MANITOBA PUBLIC INSURANCE

2020 GENERAL RATE APPLICATION

Round 2 Information Requests

September 13, 2019

Insurance Insurance Brokers Association of Manitoba

MANITOBA
PUBLIC INSURANCE

IBAM (MPI) 2-1

Part and Chapter:	PART V(i)	Page No.:	1-24
PUB Approved Issue No:	5. Corporate Strategic Plan and Annual Business Plan		
Topic:	Revenues		
Sub Topic:	Role and Performance of Service Centres		

Preamble to IR:

Brokers are a valuable partner to Manitoba Public Insurance Corporation ("MPI") in the provision of Driver and Vehicle Licensing, Basic and Extension sales and services.

Question:

a) Please provide the amount of Driver and Vehicle Licensing, Basic and Extension sales by Revenue in each MPI Service Centre in each of 2015-2019;

b) Please provide a five-year (2020-2024) forecast for the amount of Driver and Vehicle Licensing, Basic and Extension sales by Revenue in each MPI Service Centre;

c) Please provide the customer count for Driver and Vehicle Licensing, Basic and Extension sales in each MPI Service Centre in each of 2015–2019;

d) Please provide a five-year (2020-2024) forecast for customer count for Driver and Vehicle Licensing, Basic and Extension sales in each MPI Service Centre;

e) Does MPI expect that the role of Service Centres in regard to in Driver and Vehicle Licensing, Basic and Extension sales will increase in the future?; and

f) Are there plans for any Full-Time Equivalent ("FTE") increases at Service Centres as part of Legacy System Modernization and/or proposed Online Customer Self-Service initiatives?

Rationale for Question:

To review the past and current volume of sales of each Service Centre and the expected impact of the Legacy Modernization and/or proposed Online Customer Self-Service initiatives on the sales and customer count in each Service Centre.

RESPONSE:

a) Please see *Appendix 1*.

b) The information requested is unavailable. MPI does not forecast revenue by Service Centre.

c) Please see *Appendix 2*.

d) The information requested is unavailable. MPI does not forecast customer counts by Service Centre.

e) MPI does not expect that the role of Service Centres in regard to in Driver and Vehicle Licensing, Basic and Extension sales will increase in the future. MPI expects Service Centres to continue to be to provide customers with a way of obtaining in-person adjusting, estimating, and front counter services, just as they are today. If customers choose to obtain insurance through an online portal (ie. via MPI direct online or through a broker online portal) or to obtain various driver services (i.e. booking tests, changing address, obtaining abstracts, etc.), MPI expects that Service Centres will see a corresponding drop in demand for those types of transactions. For example, within one year of the launch of online class 5 and 6 test bookings, approximately 11-14% of customers select this method over in-person bookings at brokerages or MPI Service Centres. The result means an increase customer satisfaction coupled with a decrease in work effort.

f) MPI does not plan to increase the number of Full-time Equivalents (FTEs) at its Service Centres as part of Legacy System Modernization and/or proposed Online Customer Self-Service initiatives. In fact, MPI expects a small reduction in FTE numbers over time as various workflows become more automated and/or customers migrate their transactions to an online self-serve environment.

Appendix 1: Service Centre Revenue by Line of Business

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
MPI Arborg Service Centre					
Driver and Vehicle Licensing	21,650	18,909	16,475	20,636	19,305
Extension	(1,104)	(2,334)	(3,292)	1,977	9,664
Basic	28,051	15,984	81,635	81,527	127,556
MPI Beausejour Service Centre					
Driver and Vehicle Licensing	24,945	34,236	38,048	30,012	68,503
Extension	(6,401)	(1,739)	(4,013)	4,118	11,149
Basic	(5,573)	80,643	96,791	163,089	219,476
MPI Bison Drive Service Centre					
Driver and Vehicle Licensing	250,003	317,727	317,407	451,132	563,743
Extension	(63,765)	(20,440)	(52,823)	(51,371)	(23,213)
Basic	856,236	1,396,622	1,287,806	1,248,870	635,972
MPI Brandon Service Centre					
Driver and Vehicle Licensing	251,546	272,475	270,599	314,072	343,179
Extension	12,736	7,839	(36,554)	5,751	21,825
Basic	761,182	866,199	648,065	1,020,977	871,633
MPI Cityplace Service Centre					
Driver and Vehicle Licensing	389,706	492,308	475,197	495,293	502,339
Extension	119,804	140,206	141,014	180,239	187,646
Basic	2,780,061	3,036,883	2,536,386	2,393,076	1,812,773
MPI Dauphin Service Centre					
Driver and Vehicle Licensing	71,326	77,947	78,724	74,471	97,049
Extension	37,465	37,198	31,732	39,418	24,661
Basic	484,342	569,125	605,809	698,767	403,900
MPI Gateway Road Service Centre					
Driver and Vehicle Licensing	306,279	351,796	357,106	425,804	459,343
Extension	(116,563)	(78,098)	(106,581)	(84,162)	(96,012)
Basic	372,662	1,026,982	1,103,093	1,235,758	428,104
MPI King Edward St Service Centre					
Driver and Vehicle Licensing	191,795	264,076	204,304	256,381	408,964
Extension	(85,804)	(59,300)	(62,231)	(106,616)	(90,034)
Basic	1,425,340	2,336,474	2,753,426	2,683,591	1,353,439
MPI Main Street Service Centre					
Driver and Vehicle Licensing	353,880	410,750	485,645	496,208	651,720
Extension	(170,554)	(129,003)	(126,807)	(157,433)	(136,139)
Basic	(821,337)	(591,975)	(167,546)	83,783	(46,970)

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
MPI Pacific Service Centre					
Driver and Vehicle Licensing	165,845	179,254	193,232	117,842	
Extension	(103,115)	(84,645)	(79,176)	(45,971)	
Basic	(583,721)	(377,805)	(223,231)	110,379	
MPI Pembina Service Centre					
Driver and Vehicle Licensing	159,709	196,429	86,129		
Extension	(28,485)	(8,122)	(9,665)		
Basic	(140,075)	26,640	(57,679)		
MPI Selkirk Service Centre					
Driver and Vehicle Licensing	55,838	86,579	97,386	112,963	143,087
Extension	(22,689)	(13,900)	(20,530)	(1,908)	(9,598)
Basic	60,620	143,117	149,957	253,542	232,666
MPI St. Mary's Road Service Centre					
Driver and Vehicle Licensing	203,315	278,838	255,828	270,314	361,380
Extension	(67,422)	(30,870)	(48,700)	(52,146)	(52,823)
Basic	(439,023)	(222,479)	(201,584)	(149,954)	(223,899)
MPI Steinbach Service Centre					
Driver and Vehicle Licensing	65,588	88,720	96,501	138,115	162,582
Extension	(64,085)	(72,303)	(63,166)	(41,510)	(38,190)
Basic	(213,759)	(206,027)	(163,269)	88,144	89,129
MPI Thompson Service Centre					
Driver and Vehicle Licensing	130,999	178,840	165,811	165,403	208,807
Extension	67,913	115,723	142,896	133,459	132,835
Basic	575,030	760,666	852,803	842,496	668,500
MPI Winkler Service Centre					
Driver and Vehicle Licensing	71,888	76,341	100,224	79,215	94,896
Extension	(14,374)	(23,044)	(42,808)	(24,283)	(61,731)
Basic	71,817	76,739	(2,761)	203,750	(58,224)

Appendix 2: Service Centre Customer Counts by Line of Business

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
MPI Arborg Service Centre					
Driver and Vehicle Licensing	504	594	701	730	795
Extension	970	972	1,245	1,440	1,279
Basic	629	654	830	959	936
MPI Beausejour Service Centre					
Driver and Vehicle Licensing	1,230	1,469	1,435	1,613	1,751
Extension	1,371	1,614	1,744	1,724	1,867
Basic	859	1,058	1,203	1,254	1,360
MPI Bison Drive Service Centre					
Driver and Vehicle Licensing	10,600	11,465	11,668	14,084	14,817
Extension	9,880	10,251	11,229	13,160	12,721
Basic	5,669	5,984	6,579	7,433	7,158
MPI Brandon Service Centre					
Driver and Vehicle Licensing	7,245	7,633	7,535	7,637	7,981
Extension	6,095	6,805	7,387	7,276	7,421
Basic	4,128	4,608	4,968	4,920	5,043
MPI Cityplace Service Centre					
Driver and Vehicle Licensing	5,619	6,078	6,778	7,983	7,782
Extension	6,532	6,031	6,754	8,104	7,889
Basic	4,051	3,737	3,847	4,210	4,010
MPI Dauphin Service Centre					
Driver and Vehicle Licensing	2,016	1,977	1,857	1,870	1,779
Extension	2,620	2,694	2,906	2,857	2,825
Basic	1,787	2,074	2,185	2,241	2,222
MPI Gateway Road Service Centre					
Driver and Vehicle Licensing	10,183	10,479	10,459	12,384	11,933
Extension	8,283	8,406	8,650	9,194	9,458
Basic	5,499	5,948	6,319	6,456	6,476
MPI King Edward St. Service Centre					
Driver and Vehicle Licensing	4,268	5,188	5,798	6,451	5,866
Extension	5,707	5,628	5,982	7,530	8,368
Basic	5,225	5,354	5,432	6,393	6,633
MPI Main Street Service Centre					
Driver and Vehicle Licensing	10,034	11,163	10,466	12,267	13,036
Extension	10,748	9,875	11,024	12,858	12,717
Basic	5,647	5,154	5,896	7,069	7,236

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
MPI Pacific Service Centre					
Driver and Vehicle Licensing	4,215	4,428	4,439	3,230	
Extension	5,243	5,072	5,074	3,063	
Basic	2,707	2,652	2,686	1,726	
MPI Pembina Service Centre					
Driver and Vehicle Licensing	5,114	5,163	1,891		
Extension	4,835	4,579	1,928		
Basic	2,391	2,321	971		
MPI Selkirk Service Centre					
Driver and Vehicle Licensing	2,700	2,883	3,126	2,942	2,725
Extension	2,784	3,086	3,162	3,239	3,178
Basic	1,862	2,083	2,211	2,379	2,353
MPI St. Mary's Road Service Centre					
Driver and Vehicle Licensing	7,518	7,337	8,767	9,512	9,482
Extension	6,798	7,057	7,253	8,131	7,381
Basic	3,517	3,650	3,633	4,150	3,700
MPI Steinbach Service Centre					
Driver and Vehicle Licensing	4,049	3,680	3,999	4,397	4,320
Extension	3,651	4,214	4,333	4,106	3,650
Basic	2,689	3,029	3,088	2,927	2,834
MPI Thompson Service Centre					
Driver and Vehicle Licensing	3,597	4,193	4,253	4,282	4,139
Extension	3,983	4,816	5,684	5,929	6,254
Basic	1,965	2,475	2,842	2,814	2,998
MPI Winkler Service Centre					
Driver and Vehicle Licensing	3,569	3,524	3,794	4,059	3,815
Extension	1,848	2,280	2,839	2,194	3,215
Basic	1,692	2,017	2,479	2,321	3,023

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Part and Chapter:	PART V(i) EXP 3.2.1 PART(i) EXP Appendices 9-11	Page No.:	22-23
PUB Approved Issue No:	5. Corporate Strategic Plan and Annual Business Plan; 9. Cost of Operations and Cost Containment Measures		
Topic:	Service Delivery Model; Expenses		
Sub Topic:	FTE By Department		

Preamble to IR:

EXP Appendices 9-11 provide the total number of full-time employees broken down into categories for 2019/20.

Question:

a) Please provide the total number of full-time employees, broken down by category and by department, in each of 2015 – 2019;

b) Please provide the total number of casual and part-time employees, broken down by category and by department, in each of 2015 – 2019;

c) Please provide the total number of T4's issued by MPI in each of 2015 – 2019;

d) What is the total number of employees who currently provide information to the public about insurance products available through MPI, broken down by category and department?;

e) Of the employees identified in the response to (iv), what percentage have qualifications as required by The Insurance Act, C.C.S.M. c. I40, to sell insurance products?;

f) Does MPI envision that customer facing employees will need to comply with existing consumer protection regulations overseen and enforced by regulatory bodies including, but not limited to, the Insurance Council of Manitoba ("ICM");

g) If the answer to (vi) above is yes, has MPI estimated the ongoing cost of education and training to ensure ongoing regulatory compliance with legislation (including, but not limited to, The Insurance Act, C.C.S.M. c. I40) and with regulatory bodies (including, but not limited to, ICM)?; and

h) Of the employees identified in the response to (iv), what percentage of their time is directed to selling insurance products or communicating the products to the public?

Rationale for Question:

To review the staffing requirements for past and current services, including those areas relating to the number of staff members required to replace staff members who resigned or were terminated, as well as to evaluate whether current staff members have the experience and qualifications to support proposed Online Customer Self-Service initiatives.

RESPONSE:

a) MPI only reports Full-Time Equivalents (FTEs) based on their division within the organization and not based on categories or departments. This information can be found in the *Part V(i) Expenses Appendix 10*. Similar information is also publicly available for years prior, in the documents listed below:

   i. 2019 GRA: *Part V(i) Expenses Appendix 10*
   ii. 2018 GRA: *Volume II Expenses Appendix 9*
   iii. 2017 GRA: *Volume II Expenses Appendix 7.1*
   iv. 2016 GRA: *PUB (MPI) 1-30*
   v. 2015 GRA: *Volume II Expenses Appendix 3*

b) Please see answer above.

c) Please see Figure 1 below:

Figure 1 T4's Issued by Year

Line No.	Year Issued	Tax Year	T4's Issued
1	2015	2014	2,215
2	2016	2015	2,194
3	2017	2016	2,258
4	2018	2017	2,235
5	2019	2018	2,139

d) MPI's website contains information about its insurance products. All MPI employees can and may be called upon to provide this reference source to customers seeking product-related information from time to time.

e) Pursuant to section 29 of *The Manitoba Public Insurance Corporation Act*, the provisions of *The Insurance Act* relating to agents and adjusters do not apply MPI employees. Training is provided in-house.

f) In order answer this question, MPI would need to know to which "existing consumer protection regulations overseen and enforced by regulatory bodies" IBAM specifically refers. MPI and its employees are not subject to Insurance Council of Manitoba oversight.

g) Not applicable.

h) Not applicable.

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Part and Chapter:	PART V, EXP 3.2.1 PART IV(i), BMK.2	Page No.:	22-23 8
PUB Approved Issue No:	5. Corporate Strategic Plan and Annual Business Plan; 9. Cost of Operations and Cost Containment Measures		
Topic:	Service Delivery Model; Expenses		
Sub Topic:			

Preamble to IR:

Question:

a) Please explain the reasons behind any projected (2020-2024) full-time employee increases, if any, in:

   i. each Service Centre; and
   ii. the MPI Call/Contact Centre.

b) Does MPI expect that the development and implementation of any Online Customer Self-Service and/or online provisioning will require an increase in the number of full-time employees in each of the Service Centres and/or in the MPI Call/Contact Centre?

   i. If not, why not?; and
   ii. If so, why and to what extent?

Rationale for Question:

To review whether the Service Centres and Call/Contact Centre's performance, volume and role warrants any increases in full-time employees and/or whether they will be impacted by the implementation of proposed Online Customer Self-Service initiatives.

RESPONSE:

a)

i. Any increase in the number of Full-Time Equivalents (FTEs) at an MPI Service Centre would be in response to demand for adjusting, estimating and front counter services in the catchment area of that particular Centre. MPI has not planned to and will not make any dramatic changes to FTE levels at its Service Centres. Any changes it makes will be gradual as customers adapt to new offerings like Direct Repair, online or email first notice of loss, online claims handling where applicable, and various other online services.

ii. The MPI Contact Centre has seen a steady increase in call volumes commensurate with population growth. However, as more transactions are performed online, MPI expects a percentage of callers to migrate online.

b) MPI does not expect that the development and implementation of any online Customer Self-Service will require an increase in the number of full-time employees at its Service Centres. MPI does expect a small increase at its Contact Centre, at least initially, to handle frequently asked questions (FAQs) or for online support. However, MPI expects that FTE numbers will decrease over time as more customers move to and become more comfortable using online self-service.

IBAM (MPI) 2-4

Part and Chapter:	PART IV(i), BMK.2	Page No.:	8
PUB Approved Issue No:	5. Corporate Strategic Plan and Annual Business Plan		
Topic:	Service Delivery Model; Expenses		
Sub Topic:			

Preamble to IR:

MPI wrote at BMK.2 in the Application:

> *"The key factors of MPI's business model that impact operating expenses, staffing levels and related benchmarking metrics include:*
>
> - *Comprehensive customer service performed internally by MPI employees. This type of service provides better customer experience but requires more employees than say models relying on out-sourced call centres or full distributed estimating. As a result, when benchmarking against private insurance companies, MPI's FTEs (Full Time Equivalent) per $100 million of Gross Premium Written (GPW) ratio, for example, will be higher. There is also a direct relationship between the number of employees and MPI's business model. MPI's service delivery model requires a certain number of employees to function and meet customer expectations. Despite this, MPI has a lower Gross Expenses as a % of GPW ratio than all of the benchmarking groups.*
>
> - *The Service Centre model and the concept of providing convenient access to services Province-wide. Due to the geographic and demographic realities of Manitoba, MPI requires strategically located Service Centres throughout the Province to serve low population density areas. Each Service Centre also requires a sufficient number of employees to staff it. As the requirement for physical space increases, occupancy costs and staff levels will also generally increase, resulting in a higher total gross expenses as a percentage of the GPW and higher FTEs per $100 million of GPW ratios for MPI…"*

Question:

a) Please explain the expected future role of each MPI Service Centre in regard to services offered at MPI;

b) Please provide cost of sales data for MPI Service Centres. What are total operating (salaries, utilities, benefits, taxes, pension, etc.) and capital (real estate, capital equipment, etc.) costs related to the amount of Basic Autopac revenue delivered through Service Centres?;

c) Does MPI have a strategic or long-term plan for the scope of services provided by MPI Service Centres? If so, please provide specifics of same;

d) Has MPI conducted any studies or comparisons to other jurisdictions in regard to online customer self-service?;

   i. If so, what jurisdictions were studied and what were the results?; and
   ii. Please provide copies of any studies or reports prepared for or obtained by MPI to assess the impact of customer self-service on the MPI Service Centres.

e) What are the hours of each of the MPI Service Centres?

   i. Does MPI expect these hours to change if Online Customer Self-Service is implemented?

Rationale for Question:

To evaluate MPI's plan for Service Centres, generally, and for each Service Centre specifically, in regard to Online Customer Self-Service.

RESPONSE:

a) MPI expects its Service Centres to serve the same function in the future as they do in the present, that is, to support in-person transactions with customers.

b) MPI does not track the cost of sales data as requested. Please refer to *Part V(i) Expenses EXP.4 Basic Expense: Cost Allocation Methodology*. Using this methodology, the operating expenses of MPI Service Centres allocated to the Basic line of business for 2018/19 was approximately $4.8 million. MPI processes a small percentage of insurance transactions in-person as its distribution model is currently set up to foster in-person, brokerage based transactions. The majority of activity at MPI Service Centre pertains to other customer transactions.

c) Now and for the foreseeable future, Service Centres will continue to provide in-person services for adjusting, estimating, bodily injury case management and front counter services, including DVA Licensing and registration services, to customers in an appropriate geographic footprint of cities and towns in Manitoba. Doing so will create an appropriate mix of options to customers for the delivery of services.

d) MPI has studied other the licencing and insurance-based transactions offered in other jurisdictions in Canada (especially by Crown Corporations) and has generally found that an increasing number of customers prefer to purchase their auto-insurance and receive related services online. This result remains the case even where multiple insurers, and the potential for confusion regarding price, coverage and claims practices, exists.

The nature of the insurance market in Manitoba, particularly the single choice for purchasing Basic auto insurance, limited choice for purchasing extension products due to significant base-level coverage and low third-party liability coverage for in-Province travel, is well suited to low-risk online auto insurance sales.

Please see *Attachments A and B* for independent studies on the implications of technological disruption on the Canadian insurance industry.

e) The hours of operation for MPI Service Centres vary based on location. This information can be accessed on the MPI's public website: *www.mpi.mb.ca*.

   i. MPI presently has no plans to alter the hours of operation of its Service Centres but will consider the possibility of doing so based on need and customer feedback.

McKinsey&Company

Financial Services Practice

Agents of the Future: The Evolution of Property and Casualty Insurance Distribution

McKinsey&Company

Agents of the Future: The Evolution of Property and Casualty Insurance Distribution

Introduction

Local agents have long been an integral part of the property and casualty (P&C) insurance landscape, and continue to serve an important role as advisors and intermediaries. However, there has been a gradual shift in the value that carriers and customers (both retail and small business) place on many activities traditionally performed by local agents, which is increasingly calling into question what role they will play in the future.

