Shadow Portfolio Returns		
Sub Topic:	Comparison Report – Calculation Accuracy		

Preamble to IR:

CAC (MPI) 1-24 b) and c) noted an inconsistency in the return calculations for some Shadow Portfolios. In the response to CAC (MPI) 1-24 c), MPI stated that the assumed borrowing cost for the 3X Long-Term Provincials component in Shadow Portfolio 4 was identical to the assumed borrowing cost for 3X Real Return Bonds (i.e. 0.27%), yet this appears to be inconsistent with the reported returns for 3X Long-Term Provincials (i.e. 10.79%) and Long-Term Provincials (i.e. 3.86%).

Question:

Should the return of the 3X Long-Term Provincials component of Shadow Portfolio 4 be 25 basis points higher (i.e. 11.04%, rather than the 10.79% reported by MPI), given the 3.86% return on Long-Term Provincials and the 0.27% assumed borrowing cost? If not, please elaborate on your answer.

Rationale for Question:

To check the accuracy of the returns of the Shadow Portfolios.

RESPONSE:

The return of the 3X Long-Term Provincial bond component of Shadow Portfolio 4 should not be 25 basis points higher than reported. MPI believes that the correct way to calculate the return is:

STEP 1: determine the levered return for each month

STEP 2: geometrically link the monthy returns.

Using the method described above, MPI calculated the return on 3x Long-Term Provincial bonds as follows:

Return	March 2019	April 2019
A. Provincial Bond Returns (unlevered)	4.69%	-0.79%
B. 90 day Treasury Bill Yield (assumed cost of borrowing)	0.13%	0.14%
C. Provincial Bond Return net of cost of borrowing (levered)	4.56%	-0.93%

As per Step 1, MPI determined the return for 3x Long-Term Provincial bonds for each month as follows: (2 x C) + A

March = (2 x 4.56%) + 4.69% = 13.81%

April = (2 x -0.93%) + -0.79% = -2.65%

As per Step 2, MPI then calculated the returns for the 2 month period as follows:
[(1+March Return) x (1+April Return)] - 1 =

[(1+0.1381) x (1+ -0.0265)]=

[(1.1381) x (0.9735)] – 1 =

[1.10794035] -1 = 10.79%

CAC (MPI) 2-28

Part and Chapter:	Part VI – INV Appendix 10 PUB (MPI) 1-35	Page No.:	1-4
PUB Approved Issue No:	8. Performance of the Investment Portfolio and Composition 19. Asset Liability Management Study		
Topic:	Shadow Portfolios		
Sub Topic:	Investment Returns		

Preamble to IR:

Pub Order 159/18 states that the "Board expects that the shadow portfolios … will serve to inform it, and the Corporation, as to whether the Corporation's Asset Liability Management strategy is reasonable".

Asset/Liability Studies, including the Mercer Study, consider the passive or indexed returns only (i.e. they exclude the effects of active management).

In PUB (MPI) 1-35, MPI presented a Comparison Report that compared the returns of the Shadow Portfolios to those for actual (rather than passive or benchmark) portfolios (i.e. they include the effects of active management).

Question:

a) Would MPI agree that the inclusion of the passive/benchmark returns in future Comparison Reports would be useful in meeting the needs of the PUB Order?

b) Does MPI believe that the effects of active management should be considered when evaluating the performance of the Shadow Portfolios? If so, are there any measurement issues or assumptions that need to be considered, given the PUB Order's objective?

Rationale for Question:

To confirm the most appropriate basis for assessing the performance of Shadow Portfolios.

RESPONSE:

a) Upon confirming with Board Counsel the intent of *PUB (MPI) 1-35*, MPI understood that the question sought a comparison of the returns of the actual and shadow portfolios. However, including passive/benchmark returns for MPI's actual portfolio (i.e.: the policy benchmark) in future Comparison Reports could assist in disaggregating the benefits of active management from the risk/return created by the differences in asset allocation between the actual and shadow portfolios.

b) MPI does not believe that the effects of active management should be considered when calculating the performance of the Shadow Portfolios. Removing the effects of active management from the actual portfolios puts them on the same footing as the shadow portfolios (i.e.: passive). The objective of the PUB was not to evaluate the performance of the Shadow Portfolios themselves, but to use these portfolios to evaluate the performance of MPI's actual portfolios.

CAC (MPI) 2-29

Part and Chapter:	CAC (MPI) 1-12 c)	Page No.:	
PUB Approved Issue No:	7. Capital Management Plan and update to the DCAT 18. Proposed Capital Management Plan		
Topic:	Capital Management Plan		
Sub Topic:			

Preamble to IR:

In response to CAC (MPI) 1-12 c), MPI provided its understanding of "rate volatility" and "rate shock. MPI stated that "... MPI has not developed a formal definition of the term "rate shock" at this time."

Question:

Does MPI plan to develop a formal definition of the term "rate shock"? If so, please describe the process that MPI will undertake to develop such a definition, including whether there will be any engagement with ratepayers. If not, please explain why not.

Rationale for Question:

To better understand MPI's position with respect to "rate shock".

RESPONSE:

As stated in the response to *CAC (MPI) 1-12(c)*, there are existing thresholds limiting overall and individual rate changes that act as useful and practical surrogates for a formal definition of the term 'rate shock'. As a result, MPI has no immediate plans to formally define the term.

MPI is also in the process of developing risk thresholds for rate increases as part of its Enterprise Risk Management function. MPI will provide the details of these risk thresholds through the GRA process once developed. MPI believes low and stable rates to be in the best interests of its customers and will continue to work diligently to deliver on that objective.