Where agents once served as the front line in risk selection and pricing, advances in predictive models are making this role obsolete. The agent was once the face of the insurance brand; now, customers increasingly use multiple channels to connect with their carrier. Perhaps most disruptive to the traditional agent value model, auto insurance – which accounts for 70 percent of personal lines premiums – is fast becoming commoditized.

Surprisingly, these trends have not yet led to significant change in the local insurance agent landscape. There are signs now, however, that the economics of the traditional agent model are beginning to unravel. Carriers are interacting more directly with customers, at lower cost and often with more consistent service levels. The once clear division of labor between carrier and agent is diminishing, but agent commission structures remain largely unchanged. Many carriers are now reconsidering how they allocate their distribution budgets and asking themselves what role agents should play in the system.

These new economic realities have the potential to alter the distribution landscape in personal lines and small commercial insurance. Within five to ten years:

- Most personal lines *and* small commercial customers will interact with their agents and carriers across the full range of channels: in-person, through mobile devices, and by phone, Internet and video conference.
- Carriers will continue to use technology to increase their direct interaction with the primary customer, delivering more consistent service at a lower cost.
- Agents will be compensated only for the unique value they deliver to the customer and the carrier.
- Carrier agent management models in both the independent (IA) and exclusive (EA) channels will focus resources on those agents that deliver profitable business.
- Winning agents will deliver tailored and relevant expertise and excel at multichannel marketing, while increasing their scale and operational efficiency.

There are signs that the economics of the traditional agent model are beginning to unravel. Carriers are interacting more directly with customers, at lower cost and often with more consistent service levels. Many carriers are asking themselves what role agents should play in the system.

Local agents are not in danger of extinction, but the role they play will continue to evolve. Those that can adapt to a new set of circumstances will thrive. For their part, carriers must think now about what these changes will mean for their business and begin developing robust strategies to respond.

The End of an Era for the Local Insurance Agent

Historically, most insurance carriers distributed their products through local insurance agents. Roughly a decade ago 80 percent of personal auto policies were placed with an agent (the percentage was closer to 100 for homeowners and small commercial policies). These were simpler times for insurance carriers. They competed on the strength of their actuarial pricing models, their ability to return a quote quickly and handle claims, and the quality of their agency force. Management discussions about distribution centered on growing the agency force, making it easier for them to do business, and designing incentives to reward their entrepreneurial zeal.

Over the last decade, market forces and technological advances have complicated this arrangement. The clean division of activities between agent and carrier no longer serves carriers the way it once did. For a number of reasons (e.g., greater consistency, lower transaction costs, better capturing and leveraging of data), P&C insurers are taking on many of the activities that were once the responsibility of agents.

A diminished role in risk selection and pricing

Agents once acted as the first line of risk selection and underwriting, providing the “gut feel” insights that come from living in the market and knowing (often personally) the local customers. Carriers relied on agents’ judgment to improve their profitability.

Today, carriers rely far less on the intuition of their agents. The increasing sophistication and accuracy of predictive models, and the rise in straight-through underwriting, are diminishing the agent's role in risk selection in both personal and small commercial lines. As a sign of how much has changed, many carriers now actively restrict the ability of even their own field staff to deviate from modeled prices, and are questioning whether the agent plays any role at all in managing profitability – especially in personal lines auto.

The rise of multichannel

Where once consumers expected to shop for insurance with their agent, and to submit claims and get answers to their questions in the same way, today they increasingly expect to interact with their insurance provider on their own schedules, at all times and through multiple channels (e.g., phone, online self-service, click-to-chat). Furthermore, customers expect a consistent, satisfying experience at every interaction. As a result, the walls between traditional distribution channels are crumbling. This is most obvious in personal auto, where recent McKinsey efforts to map the customer decision journey reveal the extent to which shoppers jump from one channel to another as they move from information gathering to purchase and beyond (Exhibit 1).

Exhibit 1

Auto insurance customers are using more channels in their shopping journey

Top 5 multichannel shopping journeys[1]
Percent of shoppers

	Gather	Quote	Purchase	
28%	Direct	Direct	Direct	Top 3 most common journeys
16%	Direct	Direct	Agent	
13%	Agent	Agent	Agent	
8%	Mix of agent and direct	Mix of agent and direct	Agent	
7%	Direct	Agent	Agent	

[1] Account for 72% of all shoppers

Source: 2012 McKinsey Auto Insurance Customer Insights Research

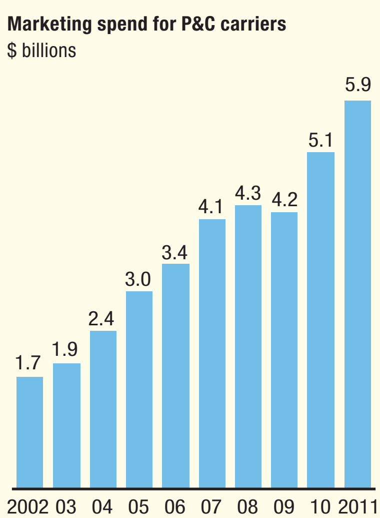
In light of this increasing channel "agnosticism," carriers are making heavy technology investments to reduce friction for customers and data as they move between channels. They are opening central contact centers to handle questions and conduct transactions for policy changes, billing, claims and all other interactions. Soon, carriers will be able to replicate the feel of an agent's office – with more consistency and with greater ability to test new approaches (e.g., segment-based service-to-sales scripts, "next product to buy" or "likelihood to switch" analytics). As more customer interactions filter through these central contact centers, the opportunities for agents to interact with the customer and add value will decrease.

The ascendance of the carrier brand

Not too long ago, the average insurance consumer would respond to the question, "Who is your insurance policy with?" by naming her local agent. Today, after 10 to 20 years during which carriers have invested billions of advertising dollars building and strengthening their brands (Exhibit 2), customers are far more likely to answer the same question with the name of the carrier instead. It is very hard for agents to compete with this spending, even in their own local markets.

Exhibit 2

U.S. P&C marketing spend continues to increase



Source: A.M. Best

Commoditization in personal auto

Insurance may never be a pure commodity like copper or wheat, but personal auto is edging closer to this territory. Consider the following:

- Consumers have easy multichannel access to auto insurance products from many carriers, and no longer need an agent to navigate carriers or explain terms. Independent agents themselves are using comparative raters to generate enormous numbers of commodity-like price quotes to present to the customer.
- The flood of price-centric marketing for auto insurance has conditioned many consumers to focus on price as their primary buying factor.
- Customer claims satisfaction is at historically high levels, leaving less ground for differentiation between insurers.

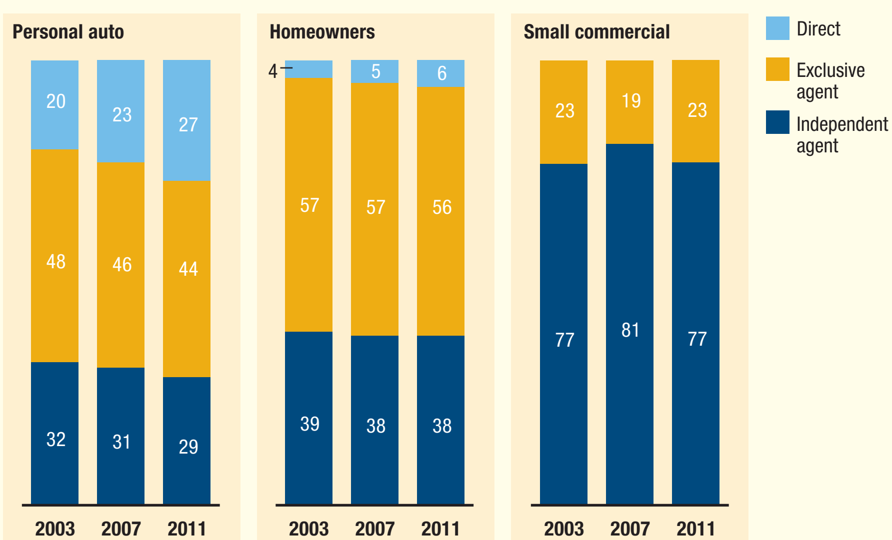
The agency channel has lost 7 percentage points of share in auto insurance to direct carriers since 2003 (Exhibit 3). And while more than half of auto insurance purchases still occur through a local agent, in most cases the

Exhibit 3

Local agents continue to touch the majority of business across personal auto, homeowners and small commercial

Premium by channel

Percent



Source: A.M. Best: IIABA market share reports agent is simply executing a transaction. (For a perspective on homeowners and small commercial lines, see sidebar.)

Homeowners and small commercial: A bright spot for agents

Will homeowners and small commercial lines follow auto down the path to commoditization? Some direct carriers are already quoting these lines on the Internet, and there is an increasing amount of mass-market advertising focused on commercial auto. Small commercial aggregators and comparative-rater technology are making selling on price much easier. These efforts, however, have only seen limited success, and many carriers continue to resist them.

These lines are inherently more complex than auto, and the insured assets are larger; so consumers still find the counsel of a local agent valuable. In addition, there are no widely adopted technologies that supplement underwriting for homeowners and small business insurance (e.g., ability to view homes remotely via satellite imagery), and there is no robust data set (e.g., risk data available by cross street) to enable full automation of the underwriting process, so agents still play a role in risk selection and pricing.

The hard truth is that most agents have neither the scale nor the operational efficiency to profitably sell a commodity (or even a near-commodity). Commission revenues and profit margins have been on a long-term decline as yield rates on new business remain low, average premium per policy has been relatively flat, and costs are rising due to increased operating expenses. Many agents report that auto acquisition has the thinnest margins of any line and can even be unprofitable (Exhibit 4, next page). With auto insurance accounting for 30 to 60 percent of a typical agent's book, the numbers paint a difficult picture for future profitability.

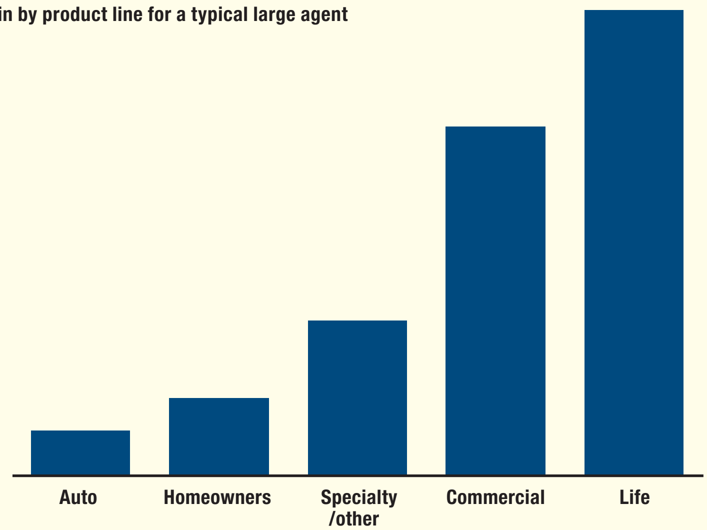
Commission rates under pressure

The traditional agency model provided a straightforward, low fixed-cost distribution system for carriers; they spent little on acquisition until a policy was sold and commissions paid. Growth was often as simple as appointing new agents in new markets. But carriers today operate in a more complex distribution landscape, and their investments must be balanced across a number

Exhibit 4

Auto insurance usually has the thinnest margins for agents

Relative profit margin by product line for a typical large agent
Percent



	Auto	Homeowners	Specialty/other	Commercial	Life
Book mix (by policies in force)	35%	35%	5%	10%	15%

Source: Agent interviews

of areas (e.g., direct channels, heavy advertising, and the creation of contact centers). This shift is putting pressure on their ability to maintain the level of commissions they pay to agents. Inevitably, carriers will need to consider rewarding agents more directly for those efforts that uniquely add value (such as retention and cross-selling).

* * *

What is the future of the local agent, given the convergence of headwinds? How can they continue to add value and remain relevant? Some lessons can be learned from examining the evolution of travel agents over the last 15 years (see sidebar next page).

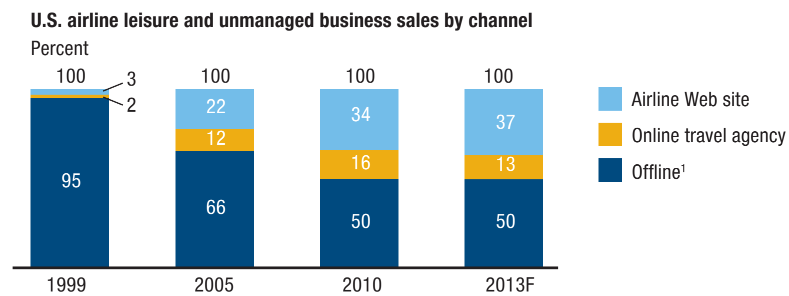
Travel agents faced similar dis-intermediating forces. Many disappeared, to be sure; but those that survived did so by reinventing their business models in multiple ways. They shifted towards more complex travel and specialization. They focused on operational efficiency and technology. In the next chapter, we look at how insurance agents can adapt a similar approach in their efforts to remain relevant.

Travel agents: Still afloat

A little more than 10 years ago, the vast majority of airline tickets were booked through traditional travel agencies. With the advent of the Internet as a channel for shopping and price comparison, travel agents' share of sales plummeted (Exhibit 5); by 2010, online travel agents and airline Web sites had cut agents' share in half. The travel agent model seemed dead in the water. Surprisingly, despite a large decline in total numbers, travel agents have not disappeared; in fact, those that remain are on the whole larger and more successful (Exhibit 6).

Exhibit 5

Airline bookings through traditional travel agents declined precipitously with the advent of Internet booking tools

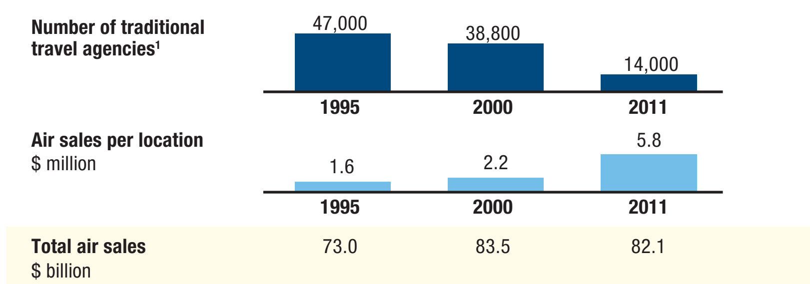


[1] Includes traditional travel agencies (the majority), airline call centers and airport sales.

Source: PhoCusWright; US Online Travel Overview reports

Exhibit 6

The number of traditional travel agents dropped, but those that remain are larger and more successful



[1] Airline Reporting Corporation (ARC) accredited agencies – those that are able to issue air tickets.

Source: PhoCusWright; ARC; ASTA.org

Implications for Agency Principals

To survive in a changing environment, insurance agents will need to develop new strengths and capabilities, and a value proposition that is compelling for both carriers and consumers. There is no single model that will guarantee success in the market, but we expect that several will emerge over time to replace the current operating models. And while the likelihood is that the number of agents will decline, those that remain stand to become stronger.

Three core capabilities

Three core capabilities will serve as the foundation for agents as they seek to thrive in today's increasingly competitive environment:

1. Defining and reaching a target market

A limited and generic view of potential customers can no longer sustain the agent business model. Successful agents will move beyond the local market paradigm, in which their customer base is strictly geographically defined (for example, by the five-mile radius centered on their office). Agents will need to take a broader view of their market and have a clearer articulation of their target customer segments (and associated product offerings). To reach those target segments in the digital era, traditional local marketing tactics will no longer be sufficient. Agents will need to increase their digital presence, become more flexible in how they communicate with their clients (e.g., video chat, Twitter, Facebook), and find new and more effective ways to get in front of potential customers (e.g., through affinity group relationships).

2. Expertise

With easy access to so much free information, customers are increasingly unwilling to pay for generalist advice. The broader retail market has also created an appetite and expectation for more tailored, personalized products. This translates into a demand for more tailored and deep expertise from their insurance advisors. They will turn to agents for advice on holistic insurance packages for their personal needs, or for industry-tailored advice on small commercial policies.

3. Operational efficiency and scale

Given the economic realities of rising operating expenses and flat commissions, agents will need to do more with less. Technology will be a source of increased operational efficiency, but increased scale will also be required. Scale can be achieved in two ways – agents can grow bigger themselves (organically or through acquisition), or "virtually," by banding together with other small agencies or by outsourcing certain functions to carriers or other third-party providers.

Agents may also need to search for new revenue sources, extending beyond P&C products to areas such as life insurance, financial services, group benefits, health insurance, notary services and tax advice.

Many agents are not currently positioned to succeed in a world where scale and operational efficiency, sophisticated marketing tactics and deep product expertise are critical. However, several new agency models are already finding success.

Agent models of the future

Some winning models will look slightly different from today's; others will completely redefine what it means to be an agent (Exhibit 7):

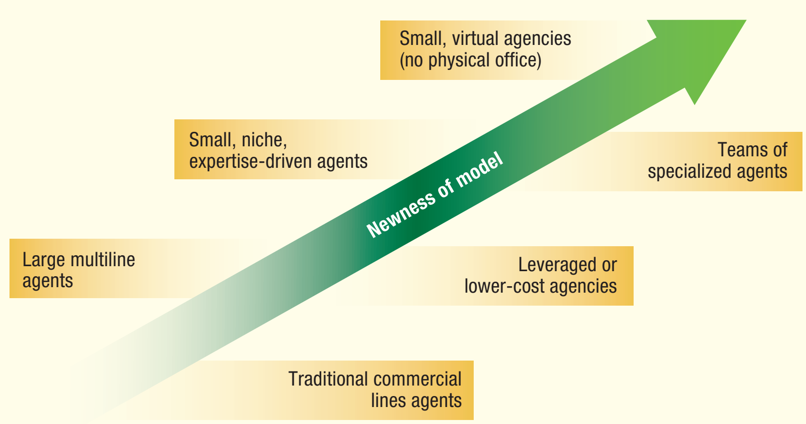
- **Traditional commercial lines agents.** Large and professionally run, these agencies will have industry-focused producers who target larger accounts at the top-end of small commercial ($20,000 to $100,000 in annual premiums) or middle market ($100,000 and up). They will have formalized, at-scale teams for small commercial accounts that leverage automation to drive down costs.
- **Large multiline agents.** These agencies will have a well-balanced product mix that comprises personal lines, commercial lines and life insurance; product-focused producers; a high degree of cross-sell at the point-of-sale as well as into existing books; and a consolidated, at-scale back office.
- **Agents with leveraged or lower-cost models.** In areas where local presence is valued but local market economics cannot support a traditional

agency model (for example, rural areas with low asset density), a lower-cost model could evolve that shares characteristics with existing aggregator, cluster or managing general agent models. Agents adopting this model could take a variety of approaches to drive down operational costs while maximizing access to mass market customers (e.g., hub-and-spoke models, co-locating a small agency storefront in a popular retail outlet).

- **"Teams" of specialized agents.** In this model, agencies formally partner to provide holistic, multiline solutions, each bringing unique product expertise and their own network of clients and prospects. At a minimum, they would provide each other with leads, but could also combine into formal sales teams that share clients, revenue, expenses and support. This model exists informally in P&C, but is more prevalent in other advisory services (e.g., wealth management).
- **Small, niche, expertise-driven agents.** These agents will thrive with well-articulated value propositions targeted at a small number of customer segments across those personal and small commercial lines that require more specific advice, tailored products and a greater degree of service (e.g., wealthy clients or ethnic groups in personal lines; select industry classes in small commercial). The cost structure will be low, with a virtual or limited physical footprint, and they will maintain few carrier relation-

Exhibit 7

Future agent models



Source: McKinsey Insurance Practice

ships, focusing on brands that resonate with their target segments. One such agent today is an online small business insurance specialist focused on select industry classes. The agent has a high degree of specific expertise and provides technology-driven support (e.g., ability to assist small businesses in real time with online applications).

- Small, virtual agents. Virtual agents will spend the bulk of their time on sales, as opposed to service. They will have very low overhead, adopt new technologies and focus on remote interactions through phone, e-mail, video-chats and other emerging channels. In one current example, an agency providing personal lines insurance exclusively to high-net-worth individuals has no physical location, and all employees work remotely.

For their part, carriers will need to determine the optimal portfolio of agent models required to serve their target customers and migrate to this portfolio over time.

The shrinking of the agent force

One implication of the changes described in this paper seems clear: only a subset of current agents will transition successfully. Since 1995, the overall number of agents competing to capture a share of the available "commission pools" has declined by about 10 percent (Exhibit 8). If any of these pools shrink without offsetting growth in other lines of business, the decline in number of agents is likely to accelerate.

Several factors make a decline in auto insurance commissions – the largest pool at about $12 billion annually – likely:

- Total auto gross written premium (GWP) is expected to grow slowly at best or even stagnate or decline with increased adoption of usage-based insurance, continued price competition, the downward trend in accidents and the increasing safety of cars.
- Market share of auto GWP of the direct channel (where few if any commissions are paid) continues to grow at the expense of the agency channel.
- Carrier spending on marketing, technology and physical infrastructure to meet consumer demands for multichannel capabilities will continue to eat away at the amount available to pay agents as commission.

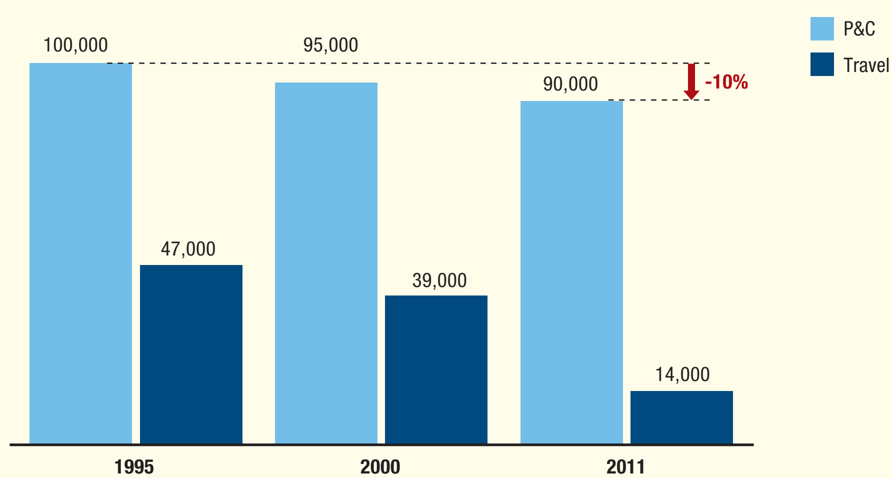
From the agent side as well, auto insurance is becoming less profitable due to rising operating expenses, decreased efficiency of new customer acquisition (driven by increased consumer shopping and resulting low yield rates), and increased investments in technology (e.g., lead management tools, rating/quoting tools with self-populating fields).

It is difficult to make predictions about how the absolute size of the local agent force will change. High trailing commissions and earnings from "sticky" customer segments could allow many agents to survive for years without making any changes (assuming no aggressive actions by carriers). Much will depend on which of the emergent models gains momentum. As a thought experiment, consider that if the average agency size increased by 50 percent, the decline in total number of agencies could reach 20 to 30 percent, fueled by consolidation and the rise of new "agency direct" models. (Compare this to our earlier example of travel agencies, which declined by 70 percent in a decade. Travel agencies, however, did not have the benefit of large renewal books to dampen the decline.)

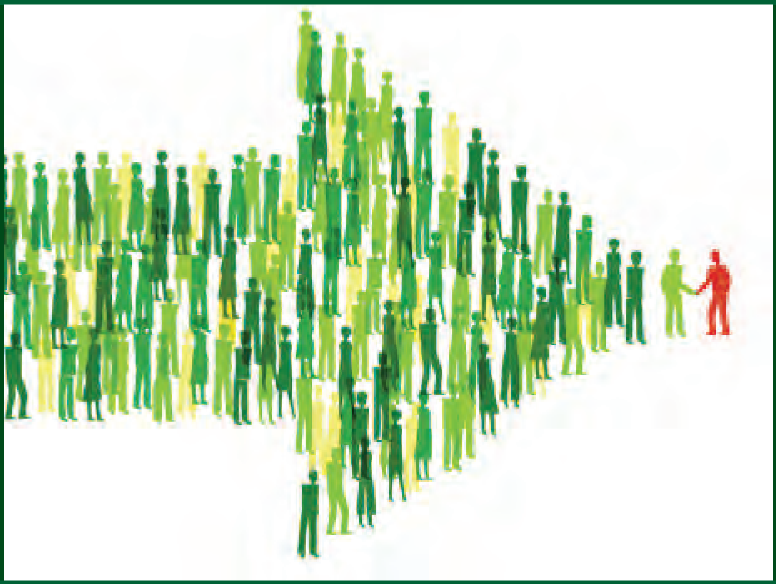
The local agent channel is undergoing tremendous change, and not all agents will survive the transition. Those that do, however, will likely be well-adapted to thrive in the new distribution environment. For carriers, watching these developments should not be a spectator sport. They should begin positioning themselves now for success.

Exhibit 8

The overall number of P&C insurance agents declined 10% between 1995 and 2011



Source: : A.M. Best; 10K reports; IIABA survey; PhoCusWright; ARC; ASTA.org



Implications and Questions for Carrier Leadership

The evolution of the agency channel is both a challenge and an opportunity for property and casualty carriers, who will need to develop new capabilities and new mindsets to thrive in a changing distribution landscape. The following questions for carrier leadership are a starting point for debate as carriers in both exclusive and independent channels consider their distribution and sales strategies for the new era.

1. Which of our current and target policyholder segments value agents?
   A more sophisticated and granular approach to customer segmentation will be required for all but the very largest carriers[1] in the new distribution landscape. As part of this approach, both EA- and IA-focused insurers must develop a deeper understanding of which segments still find value in their interactions with agents, what keeps them loyal to the channel, and how their preferences are changing. Insights from this research should inform decisions regarding the carrier's portfolio of agents.
2. How do agencies add value for our target segments today? What unique services can they offer now and in future? Where do they need to excel?
   For agents and carriers alike, the burning question is whether agents can carve out a new value proposition that makes sense in the new multi-channel property and casualty market. What can they do more efficiently

[1] See "Beyond Price: The Rise of Customer-Centric Marketing in Insurance," McKinsey & Company, January 2013.

or more effectively than carriers? How will they reach the target customer segments compared to other channels or sales approaches? How will the various channels coordinate in a way that is additive to agents (rather than diminishing their role)?

3. **Are our current agents positioned to succeed in this new environment? Which agent segments should we support and help grow? Does the overall agent network need to change?** How do we understand more deeply an agent's business (e.g., succession plans, growth targets) and plans for the future? How do we assess their capabilities to change? Do our current agents give us access to the right customer segments and industries? How do we fill the gaps where existing agents are unable to adapt?

4. **How should we work with our agents to support them as they evolve? What tools, systems, capabilities and organizational changes are needed to ensure success?** What change management techniques can we use to help agents make transitions while maintaining a healthy organization? How do we maintain our current flow of new business while our agents migrate to a new business model? If we are building or expanding our agency force, how do we foster a performance culture that drives agents to produce throughout their tenure? Importantly, how can we foster and support distribution innovation? Insurers should not be bystanders in the evolution of the agent channel. They should encourage innovation and be as flexible as possible in giving fledgling ideas room and time to develop.

How can insurers foster and support distribution innovation? They should not be bystanders in the evolution of the agent channel. They should encourage innovation and be as flexible as possible in giving fledgling ideas room and time to develop.

5. **How can we reward agents for the value-added services they provide and remain competitive on price?** Carriers cannot afford to continue paying agents for activities they are performing themselves. They will need to take a hard look at commissions and the many cross-subsidies that exist among products (e.g., home and auto) and activities (e.g., new business and retention).

6. **How should we monitor and stay abreast of the challenge (or opportunity) of direct distribution and price-driven sales in homeowners and**

small commercial? What role can we play in slowing the commoditization of the sales process for homeowners and small commercial insurance? What changes can we make to our marketing messages and our products, underwriting and sales capabilities?

* * *

Fundamental changes in how customers shop for and purchase insurance – and in the very nature of how they view the insurance product – are already altering the distribution landscape in personal and small commercial lines. And the pressure on the current economics of the agent model will soon force carriers to rethink how they distribute their products. To win, insurers must develop a thoughtful perspective on which agent models will emerge from this period of transition, and a clear strategic plan for harnessing these new models.

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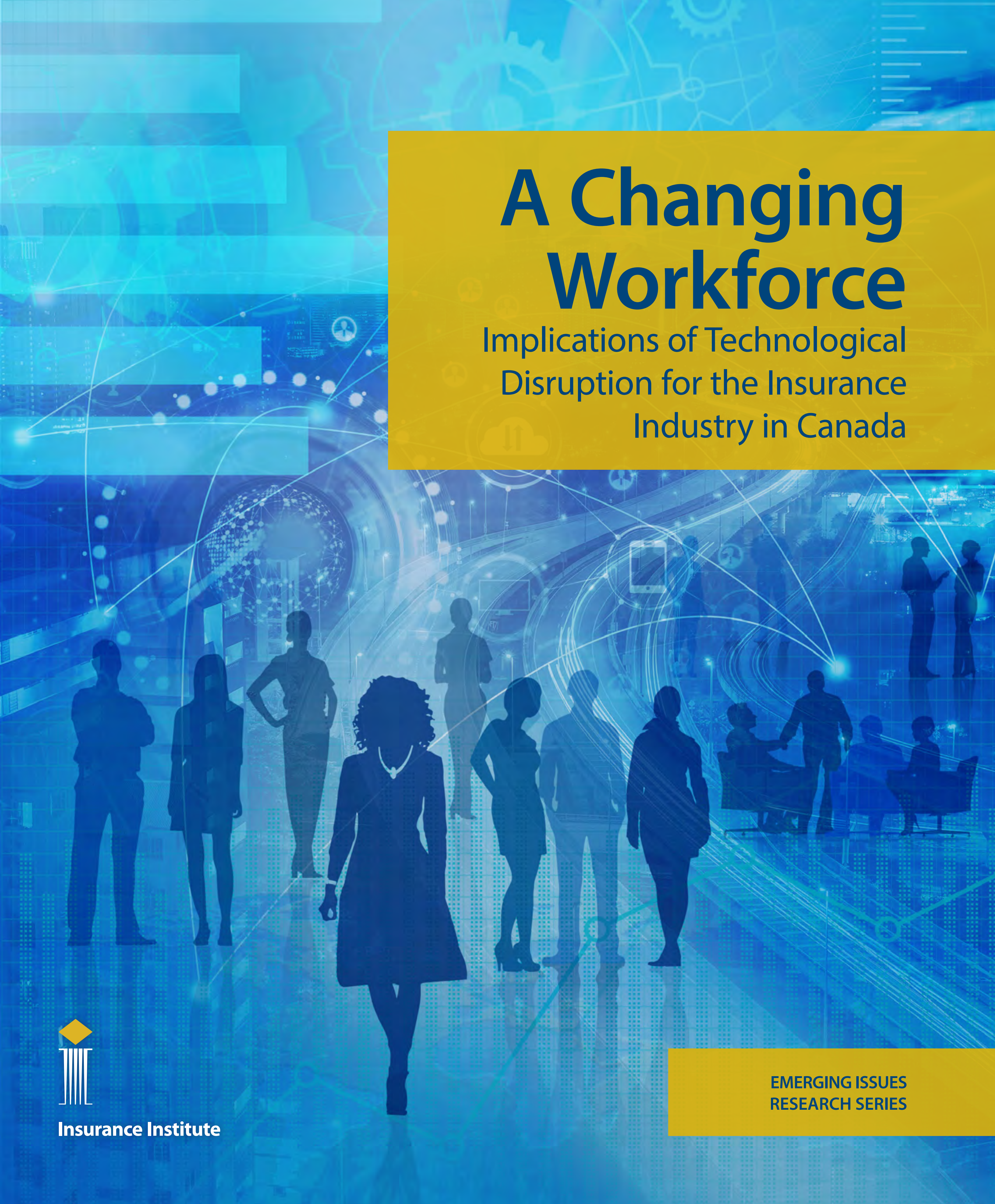

A Changing Workforce

Implications of Technological Disruption for the Insurance Industry in Canada

EMERGING ISSUES RESEARCH SERIES

Insurance Institute

About the Insurance Institute

The Insurance Institute is the premier source of professional education and career development for Canada's property and casualty insurance industry. Established in 1899, the Institute is a not-for-profit organization serving more than 39,000 members across Canada through 19 volunteer-driven provincial Institutes and chapters. For more information, please visit **insuranceinstitute**.ca.

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About the Institute's research

This research report represents the fourth in the Insurance Institute's Emerging Issues Research Series – providing relevant and insightful research reports on the issues impacting the property & casualty insurance industry in Canada. The previous reports are "Sharing Economy," "Automated Vehicles" and "Cyber Risks." This report also represents an enhancement to the Institute's 2018 report on the 'Demographics of the P&C Insurance Industry in Canada' by providing a future forward view of the implications of talent and technological disruptions on the industry's workforce. You are encouraged to read the Executive Summary of the Demographics report alongside this report for a full perspective on the industry's changing workforce. A French translation of this report is also available. For more information, please visit **insuranceinstitute**.ca/research.

About this Report

The Insurance Institute was pleased to contract with the Conference Board of Canada to research and write this report. The Conference Board of Canada is the foremost independent, evidence-based, not-for-profit applied research organization in Canada. Each year, the Conference Board hosts more than 250 meetings and conferences, delivers over 80 leadership programs, and produces more than 300 research documents and economic forecasts. The Institute would like to particularly acknowledge Michael Burt, Executive Director, Economics and Robert Meyer-Robinson, Economist, Industrial Economic Trends of the Conference Board of Canada for their leadership on this report and on the Demographics Research study.

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A Changing Workforce: Implications of Technological Disruption for the Insurance Industry in Canada

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A Changing Workforce:
Implications of Technological Disruption for the Insurance Industry in Canada

Executive Summary

This report considers how different technologies will alter the performance of the P&C insurance industry and their labour implications.

The integration of technology and digitalization into business activities is perhaps the most important trend facing modern economies today. Advances in big data and artificial intelligence (AI) continue to allow for greater automation. Similarly, improving sensors and greater connectivity is helping to create the Internet of Things (IoT), which is changing what consumers buy and how they use those products and services. Going forward, the pace of technological change is likely to accelerate and this will have a major impact on what people do and how they do it.

Canada's property and casualty (P&C) insurance industry will not be immune to these trends. In fact, most of the top trends identified in recent literature that will affect the industry, such as the IoT, blockchain, AI, and autonomous vehicles are not unique to insurance.[1] As such, they will have wide ranging implications on multiple business functions, from operations to customer interactions and product design. They also have the potential to significantly alter the characteristics of the P&C insurance industry's workforce. It is in this context that this report considers how different technologies will alter the performance of the sector, and their labour implications. In particular, this report explores six critical questions:

Which areas of the industry face the greatest disruptions due to technological change?

No other function within Canada's P&C insurance industry is as exposed to the impacts of technological change as information technology (IT). IT will be at the core of many of the technological changes that are occurring, and they in turn are transforming IT, as it shifts from being just a cost centre, to take on an increasingly strategic role. **The reason — harnessing the potential of IT is becoming crucial to organizational success in a digital era where technology is increasingly defining winning business models.**

> Beyond IT, customer service and brokering are two other areas that are expected to be heavily impacted by technological disruption.

Consumers' expectations are changing. In addition to a good price, they now expect simplicity, speed, transparency, and customization.[2] Innovative companies in the P&C insurance industry are responding with services like

1 Capgemini, "Top 10 Trends in Property and Casualty Insurance 2018."
2 Catlin et al., "Time for Insurance Companies to Face Digital Reality."

"instant" binding and claims payouts, increased customization in policy options, and the use of sensors to customize the underwriting of risks and reduce the probability of claims.

For brokers, the key concern is that direct-to-consumer channels are eroding their value proposition. The extent of the disruption facing brokers will depend on how they adapt. Augmented by digital tools and analytics, the broker of the future is expected to move towards providing more complex risk advice, while simpler risks become automated.

Which key trends are shaping the size of the industry's workforce?

Despite the technological changes expected in the industry and the potential for automation, industry executives believe that total industry payrolls will continue to grow at a pace similar to what they experienced over the past decade. A key reason for this is that several technological trends, including incorporating big data analytical capabilities into their operations, meeting the rising demand for cyber insurance, and investing in digital engagement with customers will contribute to job gains. However, a number of factors including commoditization of insurance, consolidation within the industry, and automation are expected to have significant negative impacts on employment.

What key trends are shaping the skills composition of the industry's workforce?

Not only does technological disruption have the potential to impact total industry payrolls, it will also change the essential skills required of its workforce. The top trends expected to change skill requirements include big data and analytics, AI, and rising digital engagement of customers. Given this, it is perhaps not surprising that:

- **Data analysis and customer service skills** were identified as the two most important future skills by industry executives; and
- **Management and leadership skills** have also been consistently identified as being critical to the industry successfully navigating the changes associated with technological disruption.

However, it will be important for the industry to align the opinions of executives and HR professionals regarding critical workforce skills. For example, there is a disconnect between the two groups when it comes to the importance of analytics and data analysis skills, with HR professionals rating them significantly less important.

What are the largest threats to the industry?

The unrelenting pace of technological change represents the largest threat to organizations within Canada's P&C insurance industry. Technology is redefining the success factors of organizations and the current state of the art is in constant flux as new technologies emerge. Many executives feel they cannot adapt quickly enough to both manage the risks and take advantage of the opportunities that technologies are providing.

Other key threats to the industry include the inability to attract and retain talent with the right skills, and the impact of new market entrants. Indications are that P&C insurers will increasingly be in competition with other industries that find themselves in need of digital expertise, while at the same time there are insufficient graduates coming out of school with the required skills. In the case of new entrants, the risks are uneven, as insurtech companies have focused on different aspects of the P&C insurance business. Although newcomers are innovating throughout the insurance value chain, their focus to date has been on distribution, posing the largest risk to independent brokers and broker represented insurers.

Where does the industry envision opportunities?

Technology is blazing trails for new insurance products and services and forging new value propositions for insurers to explore. The two areas identified by industry executives as having the most potential in the next five years are:

- **Digital quoting and binding** - offerings are increasing in availability, as the industry seeks to address consumer expectations by engaging them through a variety of channels.
- **Implementing blockchain technologies into their operations** - while less advanced than digital quoting and binding, the breadth of opportunities anticipated of blockchain explains the bullishness of executives. Industry organizations believe that adopting blockchain could result in faster claims settlement, improved record keeping, and reduced fraud. However, smaller organizations were less likely to indicate that technologies provided significant opportunities. This could reflect the ability of larger organizations to scale their offerings.

How does the industry plan to manage disruption?

There are two key ways for the industry to manage the risks associated with the coming technological disruptions:

- **Expanding investments in digital capabilities** - at present, the majority of investment is devoted to maintaining legacy systems. This will need to change. Digital leaders are more willing to invest in technology, and budgets might not necessarily be a constraint, as many digital investments have the potential to be self-financing.
- **Developing a talent management strategy that considers growing digital requirements** - organizations will also need to rethink their talent strategies, identifying expected gaps in skills and capabilities, and adopting a strategy that will fill those gaps. A future talent strategy must also incorporate a framework for continual workforce upskilling. This will require new and flexible educational experiences, as well as developing incentives for learning.

Summary

Whether wanted or not, a technological transformation of the P&C insurance industry is underway. The question is not if these changes will occur, but how fast the pace of transformation will be. The impacts of these changes will be wide ranging, cutting across multiple business functions. Although organizations in the industry are concerned about the pace of change and their ability to adapt, there are multiple opportunities to improve how the industry conducts its operations, how it interacts with its customers, and the products it sells.

> Contrary to the expectation that technology will accelerate the pace of commoditization in insurance, it may improve the ability of organizations to differentiate themselves.

Harnessing these opportunities is possible. The “start small, fail fast, identify what works, and scale quickly” philosophy can be used for organization-wide dissemination of best practices. As well, how people think about IT will need to change as it moves from being a cost centre, to a source of competitive advantage. This will include a shift in focus for IT investments away from maintaining legacy systems toward new investments. Finally, developing a flexible and forward-looking talent strategy will also be a key consideration.

Without the right skills and capabilities, the ability of P&C organizations to adapt will be hampered because competition for people with the needed skills is on the rise.

Foreword

The Insurance Institute is proud to publish this fourth instalment of a series of research reports on emerging issues impacting the property and casualty insurance industry in Canada.

The intention of this report is to provide research of value to our stakeholders. This research report, and the series of reports in general, offers information and insights to enable insurance organizations to broaden their understanding of how emerging risks will impact the delivery of insurance products and services in Canada over the next five to ten years.

This report is a companion report to the Institute's "*Demographics of the P&C Insurance Industry in Canada 2017 – 2027*" and as such, addresses other factors, besides demographics, that are potentially contributing to a changing workforce for the industry – specifically technology, artificial intelligence, the Internet of Things, blockchain, and the rise of cyber risks and automated vehicles.

This report identifies which technologies will have the biggest impact on how the industry operates and how these technologies will alter the performance of the P&C insurance industry and the labour implications of these changes for Canadian insurance organizations.

These changes are expected to provide both threats and opportunities. The skills of the industry's workforce, most importantly its leadership and IT skills, will be a key factor in successfully mitigating the risks and realizing the opportunities.

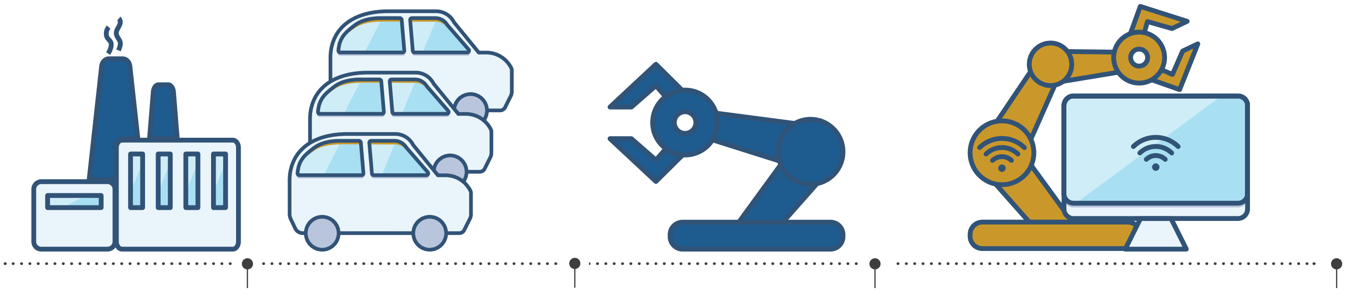
Together, *A Changing Workforce: Implications of Technological Disruption for the Insurance Industry in Canada,* and its companion report, "*Demographics of the P&C Insurance Industry in Canada 2017 – 2027,*" provide a wealth of insight the industry can use to manage the changing workforce and the technological disruption projected in the P&C insurance industry in Canada.

Sincerely,

Peter Hohman, FCIP, MBA, ICD.D
President & CEO, The Insurance Institute of Canada

Contents

Industrial revolutions and future view



First Industrial Revolution	Second Industrial Revolution	Third Industrial Revolution	Fourth Industrial Revolution
Transition to new manufacturing processes and the first factories	Also known as the Technological Revolution,[a] – rapid industrialization with early factory electrification, the assembly line and mass production	Manufacturing goes digital and robotic[b] - enhanced by the digital revolution	Innovation based on combinations of technologies
From about 1760 to sometime between 1820 and 1840	Generally dated between 1870 and 1914 up to the start of World War I[c]	"From mechanical and analogue electronic technology to digital electronics which began anywhere from the late 1950s to the late 1970s with the adoption and proliferation of computers and digital record keeping that continues to the present day"[d]	Evolving since the advent of the smart phone that enables the convergence of people, assets and data including internet of things and cloud computing ('smart factories') – enabling the move away from mass production to 'customization'[e]
Steam engines power the first trains, steamboats, and factories	Advancements in manufacturing and production technology enabled the widespread adoption of preexisting technological systems such as telegraph and railroad networks, gas and water supply, and sewage systems, which had earlier been concentrated to a few select cities. The enormous expansion of rail and telegraph lines after 1870 allowed unprecedented movement of people and ideas, which culminated in a new wave of globalization.[f]	"Central to this revolution is the mass production and widespread use of digital logic circuits, and technologies including the computer, digital cellular phone, and the Internet – the beginning of the information age."[g]	According to Klaus Schwab, there are three factors differentiating the fourth from the third industrial revolution: "Velocity: The pace of change is evolving exponentially, whereas the previous industrial revolutions evolved at more of a linear pace. This is because the world today is so much more interconnected and multifaceted and that new technology is quickly surpassed by the next advancement in technology. Breadth and depth: It builds on the digital revolution, combining multiple technologies and causing 'unprecedented paradigm shifts in the economy, business, society, and individually. It is not only changing the *what* and the *how* of doing things but also *who* we are.' Systems Impact: It transforms entire systems, across (and within) countries, companies, industries and society as a whole."[h]

a https://en.wikipedia.org/wiki/Second_Industrial_Revolution#cite_note-1
b The Economist. "The third industrial revolution: The digitisation of manufacturing will transform the way goods are made—and change the politics of jobs too." April 21, 2012.
c Engelman, Ryan. "The Second Industrial Revolution, 1870-1914."
d https://en.wikipedia.org/wiki/Digital_Revolution
e Marr, Bernard. "Why Everyone Must Get Ready For The 4th Industrial Revolution."
f https://en.wikipedia.org/wiki/Second_Industrial_Revolution
g https://en.wikipedia.org/wiki/Digital_Revolution
h The introduction of the book "The Fourth Industrial Revolution" was accessed here: http://www3.weforum.org/docs/Media/KSC_4IR.pdf from this website: https://www.weforum.org/about/the-fourth-industrial-revolution-by-klaus-schwab

Introduction

This report identifies:

- Which technologies—IoT, blockchain, AI, and autonomous vehicles—will have the biggest impact on how the industry operates
- How these technologies will alter the performance of the P&C insurance industry and the labour implications of these changes for Canadian insurance organizations

The integration of technology and digitalization into business activities is perhaps the most important trend facing modern economies today. Many suggest the world is entering a fourth industrial revolution, marked by new technologies that will reshape the organization of the global economy in coming decades.[3] Advances in big data and artificial intelligence (AI) continue to allow for greater automation, which impacts how companies combine capital with labour to produce goods and services. Similarly, improving sensors and greater connectivity is helping to create the Internet of Things (IoT), which is fundamentally changing the mix of goods and services that consumers use, and how they use them. Going forward, the pace of technological change is likely to accelerate and will continue to spawn new disruptive technologies that have broad-ranging implications for every industry, in every economy, around the world.

What people do and how they do it in their everyday jobs will be one of the major areas impacted by these technological changes. Recent research suggests that more than half of students in industrialized nations may be pursuing careers that will be rendered obsolete by innovation in automated technologies in the coming two decades.[4] A Canadian replication of the seminal research on disruptive automation by Frey and Osborne[5] found that nearly 42 percent of the Canadian workforce is "at high risk of being affected by automation in the next decade or two."[6] Within the broad finance and insurance sector, as much as 43 percent of occupations have the potential to be automated.[7]

Canada's property and casualty (P&C) insurance industry will not be immune to these trends. In fact, most of the top trends identified in recent literature that will affect the industry, such as the IoT, blockchain, AI, and autonomous vehicles are not unique to insurance.[8] As such, they will have wide-ranging implications on multiple business functions, from operations to customer interactions and product design. They also have the potential to significantly alter the characteristics of the P&C insurance industry's workforce.

Going forward, the pace of technological change is likely to accelerate and will continue to spawn new disruptive technologies that have broad-ranging implications for every industry, in every economy, around the world.

This report identifies which technologies will have the biggest impact on how the industry operates. It also considers how the identified technologies will alter the performance of the sector and the labour implications of these changes for Canada's P&C insurance industry. In fulfilling these objectives, this report considers six questions:

- Which areas of the industry face the greatest disruptions due to technological change?
- Which key trends are shaping the size of the industry's workforce?

3 Schwab, "The Fourth Industrial Revolution."
4 AlphaBeta, "The New Work Order."
5 Frey and Osborne, "The Future of Employment."
6 Lamb, "The Talented Mr. Robot."
7 McKinsey Global Institute, *A Future that Works.*
8 Capgemini, "Top 10 Trends in Property and Casualty Insurance 2018."

- What key trends are shaping the skills composition of the industry's workforce?
- What are the largest threats to the industry?
- Where does the industry envision opportunities?
- How does the industry plan to manage disruption?

To answer these questions, a two part process included: (1) conducting a wide-ranging review of the business literature related to current trends in technological disruption in general and what that might mean specifically for the P&C insurance industry, and (2) using this research to create a brief survey that was distributed to Canadian industry executives. The analysis in this report combines the findings in the literature review with the results of the survey.

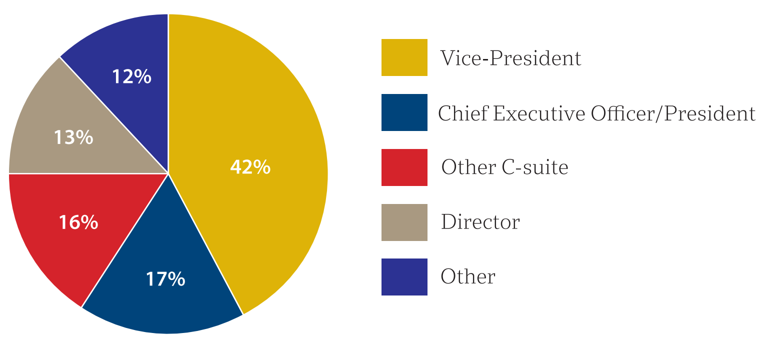
About the Survey

The survey was administered as an online survey in the autumn of 2017. It was distributed to the senior management of P&C insurance organizations that agreed to participate in the research. In total, 230 respondents completed the survey, and they represented a combined total of 72 different organizations within the industry. Where possible, the questions in the survey were designed to align with other technology-related research about the P&C insurance. This allowed for a better understanding of how the Canadian industry compares to other countries on specific issues.

The respondents to the survey came from a variety of backgrounds, with 42 percent having a vice-president title. (See Chart 1.) Another 33 percent of respondents came from the C-suite of their organizations. The rest of the respondents were evenly split between directors and "others," which included a variety of people in middle management roles.

Chart 1: Vice-Presidents Accounted for the Largest Group of Respondents

Share of respondents by occupational category, percent



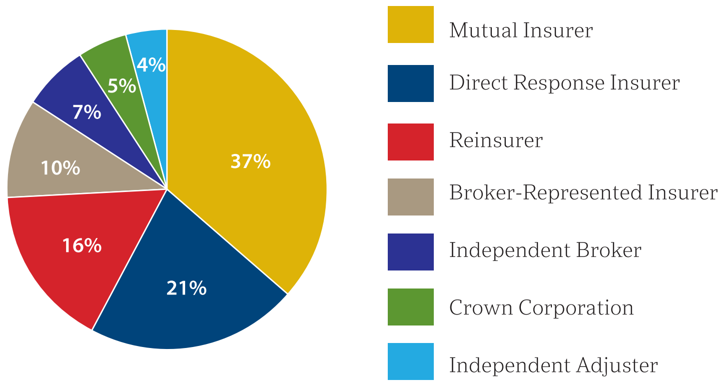
n=229
Source: The Conference Board of Canada

The respondents also represented a variety of different organization types and sizes. By cross referencing the company names of the respondents to the executive survey with information gathered as part of the Insurance Institute's 2017 demographic study we were able to establish the size and type of the organizations where many of the respondents work.[9] For example, more than half of respondents worked at either mutual insurers or direct response insurers. (See Chart 2.) As well, the respondents were nearly evenly split between those who were from organizations with more than 1,000 employees (See Chart 3.)

9 Respondents were not constrained in identifying as only one organization type. For example, a respondent could identify as both a direct response insurer and mutual insurer at the same time. Allowing for this helps to ensure that data that is relevant to multiple organizational buckets is not lost.

Chart 2: Respondents Represent a Variety of Organization Type

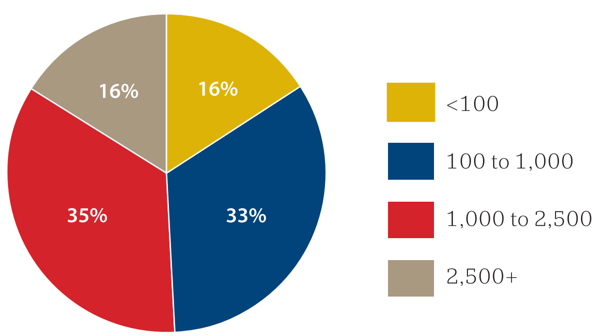
Share of respondents by organization type, percent



n=189
Source: The Conference Board of Canada

Chart 3: Respondents Represent a Variety of Organization Sizes

Share of respondents by organization size (number of employees), percent



n=189
Source: The Conference Board of Canada

Prior to interpreting specific results of the executive survey, it is important to understand the representativeness of the executive survey sample. Doing so not only provides context for the overall findings, but also enables both researcher and reader to know when to use caution in generalizing conclusions. To gauge the representativeness of the survey sample, we compare it with employment data from the industry census. One key finding is that crown corporations and broker represented insurers find themselves noticeably underrepresented within the executive survey sample. In fact, crown corporations and broker represented insurers accounted for a respective 5 and 10 per cent of survey respondents despite accounting for a respective 15 and 30 per cent of the industry workforce. A noticeable consequence of the lower participation among crown corporations relative to their proportional representation within the workforce is that western provinces (particularly Saskatchewan and B.C.) do not carry their weight within the sample. This reflects the fact that crown corporations employ roughly half of all P&C employees west of Manitoba.

Another point that is worth noting is that large organizations (2500+ employees) are underrepresented in the executive survey sample (16 percent) relative to the workforce that they employ (49 percent). At the same time, small organizations (<100 employees) are overrepresented across the survey sample (16 percent) in relation to the share of the industry's workforce (2 percent) they employ. This too can be linked to the low turnout of respondents from crown corporations and broker represented insurers, organization types that account for some of the largest employers within the industry.

The analysis in this report is complemented by findings from the additional research activities that supported the Insurance Institute's *Demographics of the P&C Insurance Industry in Canada*, which included:

1. **A survey of human resource professionals** aimed at identifying views of senior HR professionals on the issues of recruitment and retention of employees in key occupational categories and in strategic labour market cohorts.
2. **A survey of employees** aimed at identifying employees' perceptions about their work history, work in insurance, and their career prospects.
3. **A demographic analysis of the industry's workforce** based on demographic data supplied by individual organizations and provincial regulators. This activity includes a comparison of how the P&C insurance industry's demographic trends contrast with the rest of Canada's labour force, as well as retirement projections of the industry's labour force to 2027.

There are references to these activities and key findings within this report. For a more complete and in-depth understanding of the labour market research, please consult the full report available at: www.insuranceinstitute.ca/research.

Which Areas of the Industry Face the Greatest Disruption Due to Technological Change?

Technological change will disrupt most areas of the industry, but greatest disruption is anticipated in these key areas:

- At the heart of technological change: information technology
- Keeping up with the consumer: customer service
- Providing value in the wake of evolving distribution models: brokering

Technological-driven change is a key trend impacting Canada's P&C insurance industry. For example, Ernst and Young's *Canadian Property and Casualty Insurance Outlook* for both 2016 and 2017 identified technology as a high-impact force for the industry, and placed it ahead of all other external influences, including economic and political uncertainty, customer expectations, regulation, the competitive landscape, and catastrophes.[10] Emerging innovations in the IoT, automation, big data, and other digital technologies are redefining aspects of the industry, spanning from business models to workforce requirements. But where exactly is technology causing the greatest disruption within the industry?

Information Technology: At the Heart of Technological Change

No other function within Canada's P&C insurance industry is as exposed to the impacts of technological change as information technology (IT). The evolving needs of today's digital business are transforming all areas of the industry, spanning from product development and underwriting to distribution and customer service, but what makes IT unique is that it finds itself at the core of much of this change. For example, organizations looking to leverage data through partnerships (e.g., with car manufacturers) are dependent on IT to handle the integration of data across systems. And the demands on IT will only increase as each of the core functions carried out by the P&C insurance industry look to successfully navigate their own emerging challenges stemming from technological change. The result is that organizations are being forced to modernize their IT systems to manage the increasing demands for IT backing (from back-office to front-office functions).[11]

Demands on IT will only increase as each of the core functions carried out by the P&C insurance industry look to successfully navigate their own emerging challenges stemming from technological change.

> Beyond its role in facilitating the adoption of digital capabilities throughout organizations, IT is experiencing a transformation of its own. Traditionally considered a cost of doing business by P&C insurance companies, IT is increasingly taking on a strategic role.[12]

Companies are realizing that harnessing the potential of IT is becoming crucial to organizational success in a digital era where technology is increasingly defining winning business models.

10 Ernst & Young, "2017 Canadian Property and Casualty Insurance Outlook."
11 Avanade Inc., "IT Modernization."
12 Krishnakanthan, Lansing, and Löffler, "Modernizing IT for a Strategic Role."

Knowing the magnitude of transformation required for IT to reach its potential, over two-thirds of surveyed executives expect that IT functions will experience a great extent of disruption over the coming five years – more than any other activity within the industry. (See Chart 4.)

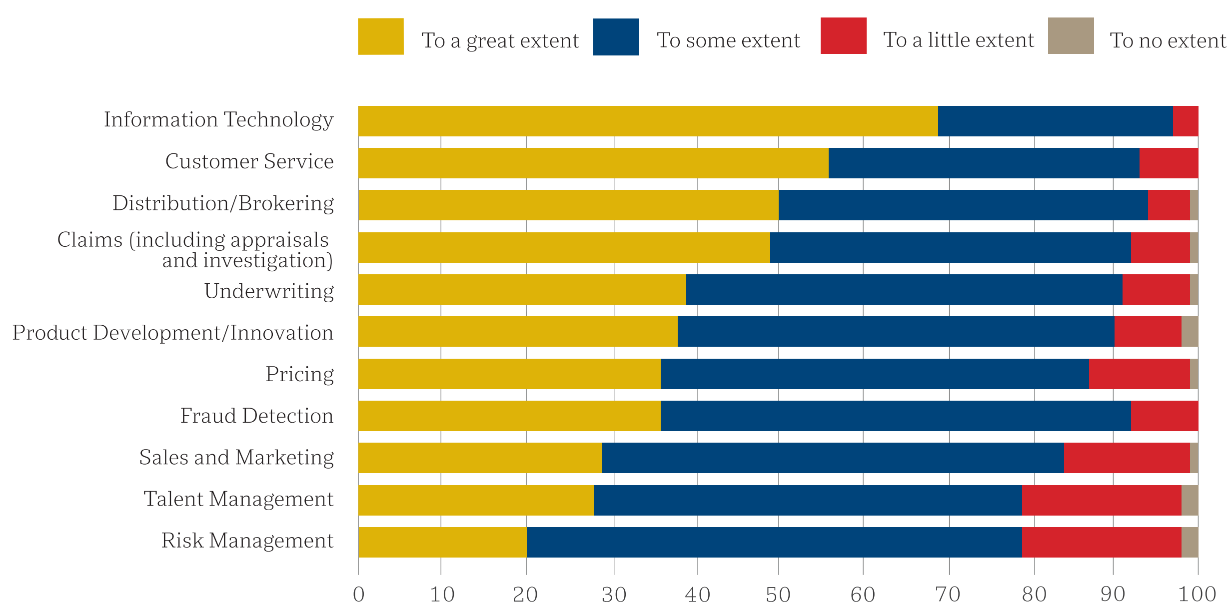
What is more, the perception of a high rate of disruption for IT functions is consistent across organizations of all sizes. In other words, smaller organizations are just as likely as larger organizations to anticipate disruption across their IT functions.

> Considering the scope of a complete IT overhaul, many organizations – particularly those concerned by the costs and risks stemming from a complete migration away from legacy systems – will prefer to adopt a two-tiered approach for IT. Such organizations would retain a traditional role for IT centered around legacy system upkeep, something that would allow them to keep the "proverbial lights on". At the same time, these organizations would have a separate function for IT that would be responsive to their emerging digital business needs. To the extent that organizations could streamline the processes of the former, they could free up a greater portion of their overall IT budget for innovation.[13]

Chart 4: IT is Ripe for Disruption

Over the next five years, to what extent will the following portions of the P&C insurance industry face disruption due to technological change?

Share of respondents, percent



n=214
Source: The Conference Board of Canada

Against the backdrop of an expanding role for IT, a key concern for the industry is that it will not have the right people to meet the IT demands of the future. Retirement projections from the recent industry census suggest that one third of the industry's current IT employees will retire over the coming decade. Making matters worse, employers will not only need to

13 Huckstep, "Digital Transformation is the Strategic Imperative No Insurer Can Ignore."

replace retiring IT workers, they will likely need to expand the number of people working within this occupation. This could prove to be a daunting task given that the industry faces stiff competition from other industries for new IT hires.

To avoid gaps in experience and talent across IT functions, organizations will need to identify factors that support their competitiveness relative to other industries in the eyes of potential or existing IT candidates. For example, organizations may be interested in broadening targeted training opportunities for IT employees. According to the employee survey, 14 percent of IT staff cited the opportunity to access training/education as poor in their current job, well above the 6 percent average for all P&C insurance employees. Beyond supporting the recruitment of new and retention of existing IT candidates, such training programs could also benefit employers if they can be aligned with an organization's IT modernization plans.

Customer Service: Keeping up with the Consumer

Digital technology is reshaping consumer expectations. In the past, insurance products were largely perceived as a commodity, where price would trump other considerations in buying decisions.[14] However, consumer interactions with tech giants such as Amazon, Google, Uber, and Facebook have set a new bar for customer expectations.[15]

Consumers now expect:

- Simplicity (e.g., one-click shopping),
- Speed (e.g., 24-hour access and quick delivery),
- Transparency (e.g., clear, relevant information about a product's features),
- Customization (e.g., tailored services designed for the digital age),[15]
- And on top of that, the price must still be right.

Innovative companies in the P&C insurance industry are beginning to offer a glimpse into what the future relationship between organizations and customers may look like. Renters and home insurance company Lemonade, for example, has improved convenience for consumers through its commitment to "instant" everything. Using its AI-powered app, it promises to have consumers insured within 90 seconds and have claims paid out within three minutes. US-based auto insurer Progressive is seeking to improve personalization of insurance through its *Name Your Price* program, which allows customers to customize their insurance based on how much they are willing to pay. Finally, home insurer Hippo is looking to make premiums more affordable to consumers by offering tech-enabled devices such as leak detectors, as well as other home-monitoring sensors, that reduce policy payouts.

Lemonade

PROGRESSIVE

Hippo

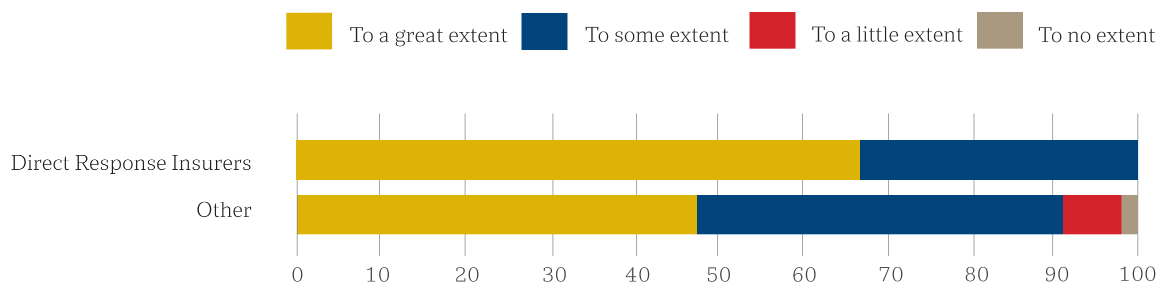
If recent innovations are a harbinger of what is to come, it is understandable that industry executives anticipate significant disruption in customer service. Roughly three-fifths of respondents anticipate a high rate of disruption in this function, placing customer service only slightly behind IT on the disruption radar. However, some organizations are more likely to anticipate greater disruption in customer service than others. In fact, direct response insurers believe that no other area of insurance will face greater disruption than customer service, while most other organizations anticipate greater disruption in IT. (See Chart 5.) Direct response insurers may be more sensitive to, or aware of, disruptions in customer service based on their sales model.

14 Naujoks et al., "Customer Behavior and Loyalty in Insurance."
15 Catlin et al., "Time for Insurance Companies to Face Digital Reality."

Chart 5: Direct Response Insurers Foresee Greater Disruption in Customer Service

Over the next five years, to what extent will customer service face disruption due to technological change?

Share of respondents, percent



Source: The Conference Board of Canada

Brokering: Providing Value in the Wake of Evolving Distribution Models

Brokers, the long-established intermediaries in the insurance industry, face rising uncertainty as traditional distribution models are being uprooted. Online price aggregators are increasingly allowing consumers to bypass their traditional brokers in favour of web-based product and price comparisons, and robo-advisors are gradually automating insurance advice. **The result is that direct-to-consumer channels are eroding the value proposition of traditional brokers.**

Brokers around the world are aware of their predicament. In Australia, for instance, 90 percent of brokers perceive direct-to-consumer channels as a threat to their business.[16] What is more, half of all industry executives in Canada's P&C insurance industry envision a high degree of disruption in distribution/brokering over the coming five years. Interesting to note, C-suite respondents were more likely to envision disruption in distribution/brokering than other respondents—they ranked distribution/brokering second to only IT among the areas that would experience the most disruption going forward. In comparison, other respondents foresaw greater disruption in areas including IT, customer service, and claims.

> The extent of disruption facing brokers will depend on how they adapt to change. It is unlikely that brokers will completely disappear, but brokers will need to reassess their value proposition within the industry's evolving value chain. Direct-to-consumer channels will free up broker resources, allowing them to concentrate their efforts elsewhere.

For example, brokers can leverage their customer relationships to draw insights from customer data, allowing for improvements in service and product development. This is expected to be a common strategy among brokers in Australia, 58 percent of whom (including 74 percent of medium-to-large brokers) plan to drive business growth through new insurance products.[17] Alternatively, brokers can look to collaborate with carriers, especially those who have the financial resources to invest in digital and analytics capabilities but who lack the depth of customer data.[18]

Augmented by digital tools and analytics, the broker of the future will ultimately move away from being a generalist toward providing more complex risk advice.

16 Ernst & Young. *The Broker of the Future - Australia.*
17 Ernst & Young. *The Broker of the Future - Australia, p. 6.*
18 Ernst & Young. *The Broker of the Future - Australia.*

What Key Trends Are Shaping the Size of the Industry's Workforce?

The employment outlook for the industry will be impacted by several trends:

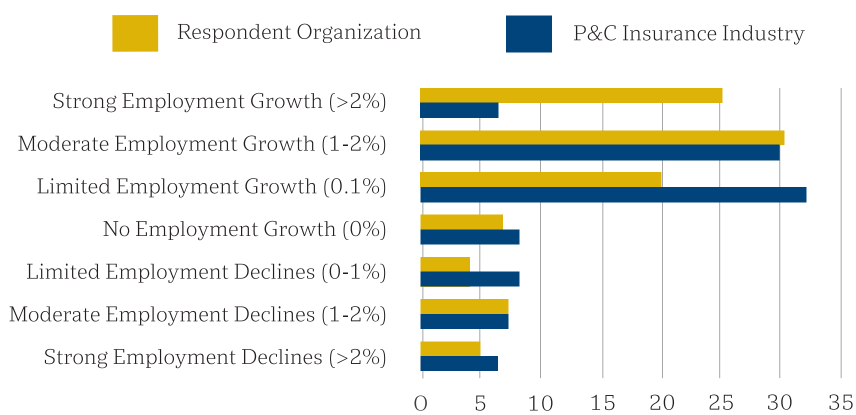
- The need to harness big data potential will drive recruitment
- The anticipated growth in cyber insurance products will support future job creation
- The continuing consolidation within organizations and in the industry may dampen workforce growth

Considering today's unrelenting pace of technological change, the drive for cost efficiencies and productivity improvements, and the growing need to replace aging workers, it may come as a surprise that industry leaders are generally optimistic about the growth potential of the P&C insurance industry's workforce. In fact, 7 out of every 10 surveyed executives anticipate an expansion in the industry's workforce over the coming five years. And while only 7 percent of respondents anticipate employment growth exceeding 2.0 percent per year (i.e., strong employment growth) for the overall industry, four times as many expect strong employment growth for their own organizations. (See Chart 6.)

Chart 6: Most Executives Anticipate Employment Growth for Industry

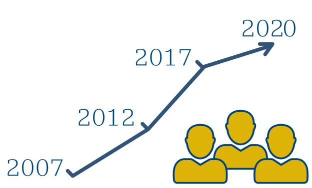
Over the next five years, what is your employment outlook for both your organization and the P&C insurance industry?

Share of respondents, percent



n=213
Source: The Conference Board of Canada

The P&C insurance industry employment growth in Canada



126,200 people in 2017
118,600 people in 2012
110,135 people in 2007

These expectations are consistent with the P&C insurance industry's historic growth: Industry employment rose by an average 1.6 percent per year between 2011 and 2016.[19] Also, Canada's P&C insurance industry is much less exposed to the employment-depressing impacts of automation than some other parts of the broad Canadian economy,[20] which is projected to see employment grow by 1.0 percent per year between 2018 and 2022.[21] Against the backdrop of this positive employment outlook for the industry, this section explores which emerging trends are expected to have the greatest effect on the future size of the industry's workforce.

19 Insurance Bureau of Canada, "FACTS."
20 Oschinsk and Wyonch, "Future Shock?"
21 Conference Board of Canada, "Canadian Outlook Economic Forecast."

Employment Growth Driven by the Need to Harness Big Data Potential

No trend is expected to have a larger net positive impact on the future size of the industry's workforce than big data and analytics. Data volumes are expanding exponentially, driven by the rising adoption of smartphones and the IoT. With so much of what people do leaving a digital trace, every organization has the potential to collect, analyze, and use data as part of its business processes.[22]

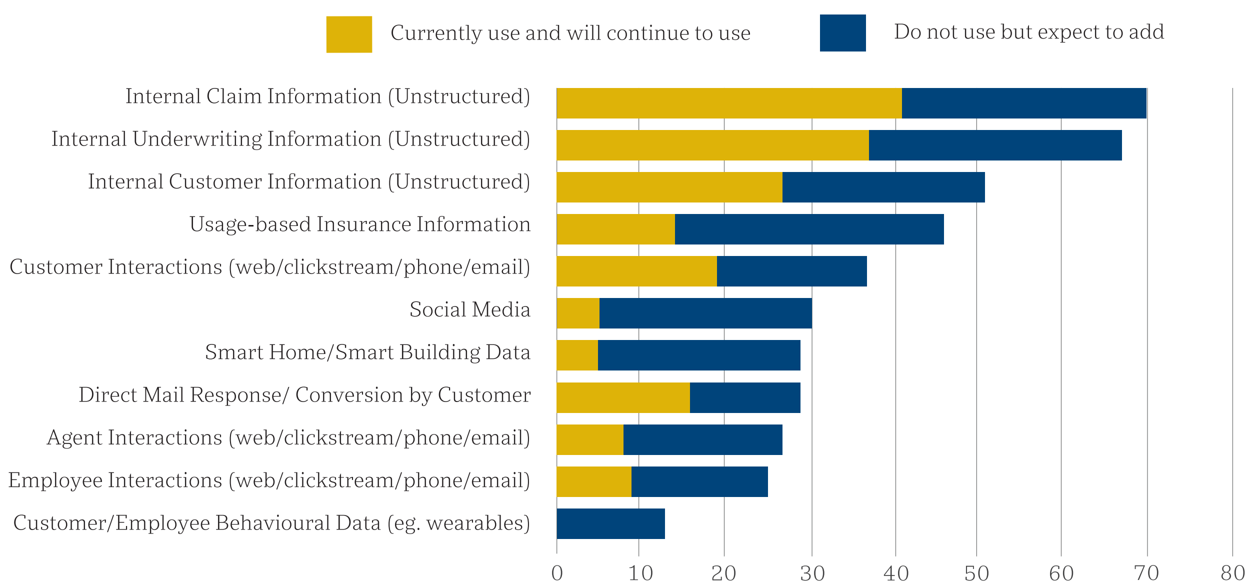
Big data and analytics enables organizations to:

- Use data to foster a deeper understanding of consumer behaviour, which can help organizations improve risk pricing, predict fraud, identify new customers, enhance customer service, design tailored products, and support sales and marketing efforts.
- Collect internal data and leverage it to streamline costs, improve performance management, or otherwise transform their business model.

Given its potential, organizations cannot afford to ignore the implications of big data. To take advantage of these opportunities, however, organizations will need to enhance their data collection capabilities. In the United States, P&C insurers are looking to harness the big data potential across several sources.[23] (See Chart 7.) Even social media data can be put to serious use—Admiral Insurance uses language in Facebook posts to gauge how dangerously a person will drive.[24] In addition to expanding data collection capabilities, organizations will require employees who can effectively organize and analyze datasets, transforming them into insights. This is a key reason why over two-thirds of executives expect big data and analytics to be a source of future employment growth. (See Chart 8.)

Chart 7: Organizations Becoming Increasingly Reliant on Big Data

Sources from which U.S. P&C insurers collect big data, share of respondents, percent



Source: Willis Towers Watson

22 Institute of Actuaries of Australia, "The Impact of Big Data."
23 Willis Towers Watson, "Predictive Modeling."
24 Oliver, "Insurance and the Big Data Technology Revolution."

In an environment where the success of an organization is increasingly being influenced by its ability to leverage insights through data, jobs in data-driven occupational categories are increasing in importance. According to the Insurance Institute's recent industry census and employee survey, data analysts make up roughly 1 percent of the industry's workforce. However, the growing need to generate, digest, store, analyze, and derive meaning from data will drive job growth in this occupation. South of the border, for instance, IBM predicts that demand for data science and analytics (DSA) jobs will grow by 15 percent by 2020, spurred by a 28 percent gain in job listings for data scientists and advanced analysts.[25]

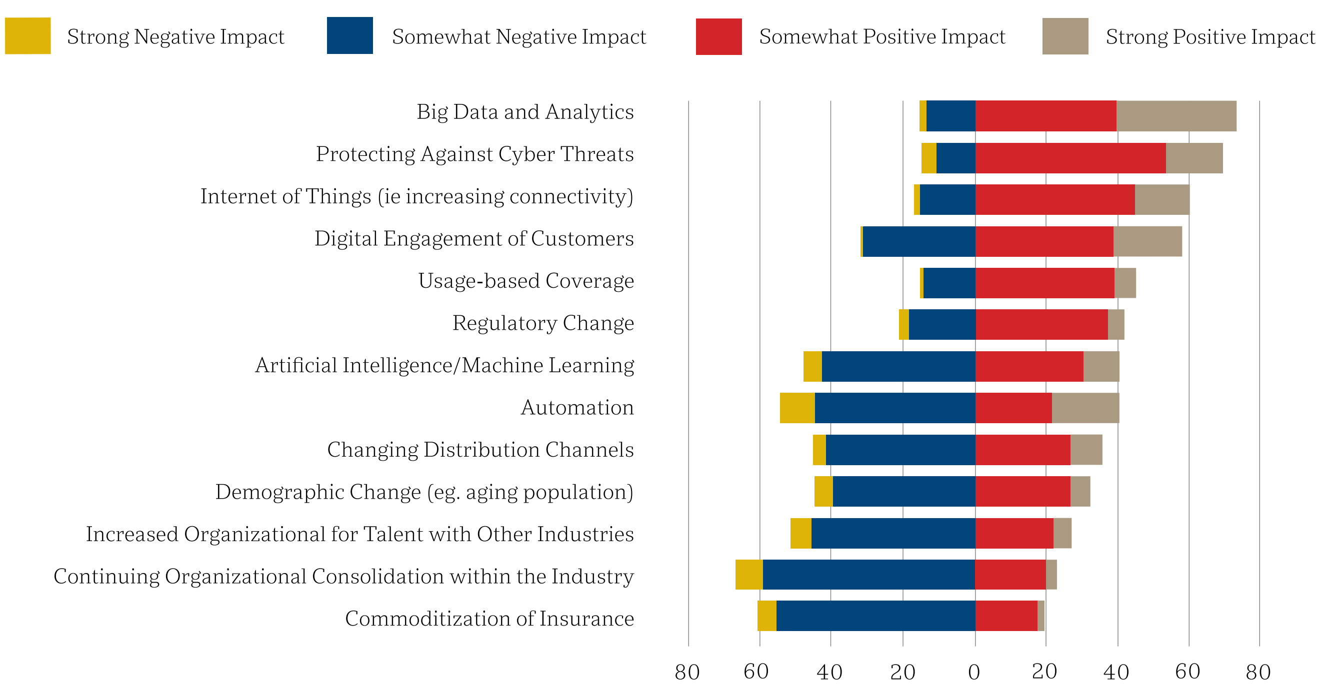
> The insurance industry is a key driver behind the rising demand for data science and analytics (DSA) jobs—59 percent of all future DSA job demand stems from one of three industries: finance and insurance, professional services, and IT.[26]

These trends will likely play out similarly in Canada, where changing workforce requirements are underpinning demand for DSA jobs.[27]

Chart 8: Big Data and Analytics Expected to Be a Major Source of Future Job Growth

Over the next five years, what impact do you expect the following trends to have on employment levels within the P&C insurance industry?

Share of respondents, percent



n=214
Source: The Conference Board of Canada

25 Markow et al., "The Quant Crunch."
26 Markow et al., "The Quant Crunch."
27 Gambrill, "Calling All Data Scientists."

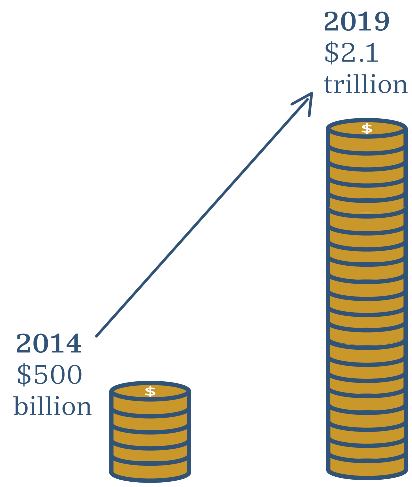
Labour shortages for data-driven occupations represent a key downside risk to the employment-augmenting effects of big data and analytics. Irrefutably, the industry needs data-driven occupations—HR professionals cited data analysts third out of 20 occupations in terms of future recruitment urgency—but these positions will likely remain among the most difficult to recruit. There are at least two reasons for this:

1. Labour demand is expanding faster than academic institutes are producing such people. In the United States this has translated into DSA jobs remaining open for an average of 45 days, much longer than other jobs.[28]
2. There are signs that the P&C industry will need to increasingly compete with other types of organizations to fill these positions. HR professionals identified increased competition for talent with other industries as the number one factor that will impact their recruitment efforts over the next two years.

To circumvent the costs associated with labour gaps in data-driven occupations, the industry will need to continue to make the industry attractive to younger workers with these skills while simultaneously identifying how best to retain existing talent.

Cyber Insurance to Support Future Job Creation

A clear majority of respondents to our executive survey expect that protecting against cyber threats will be a source of job creation in the P&C insurance industry in the coming years. Although the global cyber insurance market is still in its infancy, **several factors** represent tailwinds to the growth trajectory of cyber insurance coverage. To begin with, **cybercrime is on the rise.** The recent WannaCry ransomware attack is just one example of how increasing digitalization of business is exposing many organizations to unknown threats. Including extortion payments, lost profits due to business interruptions, and system restorations, the attack resulted in economic losses of US$8 billion.[29] But even this significant attack is a drop in the bucket of annual global losses attributable to cybercrime, which are expected to climb from an estimated US$500 billion in 2014 to over US$2.1 trillion by 2019.[30]

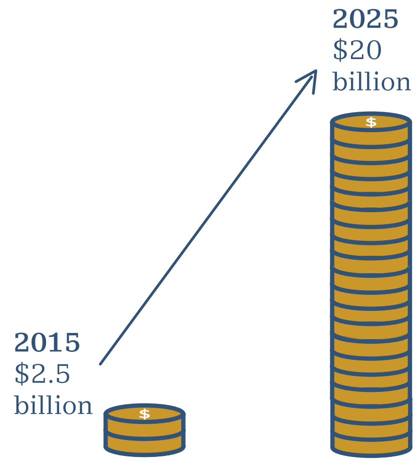


Another factor supporting rising cyber insurance coverage is **looming regulatory change**. In May 2018, the European Union implemented its General Data Protection Regulation, which will require companies interacting with EU citizens to notify the regulator and individuals in the event of a breach of personally identifiable data. Failure to comply would result in fines up to 4 percent of the company's global revenue. Canada will soon follow in the footsteps of the European Union, implementing its own mandatory data breach-reporting regulation over the coming year.[31]

> By and large, these regulations will incentivize businesses to reconsider their cyber exposure, acting as a catalyst for rising demand for cyber insurance.[32]

Low current adoption rates of cyber insurance among businesses suggest strong potential for growth in cyber insurance. While most small businesses across North America implement antivirus software or firewalls as cybersecurity measures, only

28 Gambrill, "Calling All Data Scientists."
29 Allianz, "Allianz Teams up with Cyence."
30 Merrey et al., "Seizing the Cyber Insurance Opportunity."
31 Sealanu, "Canada Proposes EU-Like Regulations."
32 Aon Inpoint, "Global Cyber Market Overview."



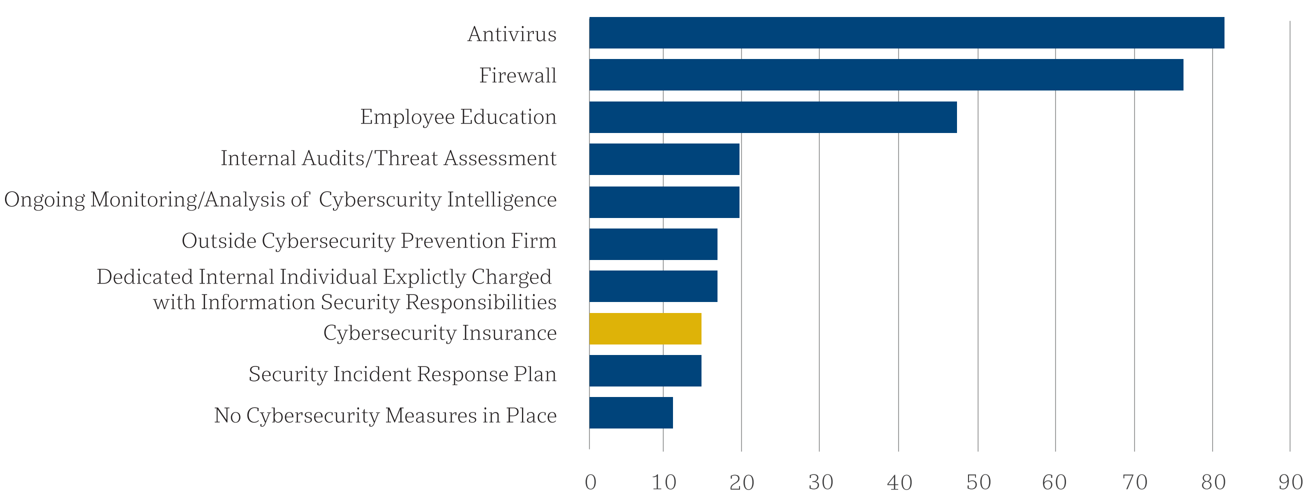
one in every seven have purchased cybersecurity insurance.[33] (See Chart 9.) This behaviour is not just confined to small and medium-sized enterprises. In fact, 60 percent of Fortune 500 companies currently lack sufficient insurance against cyber incidents, primarily because of a lack of coverage for many types of cyber risk.[34] Ultimately, low adoption rates by businesses represent an opportunity for the industry to make further inroads into an underserved market. Premiums in the global cyber insurance market are expected to expand from $2.5 billion in 2015 to $20 billion by 2025.[35]

Consistent with the high growth potential of cyber insurance across commercial lines, **rising consumer exposure to cyber threats represents tailwinds to growth in personal lines coverage**. To date, the focus of personal lines cyber insurance coverage has been high net worth customers. However, the broadening exposure of the general population to cyber threats is prompting more carriers to consider insurance in areas including cyber extortion (e.g. ransomware attacks), wire transfer fraud, and even cyber bullying. This insurance may come as an add-on to home insurance, or eventually become a standalone policy as demand broadens.

The growing need to protect individuals and organizations against cyber threats represents another key potential source of job creation and skills development for the P&C insurance industry. Most importantly, the industry will need to develop underwriting expertise, both at an individual company level and, in the case of a widespread attack where cumulative claims may be substantial, in a segment characterized by limited historic claims information and fast-changing cyber threats.[36] Some organizations will form partnerships with other organizations that have expertise in the cyber domain, while others will hire experts that can shed insights into understanding the drivers of cyber risk.

Chart 9: Adoption of Cyber Insurance Remains Low among Small Businesses

Share of small businesses with cybersecurity measures in place, North America, percent



Source: Better Business Bureau

33 Council of Better Business Bureaus, "2017 State of Cybersecurity."
34 Merrey et al., "Seizing the Cyber Insurance Opportunity."
35 Allianz Global Corporate & Specialty SE, "A Guide to Cyber Risk."
36 Allianz, "Allianz Teams up with Cyence."

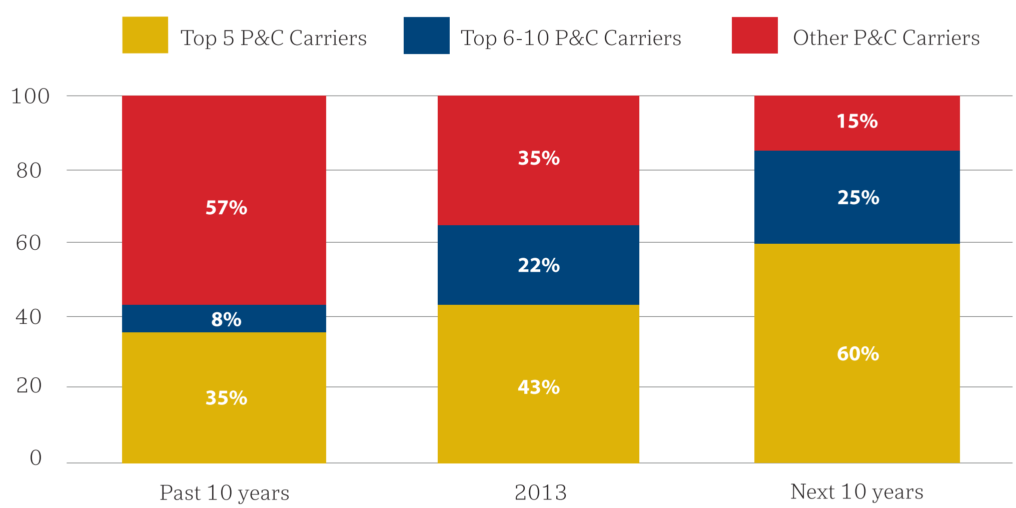
In addition to broadening their underwriting expertise, an expansion in cyber insurance could support jobs ranging from traditional occupations in risk management to non-traditional occupations such as cyber risk specialists. As well, cyber insurance coverage is anticipated to diversify from tangible (e.g., data breach, extortion, data and software loss, and network and services liability) to intangible (e.g., reputational harm, intellectual property, and business interruption) assets.[37] Considering the vast potential for cyber insurance expansion, the outlook for job growth remains positive.

Continued Organizational Consolidation Are among the Trends Dampening Employment Outlook

Not all trends in the P&C insurance industry are expected to be positive for the industry's employment growth. For example, continued organizational consolidation within the industry is one of several trends expected to reduce employment by most executives. Already Canada's P&C insurance industry has witnessed an increasing concentration in market share among its largest carriers—measured in direct written premiums, the 10 largest carriers now own 65 percent of the market versus 42 percent a decade earlier.[38] (See Chart 10.) This growing concentration among the industry's largest players is expected to be maintained as an increasingly competitive landscape and eroding potential for organic growth sustain pressures to consolidate.

Chart 10: Additional Consolidation on the Horizon for Canada's P&C Insurance Industry

Share of direct written payments (DWP), percent



Source: Deloitte

In Ontario, for instance, additional consolidation in the broker channel is expected to result in larger technology-based entities—a reflection of the fact that digital distribution channels prefer scale.[39] Deloitte anticipates that Canada's P&C insurance industry will follow the trajectory of the life and health insurance industry, where the top three players account for 77 percent of the market.[40]

37 Merrey et al., "Seizing the Cyber Insurance Opportunity."
38 Deloitte LLP, "Property and Casualty Insurance Re-Imagined."
39 Thompson's World Insurance News, "Larger, Tech-Savvy Brokers Emerging."
40 Deloitte LLP, "Property and Casualty Insurance Re-Imagined."

As organizations consolidate to remain relevant, they generally become leaner, retaining desired talent and cutting redundant employees. Roughly two-thirds of executives expect that the continuing organizational consolidation within the industry will have a negative effect on employment.

Automation represents another trend that is expected to reduce the need for labour within the insurance industry. As noted earlier, the insurance industry generally finds itself more insulated from the effects of automation than other Canadian industries. However, some industry occupations are much more exposed to automation than others. For example, traditionally labour-intensive claims processes are beginning to become automated, something that the Oxford Martin School predicts will be the beginning of the end of occupations such as claims-processing clerks.[41] Other occupations, whose work revolves heavily around data collection and processing, are expected to endure similar fates (e.g., insurance underwriters and appraisers).

Whether or not employees in occupations that become increasingly obsolete are transitioned into high-value activities will influence the net effect of automation on the size of the industry's workforce. In general, the balance appears to be tilted in favour of "not": **55 percent of industry executives expect automation will result in job losses.**

Concerning the impacts of automation on industry employment, it is interesting to note that Crown corporations and independent adjusters are much more likely to expect negative effects. These organizations ranked automation among the trends that will depress employment going forward, while most other organizations expect continued organizational consolidation to be the most detrimental to the future size of the industry's workforce. (See Table 1.)

Table 1: Trends with the Greatest Positive and Negative Impact on Employment by Organization Type

Over the next five years, what impact do you expect the following trends to have on employment levels within the P&C insurance industry?

Organization Type	Largest Positive Impact	Largest Negative Impact	Sample Size
Mutual Insurer	Big data and analytics	Continuing organizational consolidation within the industry	94
Direct response insurer	Protecting against cyber threats	Commoditization of insurance	55
Reinsurer	Protecting against cyber threats	Continuing organizational consolidation within the industry	42
Broker-represented insurer	Big data and analytics	Continuing organizational consolidation within the industry	26
Other (including Crown corporations, independent adjusters, independent brokers)	Big data and analytics	Automation	40

Source: The Conference Board of Canada

41 Frey and Osborne, "The Future of Employment."

What Key Trends Are Shaping the Skills Composition of the Industry's Workforce?

The required skills to succeed in insurance will change significantly in the next three years; in particular:

- Analytics and data analysis skills are in high demand in this big data era
- Customer service skills are vital given rising customer centricity
- Management and leadership skills need to change for disruptive times

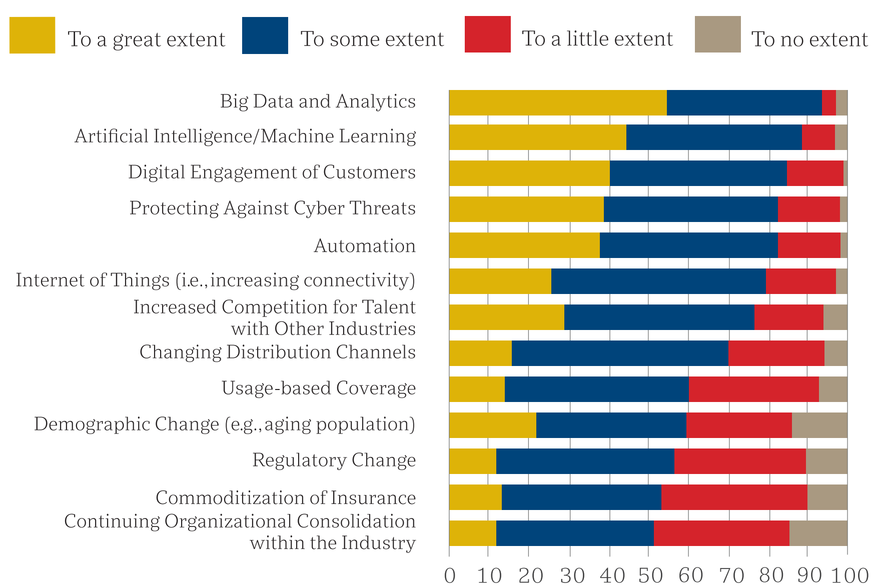
Seven years ago, in their book *New Culture of Learning: Cultivating the Imagination for a World of Constant Change*, Douglas Thomas and John Seely Brown predicted the half-life of a learned skill to be five years.[42] Considering the technological progress that has occurred since then, it should not come as a surprise that the pace at which skills are becoming obsolete has only accelerated. One key outcome of this development is that one in four adults within the Organisation for Economic Co-operation and Development (OECD) is reporting a mismatch between their current skills and the qualifications required for their job.

Looking forward, more of the same can be expected; 97 percent of insurance industry executives across the globe expect the required skills to succeed in their industry to change significantly in the next three years.[43] Factors that will lead the change in skill requirements across Canada's P&C insurance industry over the next five years include big data and analytics, AI, and rising digital engagement of customers. (See Chart 11.)

Chart 11: Technological Change Is Driving the Evolution in Skill Requirements

Over the next five years, to what extent will the following trends impact the skill requirements of the P&C insurance industry?

Share of respondents, percent



n=214

Source: The Conference Board of Canada

42 Bersin, "Rewriting the Rules for the Digital Age."
43 Pring and Clifton, "The Work Ahead."

Big Data Era Spurring Demand for Analytics and Data Analysis Skills

There is little doubt that data and analytics skills will become increasingly integral to Canada's P&C insurance workforce. In today's big data era, organizations' competitive edge depends on their ability to collect, interpret, and monetize data.[44] As organizations adopt data-centric approaches across all areas of work, they will increasingly require employees that can analyze data, recognize patterns, and draw insights from this data.

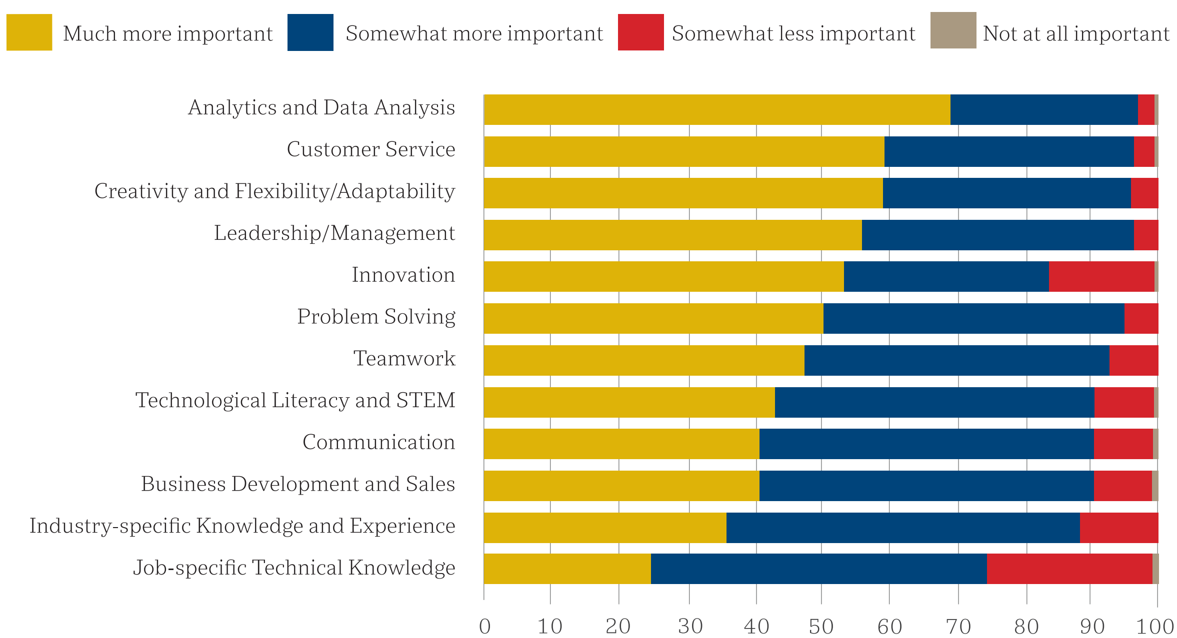
The importance of analytics and data analysis skills was highlighted by industry executives: 69 percent believe this skillset will be much more important to their organizations in the coming years, higher than any other skill. (See Chart 12.)

This belief is not unique to Canadian P&C insurance organizations. In fact, 88 percent of global executives expect analytical skills to be the most important skill for the insurance workforce in 2020, well above the 68 percent that already believe it to be the most important skill for their organizations now.[45]

Chart 12: Analytics and Data Analysis among Industry's Important Skills of the Future

Over the next five years, how important are the following skills and capabilities relative to others for your organization?

Share of respondents, percent



n=214
Source: The Conference Board of Canada

Despite its notable importance, analytics and data analysis skills are not valued equally throughout the industry. For example:

- Respondents valued analytics and data analysis skills differently based on their employment outlook for the industry — 75 percent of respondents with a stable or negative job outlook cited the skillset as much more important versus 66 percent for executives that expect the size of the workforce to continue growing.

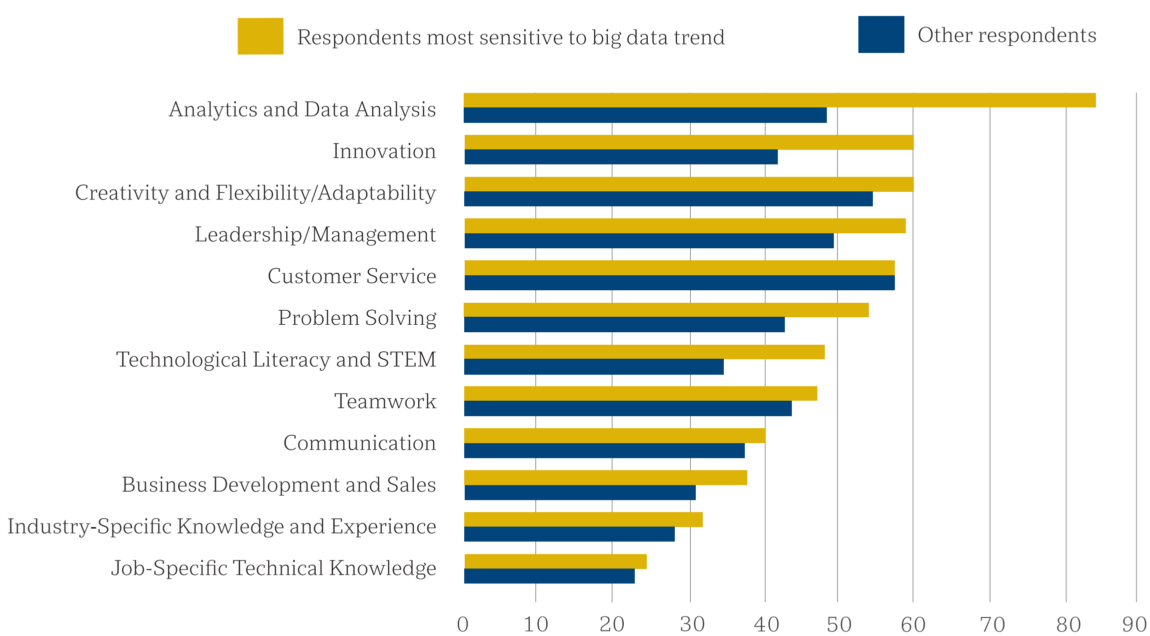
44 Pring and Clifton, "The Work Ahead."
45 Pring and Clifton, "The Work Ahead."

- Respondents also had different opinions on their organization affiliation – 92 percent of executives belonging to Crown corporations cited analytics and data analysis as being much more important than other skills, versus only 41 percent of executives working for independent brokers. [Considering that both Crown corporations and independent brokers are slightly unrepresented in this survey relative to what the industry census would suggest, one should be cautious with these results.]
- It is worth noting that among other organizations, mutual insurers (80 percent) were most bullish on analytics and data analysis skills, followed by reinsurers (69 percent), direct response insurers (62 percent), and independent adjusters (60 percent).
- In few areas is the difference in attitudes toward analytics and data analysis skills as noticeable as through the lens of big data. Generally, there was little variance in opinions about the importance of different skillsets among respondents who are sensitive to the potential for big data compared to those who were not.
- The one exception was analytics and data analysis skills – 85 percent of big-data-sensitive respondents deemed analytics and data analysis much more important compared to only 48 percent of other respondents. (See Chart 13.) In other words, **those more sensitive to the big data trend are nearly twice as likely to place a high value on analytics and data analysis skills**.
- For other respondents, skills such as creativity and flexibility, customer service, and leadership and management are just as important as analytics and data analysis skills.

Chart 13: Respondents Sensitive to Big Data Are Much More Likely to Value Analytics and Data Analysis Skills

Over the next five years, how important are the following skills and capabilities relative to others for your organization?

Share of respondents, percent



Source: The Conference Board of Canada

As the industry looks to integrate more analytics and data analysis skills into its workforce, it will be important to align the opinions of executives (regarding critical workforce skills) with those of HR professionals. Considering that over two-thirds of executives acknowledge analytics and data analysis skills as more important to their organization than others, it is interesting to note that fewer than half of HR professionals expect analytics and data analysis skills to be important relative to other skills in future recruitment decisions. This was the largest disconnect between the two groups concerning opinions on in-demand skills. (See Chart 14.)

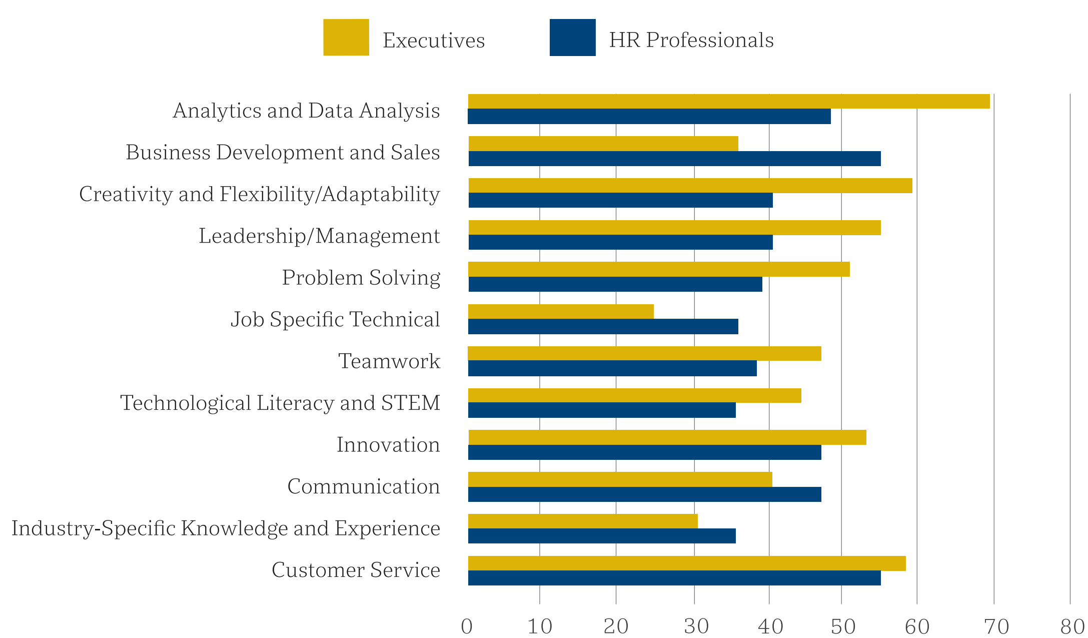
One could argue that HR professionals are placing greater emphasis on upskilling existing workers with analytics and data analysis skills as opposed to hiring new employees with these skills. However, results from the employee survey suggest that fewer than 4 percent of current employees received training in analytics and data analysis last year, compared to a respective 15 and 10 percent that received training in communication and business development and sales—two skills that HR professionals value more than executives.

In a world where analytics and data analysis skills are growing in importance, organizations will not only need to become more targeted in skill acquisition, but also foster lifelong training through their career development learning modules.

Chart 14: Executives and HR Professionals Disagree on the Importance of Analytics and Data Analysis Skills

Over the next five years, how important are the following skills and capabilities relative to others for your organization?

Share of respondents, percent



Source: The Conference Board of Canada

Customer Service Skills Are Vital Given Rising Customer Centricity

Customer service skills are becoming increasingly important to the industry as organizations look to reposition customers at the core of their business models. Historically, insurers seldom connected with customers; generally contact only occurred when a claim was made or when the policy renewal period rolled around.[46] Such limited interactions with customers are a key reason why 40 percent of current P&C insurance customers are likely to switch to a new provider for auto and home insurance in the next 12 months.[47]

> Limited interactions with customers may have been feasible in a world were insurance was commoditized, but evidence suggests that customer experience is overtaking price as the key brand differentiator.[48]

A key reason is that today's customers are increasingly valuing simplicity, speed, and customization. As such, many organizations are considering how best to transform customer service from a cost centre into a competitive advantage.[49] A key ingredient to greater customer centricity and the increasing digital engagement of consumers is customer service skills. **This explains why three in five executives cited the skillset as more important than others to the future of their organization.**

As the relationship between organizations and customers evolves, so too will the customer service skillset needed to succeed. For one, organizations are expanding their omni-channel capabilities, making it increasingly important for customer service representatives to be proficient in engaging consumers across multiple channels (i.e., mobile, online, and physical). In addition, organizations are increasingly tailoring their products to the unique needs of the customer. In some cases, insurance organizations are even offering non-insurance services, such as home security, car maintenance, and financial planning, to enhance the customer relationship.[50]

> This increased customization is making it more important for customer service representatives to assess the customer's needs to take advantage of cross-selling opportunities.[51] At the same time, the representative needs to communicate the benefits of the service offerings to customers to cultivate their long-term loyalty.

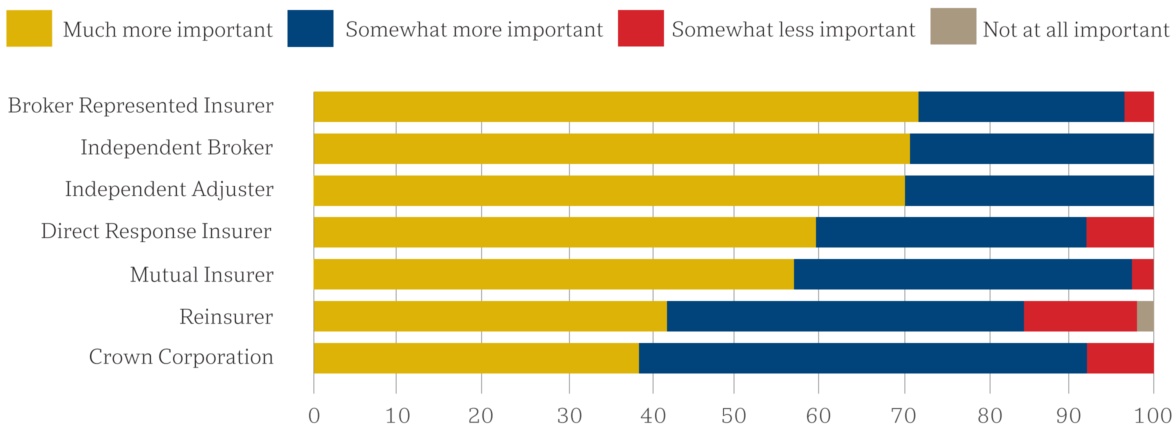
Some organizations within the industry are placing greater value on customer service skills than others. Most notably, 70 percent of broker-represented insurers, independent brokers, and independent adjusters ranked customer service skills as much more important, compared to only 53 percent of executives at other types of organizations. (See Chart 15 on page 24.) Even more noteworthy, broker-represented insurers and independent adjusters rated customer service skills as the most important skill to the future of their organizations, whereas most other organizations clearly valued analytics and data analysis skills most highly.

46 Naujoks et al., "Customer Behavior and Loyalty in Insurance."
47 Deloitte LLP, "Property and Casualty Insurance Re-Imagined."
48 Naujoks et al., "Customer Behavior and Loyalty in Insurance."
49 Tran, "The Future of Customer Support."
50 Naujoks et al., "Customer Behavior and Loyalty in Insurance."
51 Klimek, Gaylard, and Mehta, "From Lip Service to Customer Service."

Chart 15: Customer Service Skills Are Most Important to Broker-Represented Insurers, Independent Brokers, and Independent Adjusters

Over the next five years, how important will customer service skills be relative to others for your organization?

Share of respondents, percent



Source: The Conference Board of Canada

Part of the explanation for the high value these organizations place on customer service skills can be traced to their more direct relationship with customers. In the case of independent brokers, for example, three-quarters of employees work in one of two occupational categories—brokers and sales and service—both of which centre on interactions with customers.[52] More importantly, however, organizations such as independent brokers are having to re-evaluate their relationship with customers.

As the industry's distribution model becomes more oriented toward direct insurance, brokers must evolve to preserve their relevance within the industry's value chain. For them, superior customer service skills will be central to achieving that objective.

If traditional brokers can leverage their customer relationships to draw insights from customer data, they would be better positioned to implement strategies to improve service and product development. Strategies such as:

- Delivering customer service in an omni-channel environment
- Tailoring products and customizing service to the unique needs of the customer
- Communicating the benefits of the service offerings to cultivate brand loyalty

52 Insurance Institute of Canada 2017 industry census.

Disruptive Times Require Management and Leadership Skills

In a world that is being redefined by a transition to digital, organizations must not only be willing to adapt to change, they must also be responsive to perpetual change. **Creating and supporting a culture of adaptability requires new skills and practices from the industry's managers and leaders**. However, not everyone agrees that today's leaders are fully prepared to tackle tomorrow's challenges. For example, Deloitte's 2017 Global Human Capital Trends survey found that only 5 percent of financial services CEOs feel they have strong digital leaders in place.[53]

Unsurprisingly, P&C insurance executives are intent on developing management and leadership skills to avoid a leadership gap, with just under three in five respondents citing leadership/management skills as being much more important. C-suite respondents were particularly bullish on leadership and management skills, ranking it first among skills of the future versus fourth for non-C-suite respondents.

> Against the backdrop of disruptive times, the leadership skills that are required for success in the industry are changing. In contrast to "leaders of the past [who] were often tasked with executing predetermined strategies, increasing efficiency, and improving preexisting processes, one of the most valuable assets of future leaders is their willingness and ability to create something entirely new."[54]

One important implication of this development is that leaders will increasingly be relied upon to make strategic decisions. In other words, **leaders will need to conceptualize possibilities in a virtual world, think divergently about new ways of doing things, and make evidence-based judgments**.[55] Just as important, however, leaders will need to tolerate an environment of risk, making decisions decisively without full information.

Effective leaders in an era of accelerating change will still need traditional leadership skills. According to the *Harvard Business Review*, for example, the top ranked competency for management positions is the ability to inspire and motivate others.[56] (See Chart 16 on page 26.) This is especially true in a human-capital-based industry such as insurance, in which organizations depend on the skills, creativity, and knowledge of its workforce. Successful leaders will still need to take advantage of their workplace skills, such as motivational skills and emotional intelligence, to empower employees to maximize their contribution to the organization's strategic objectives. Increasingly this may have to be done with a diverse workforce containing contractors, contingent workers, and crowd talent.

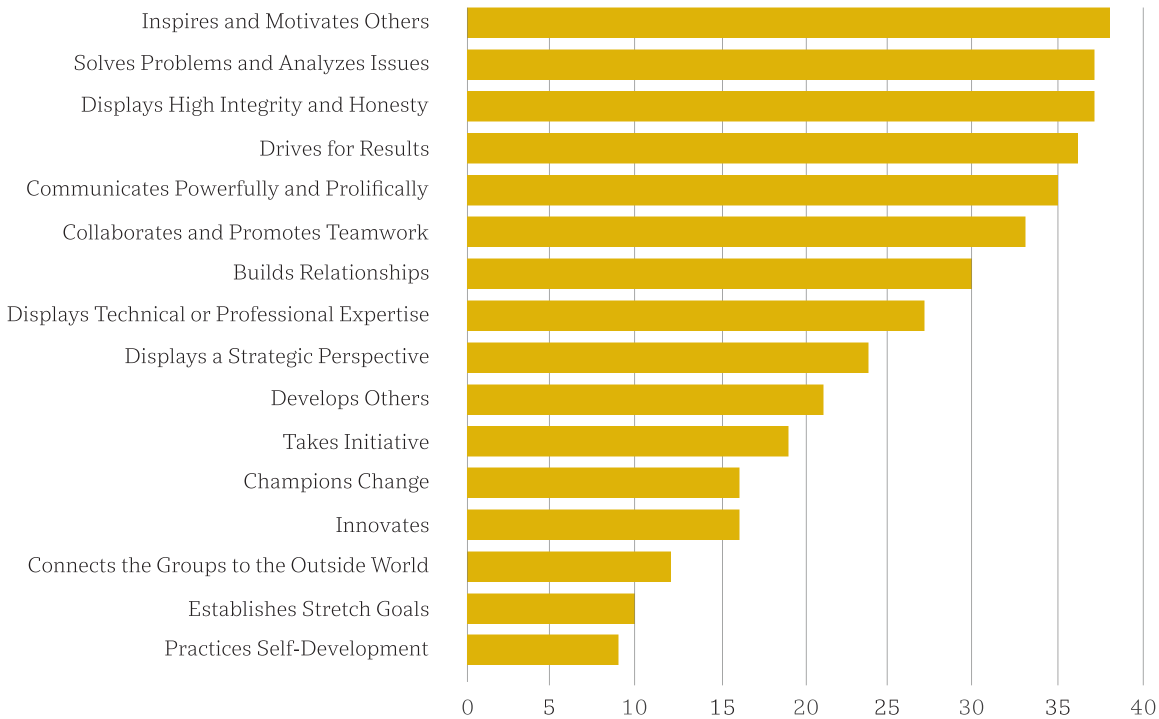
As the industry looks to recruit and develop management and leadership skills, it should be receptive to contemporary thinking on development practices. For instance, **future leaders may be identified early in their careers based on their creativity and ability to lead teams, and thus be given outsized responsibilities to develop their leadership skills, whereas past leaders may have been selected based on experience, tenure, performance, or simply for having paid their dues.**[57] Moreover, leaders may increasingly be developed through problem solving and real-world projects in addition to training and professional development programs.

Finally, the P&C insurance industry has traditionally promoted people from within into management positions. Organizations should remain open to hiring leaders from outside the industry who can bring outside experience and knowledge that could benefit the industry.

53 Abbatiello et al., "Leadership Disrupted."
54 Abbatiello et al., "Leadership Disrupted."
55 Abbatiello et al., "Leadership Disrupted."
56 *Harvard Business Review,* "Operationalizing Digital Transformation."
57 Abbatiello et al., "Leadership Disrupted."

Chart 16: Ability to Inspire and Motivate Topping Leadership Competencies

Competencies voted most important for all management positions, share of respondents, percent



Source: *Harvard Business Review*

What Are the Largest Threats to the Industry?

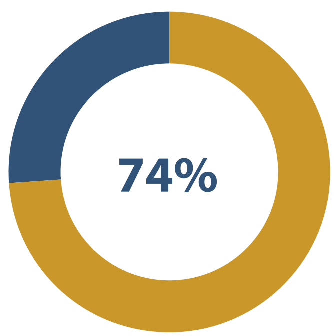
The greatest threats to organizations, and the industry, over the next five years are:

- Failure to keep pace with the influx of technological changes
- Inability to attract and retain key talent will leave organizations exposed
- Losing to the competitive pressures of new market entrants

An age of digital disruption is forcing P&C insurance organizations to continually re-evaluate potential threats to their operational viability. Many of these threats are familiar to organizations, including the rising incidence of natural disasters, uncertain economic growth, regulatory changes, and the inability to attract and retain talent with key skills. However, many threats have only recently emerged, including rate comparison websites, growing cyber threats, and increasing automation in vehicles. Regardless of the threat, technological change is leaving its mark on how the industry perceives threats. In this section, we examine where the industry anticipates the largest threats over the next five years.

Keeping Pace with Technological Change

The unrelenting pace of technological change represents the largest threat to organizations within Canada's P&C insurance industry. Technology is redefining the success factors of organizations within the industry; most notably through its impact on customer expectations and workforce needs. And if this isn't threatening enough, these criteria are in constant flux as new technologies emerge. Against this backdrop, it is unsurprising that 74 percent of executives believe that technological change is advancing at a faster pace than they can adapt.



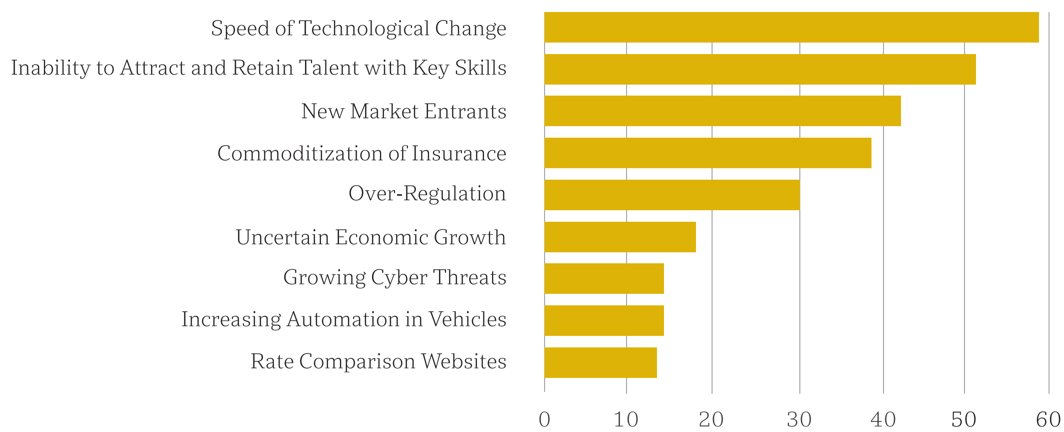
Percent of executives believe that technological change is advancing at a faster pace than they can adapt.

Moreover, executives cited the speed of technological change as the top threat to meeting the financial objectives of their organization, ahead of factors linked to technological change, including the inability to attract and retain talent and skills and new market entrants. (See Chart 17 on next page.) Ironically, technological change is also providing organizations with an abundance of opportunities to adapt and succeed in this new digital era. However, **organizations are apprehensive of finding themselves on the wrong side of change, overcommitting to a strategy whose failing would put them at an even greater competitive disadvantage relative to other organizations.**

Chart 17: Executives Are Most Threatened by the Speed of Technological Change

Over the next five years, which of the following issues represent the largest threats to the financial objectives of your organization?

Share of respondents, percent



n=224, respondents could choose up to three responses
Source: The Conference Board of Canada

One key reason why many organizations are concerned by the accelerating pace of technological change is that they might not reap the gains of technological progress. For one, digital technology has been shown to erode value in companies at the expense of consumers.[58] In other words, the benefits that accrue to organizations that adopt technologies is ultimately transferred to consumers (generally through lower prices).

> What is more, digital technology has been shown to be non-inclusive, propelling some organizations to become dominant market players while others become irrelevant.[59] This has been the case in the P&C insurance industry, where premiums have become increasingly concentrated among the industry's largest organizations. This trend will likely continue as the technological landscape evolves. This factor likely explains why 67 percent of executives working in smaller organizations (i.e., those employing fewer than 200 workers) cited the speed of technological change as a key threat versus 60 percent for executives in organizations employing 200 or more workers. This makes sense considering that digital technologies tend to penalize organizations that have trouble scaling their business.

One key result of the increasing pace of technological change is that organizations are being forced to engage in shorter planning cycles. Constant change means that organizations need to be adaptable and agile to remain competitive. In other words, the success of a given organization will increasingly depend on its ability to strategically and effectively pivot when opportunities or threats arise.[60]

Organizations will need to move away from a cycle of major transformation every few years to one that enables gradual but constant change. Several industries are already witnessing this transformation, with organizations shifting from five-year strategic planning cycles to ones that are updated every quarter.[61]

58 Catlin et al., "Time for Insurance Companies to Face Digital Reality."
59 Catlin et al., "Time for Insurance Companies to Face Digital Reality."
60 CA Technologies, "The Need for a Modern PMO."
61 CA Technologies, "The Need for a Modern PMO."

Inability to Attract and Retain Key Talent Is Exposing Organizations

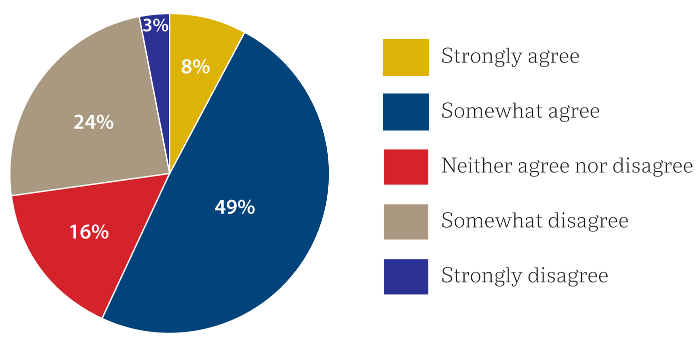
Nearly as threatening to organizations as the speed of technological change is the concern that talent shortages will impede their ability to adapt to change. Every opportunity afforded by new technologies requires organizations to have specific skills and capabilities to capitalize on the opportunities. What is more concerning for organizations is that not having the right talent in a digital world can be even more costly. **An organization that is forced to forgo digital initiatives because of talent shortages will find itself at a competitive disadvantage relative to competitors. This competitive disadvantage could quickly compound if, for example, the organization is forced to retain employees whose work could otherwise be rendered redundant.**

Given that talent can make or break an organization, it is understandable that over half of executives cited an inability to attract and retain talent as a key threat to their organization. Interestingly, there was considerable variation in responses to this question across organization types, ranging from a low of 47 percent among mutual insurers to a high of 92 percent for Crown corporations. This may partly be because Crown corporations are expected to experience the highest retirement rates in the coming decade.[62] Regardless, considering the high perceptibility of this threat, **it is worrying that only 8 percent of executives strongly agree that they are ready for the talent demands of the future compared to over one-quarter of respondents that reported being unprepared.** (See Chart 18.)

Chart 18: More than One in Four Organizations Are Unprepared for the Talent Demands of the Future

"My organization is prepared for the talent demands of the future."

Share of respondents, percent



Source: The Conference Board of Canada

> Rising competition for digital talent represents a key impediment to P&C insurance organizations' ability to meet their future talent needs.

On the demand side: **P&C insurance organizations will increasingly be in competition with other industries that find themselves in need of digital expertise.**

For example, the Information and Communications Technology Council (ICTC) expects rapid advances in technology to drive demand for information and communications technology (ICT) jobs, resulting in an additional 216,000 ICT positions that need to be filled throughout the Canadian economy by 2021, equivalent to just under one-fifth of the current ICT

62 CA Technologies, "The Need for a Modern PMO."

workforce.[63] While job growth across ICT positions has historically been fueled by the finance and insurance industry (where ICT jobs have grown by a CAGR[64] of 6.5 percent between 2011 and 2016 compared to 2.4 percent in the overall economy), future demand for ICT positions will originate across several sectors, including professional services and manufacturing.[65]

On the supply side: **the growth in the number of graduates with in-demand digital skills is not expected to keep pace with expanding demand for these skills.**

For the supply of ICT workers to keep pace with demand, Canada would likely need to experience an increase in the number of science, technology, engineering, and math (STEM) graduates.[66] In its most recent census, Statistics Canada reports that only one in four of Canada's post-secondary graduates (or 1.34 million out of 5.40 million) were from STEM fields. As well, the numbers of post-secondary students enrolled specifically in math, computer, and information sciences programs peaked in 2002 after the dot-com bubble at the turn of the century.[67] Although enrolment has risen in recent years from the nadir it reached in the late 1990s, it remains well below peak levels.

This situation is not unique to Canada. In fact, a poll conducted by Gallup for the Business-Higher Education Forum revealed that by 2021, 69 percent of US employers expect candidates with data science and analytics (DSA) skills to be preferred for jobs in their organizations, yet only 23 percent of college and university leaders say their graduates will have those skills.

> Making matters worse for Canada's P&C insurance industry (on top of potential shortages of graduates with digital skills from which to recruit) is the fact that the industry is expected to face a substantial outflow of IT workers to retirement, many of which may have needed digital skills. One-third of the industry's IT workforce is forecast to retire by 2022.[68]

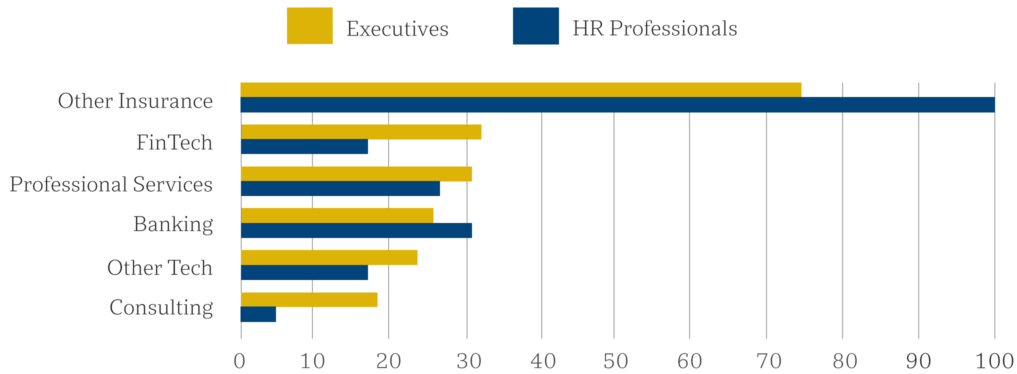
Considering the supply and demand balance for key digital talent, it is understandable that executives expect competition for talent to heat up in the future. This perspective aligns with those of HR professionals within the industry, who identified increased competition for talent with other industries as the number one factor impacting their recruitment efforts over the next two years. What differentiates executives and HR professionals is which industries they expect represent the greatest competition for future talent. **While HR professionals believe that competition for future talent will largely remain within the confines of the insurance sector, executives are more expectant that the industry will be competing with the likes of fintech, professional services, and consulting**. (See Chart 19.)

63 ICTC, "The Next Talent Wave."
64 Compound annual growth rate.
65 ICTC, "The Next Talent Wave."
66 ICTC, "The Next Talent Wave."
67 Statistics Canada, CANSIM table 477-0020.
68 Insurance Institute of Canada 2017 industry census.

Chart 19: P&C Executives Are More Concerned than HR Professionals about External Competition for Talent

Which of the following industries represents the strongest competition for the candidate pool of labour from which you recruit?

Share of respondents, percent



*up to three responses accepted
Source: The Conference Board of Canada

Finally, it is interesting to note that the skillset of digital talent will need to be well rounded if these employees are to be successfully integrated into the operations of a business and contribute to success in the way that employers desire. In a global survey, organizations report a more pronounced digital talent gap in workplace skills (particularly customer centricity and passion) than in hard digital skills (particularly cybersecurity and cloud computing). This was true even though a lack of hard digital skills can be even more detrimental to an organization's digital transformation.[69]

Looking forward, organizations will need to develop new approaches to hiring and developing people to manage the risks associated with talent shortages. Regarding skills, organizations will need to stay nimble and develop a culture of continuous upskilling in response to changing business model needs. As well, organizations also have to take advantage of the skills transfer potential of retirees to younger workers. One way in which organizations can facilitate such knowledge transfers is by blending their experienced talent (those with insurance knowledge) with their millennials.[70]

Concerning recruitment, organizations will need to anticipate potential labour shortages and engage in continuous recruitment. This will not only help them avoid unfilled vacancies, but also let them keep a close eye on the talent pool independent of current recruitment needs.

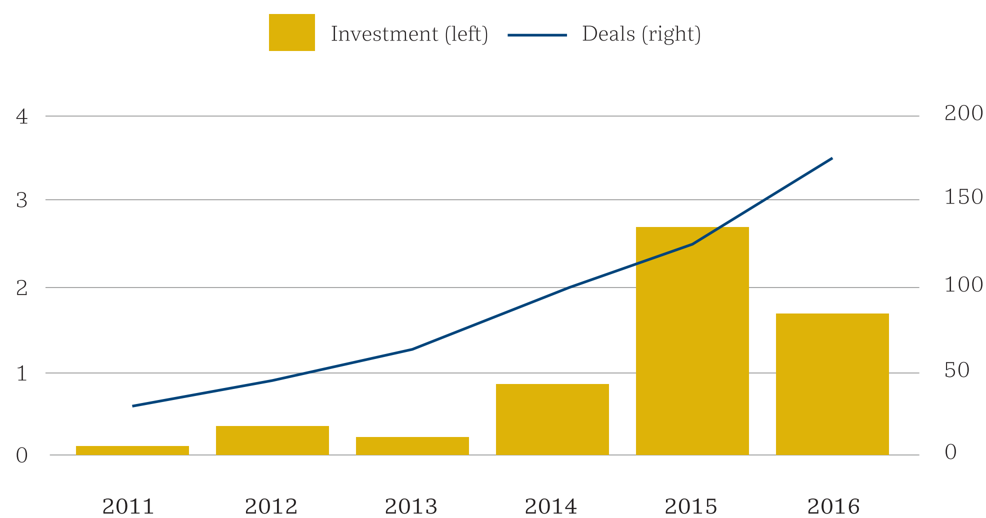
69 Capgemini, "The Digital Talent Gap."
70 Smith, "Overcoming the Big Talent Crunch."

New Market Entrants Fuelling Competitive Pressures

Rising competition from new market entrants, spurred by the recent insurtech expansion, represents another key threat to organizations within the industry. Since 2011, cumulative global investment into insurtech, a broad movement whereby technology is used to make the insurance business model more efficient, has swiftly expanded to US$6.0 billion.[71] What is more, insurtech funding deals have continued to trend upward despite a slowdown in total insurtech investment in 2016.[72] (See Chart 20 on page 32.)

Chart 20: Global Insurtech Financing Remains Strong

Left axis: Investment into insurtech, US$ billions
Right axis: Number of insurtech funding deals



Source: CB Insights

Increasing investment has led to increasing innovation in areas including:

- online policy handling,
- consumer wearables,
- claim acceleration tools,
- pay-per-use insurance, and
- personalized premiums.

What is equally or more concerning to incumbent insurance organizations than the broad penetration of new market entrants into several areas of the insurance market is the fact that these entrants are better suited to compete on price; unlike incumbent organizations, lean and agile insurtech entrants are not inhibited by the costs associated with legacy systems.

71 CB Insights, "Insurance Tech Startups."
72 CB Insights, "Insurance Tech Startups."

Given that new market entrants are forcing incumbent companies to modify their business models, it is not surprising that 64 percent of executives believe that non-traditional market entrants represent a threat to their organization's performance. (See Chart 21 on page 33.) What is more surprising, however, is the extent to which organizations believe that insurtech could potentially impact their market share. In the United States, for example, just under one in three insurance organizations estimate that upward of 20 percent of their revenues are at risk to insurtech companies.[73]

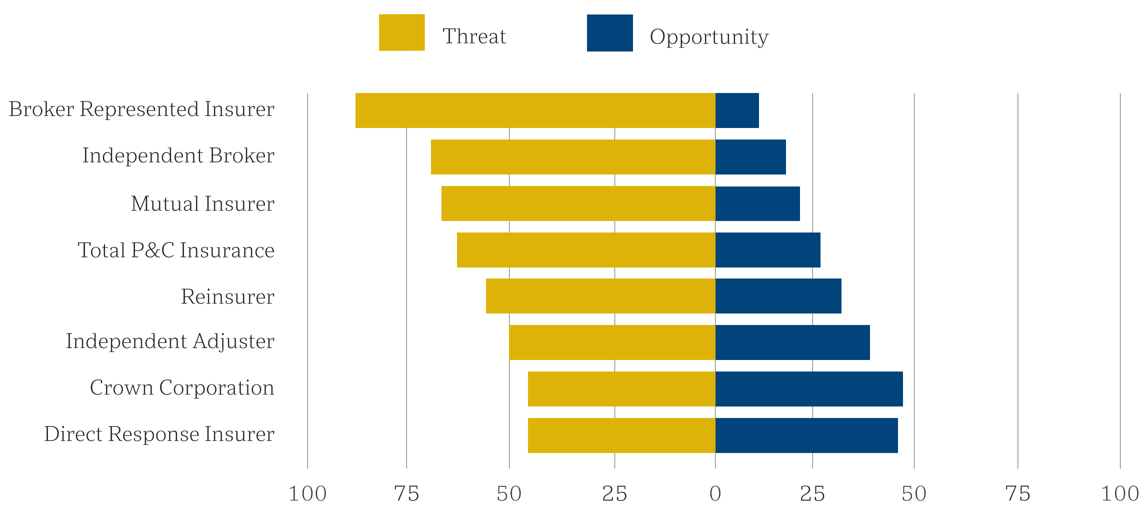
The uneven spread of insurtech across the P&C insurance industry is a key reason why organizations perceive the emergence of non-traditional market entrants differently. For example:

- Among respondents to our executive survey, broker-represented insurers are almost twice as likely as direct response insurers to view non-traditional market entrants as a threat to their organization. (See Chart 21 on page 33.)
- This likely reflects recent findings from a McKinsey study that found that while newcomers have innovated throughout the insurance value chain, their focus to date has been on distribution. (See Chart 22 on page 34.)
- This has likely had a disproportional impact on broker-represented insurers and independent brokers.
- More broadly, McKinsey found that insurtech has made greater inroads into P&C insurance products than it has for health and life insurers. They estimate that 46 percent of all insurtech innovations to date have occurred within the P&C insurance industry, ahead of both health (33 percent) and life (21 percent) insurance.

Chart 21: Non-Traditional Market Entrants Generally Perceived as a Threat

"The emergence of non-traditional market entrants (e.g. Insurtech, P2P) represents a _______ to our organization's performance."

Share of respondents, percent

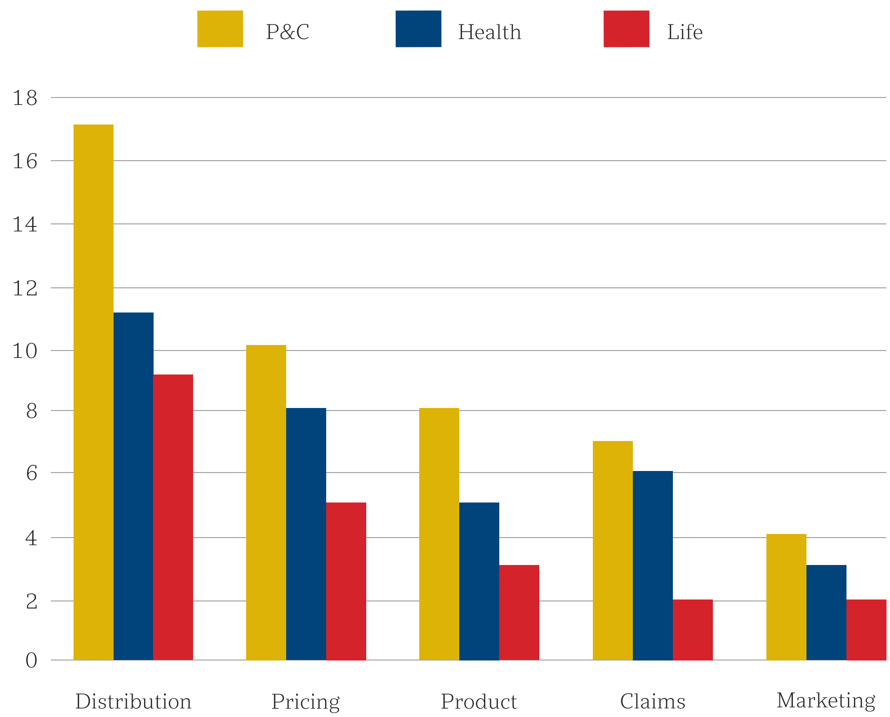


n=184
Source: The Conference Board of Canada

73 PwC, "Global InsurTech Report."

Chart 22: Insurtech Focus Has Been on Distribution

Share of innovations in insurtech database, percent



Source: McKinsey & Company

In our executive survey, not all respondents feel as threatened by the emergence of non-traditional market entrants. For instance:

- Respondents from Crown corporations and direct response insurers are just as likely to foresee opportunities as threats in non-traditional market entrants.
- Among the respondents who see an opportunity regarding these organizations, one in three expect the opportunity will be substantial. For these respondents, non-traditional market entrants such as insurtech start-ups offer them a unique chance to evolve their business models.
- Adapting the innovative solutions of these new entrants to their own business models, incumbents expect they will be able to improve their processes and leverage big data capabilities.

Considering that new entrants face barriers to scalability because they do not have established client bases, while incumbent organizations are more likely to enjoy the advantages of large capital reserves and underwriting skills built on years of experience and proprietary data, the potential for a symbiotic relationship is evident.[74]

74 Catlin et al., "Time for Insurance Companies to Face Digital Reality."

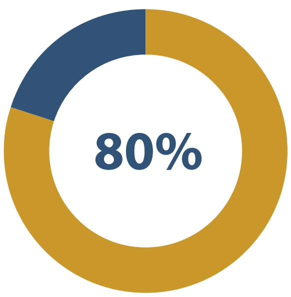
Where Does the Industry Envision Opportunities?

The greatest opportunities for organizations, and the industry, over the next five years are:

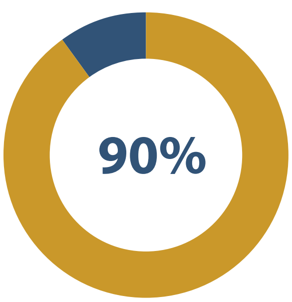
- Transitioning toward direct digital quoting and binding
- Tapping into blockchain potential

Although technological change is at the core of most threats facing the P&C insurance industry, it is also the driving force behind unique opportunities that are helping organizations successfully navigate change. Technology is blazing trails for new insurance products and services (e.g., in cyber insurance) and forging new value propositions for insurers to explore. Technology is providing insurers with the means to transition into digital sales platforms to align with evolving consumer expectations. As well, technology is affording insurers with opportunities to transform their operations (e.g., through blockchain technologies), providing adopters with a competitive edge in the future. While every organization will have a unique strategy for how best to take advantage of technological change, this section examines where most P&C insurers foresee significant opportunities.

Transitioning Toward Direct Digital Quoting and Binding



Percent of consumers are willing to use digital and remote contact channels.



Percent of executives agree that changing consumer demands are forcing their organization to rethink how they deliver their product.

The interaction between insurers and consumers is changing as new digital offerings influence consumer behaviour. Indeed, consumers are increasingly facing digital offerings in industries spanning from retail to financial services, something that has resulted in a growing portion of Canadians becoming comfortable with purchasing insurance online.[75] This behaviour parallels that of US consumers, "80 percent of [whom] are willing to use digital and remote contact channels (including web chat, email, mobile apps, video or phone) in place of interacting with insurers via agents or brokers." [76] Knowing this, insurers can appreciate the potential for direct digital distribution whereby they can quote, bind, and issue their product through mobile or online channels.

Some insurers have already begun capitalizing on this opportunity. Economical Insurance, for example, has made inroads in the digital direct-to-consumer business with the launch of Sonnet Insurance, a digital platform that offers home insurance policies. Another example is Aha, which recently launched its digital quote-to-bind service. Geared toward Ontario's auto insurance market, the service allows customers to receive a quote, purchase insurance, and manage their policies online without human intervention unless the customer requires assistance.[77]

For those insurers that have not shifted toward direct digital quoting and binding, the opportunities in doing so are apparent. Almost nine in ten executives agree that changing consumer demands are forcing their

75 Economical Insurance, "Economical Drives Insurance Industry Innovation."
76 Ernst & Young, "Digital Transformation in Insurance."
77 Canadian Insurance Top Broker, "New Quote-to-Bind Insurance Provider Hits Ontario."

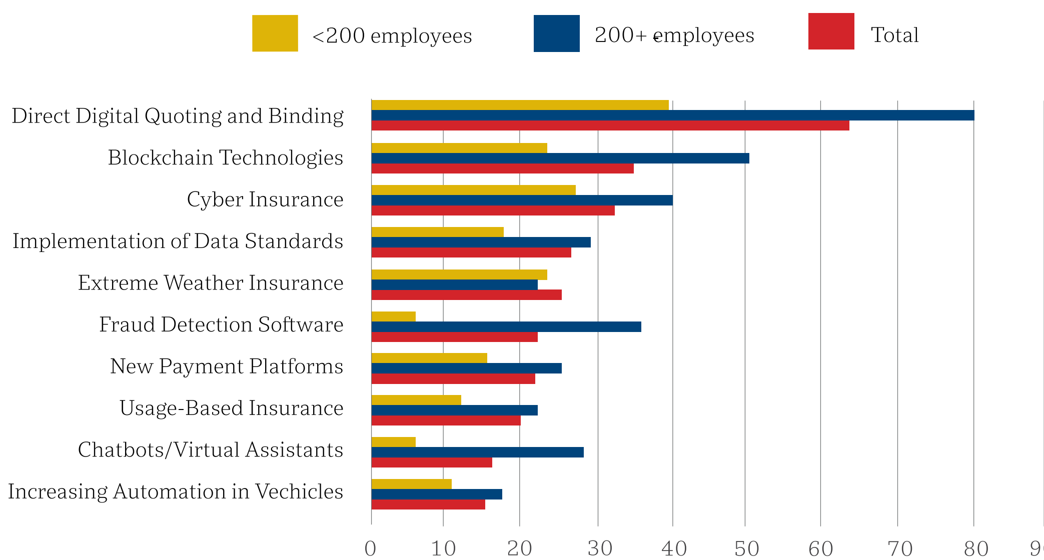
organization to rethink how they deliver their product. **And what better way to adapt to changing customer expectations than to engage customers through a variety of channels? Especially now that early adopters have demonstrated the potential to generate value through digital direct-to-consumer platforms.**[78]

Unsurprisingly, just under two-thirds of executives cited direct digital quoting and binding as a significant opportunity in meeting the financial objectives of their organizations. This was nearly double the share of respondents who foresaw opportunities in blockchain technologies, the second most-cited opportunity among executives. But this sentiment was not shared equally across organizations. Only 40 percent of executives at organizations employing under 200 workers expect opportunities in digital direct-to-consumer selling compared to an astounding 80 percent of organizations with 200 or more employees. (See Chart 23.) In fact, respondents at smaller employers almost universally were less likely to indicate that technology provided significant opportunities. **This could reflect the fact that the competitiveness of larger organizations is more geared toward their ability to scale, something direct digital quoting and binding offers.**

Chart 23: Executives at Large Organizations Are Most Eager about Direct Digital Quoting and Binding Potential

Over the next five years, which of the following technologies and products represent the largest opportunities to meeting the financial objectives of your organization?

Share of respondents, percent



n=225
Source: The Conference Board of Canada

Beyond its importance to meeting evolving consumer expectations, direct digital quoting and binding can benefit insurance organizations in other ways.

78 Ernst & Young, "Digital Transformation in Insurance."

From an operational perspective, for example, it can deliver substantial near-term gains in the form of reduced costs as labour previously engaged in various customer interactions (e.g., advising) is freed up. More importantly, digital direct-to-consumer platforms represent a portal to gather deeper customer insights. In contrast to traditional insurance organizations that remain dependent on customer information provided through applications and claims, the potential for collecting consumer data through digital means is less constrained. Ultimately, this will provide insurance organizations with invaluable information that can be used to optimize customization, improve customer engagement, and differentiate themselves within the industry.

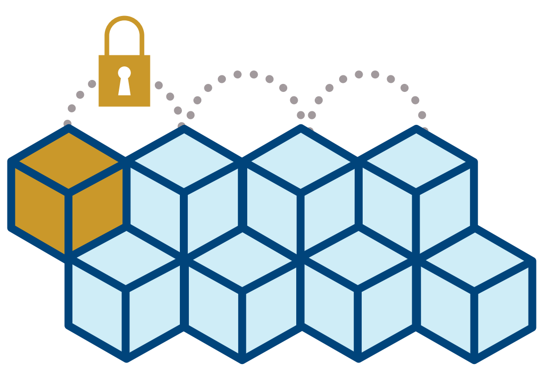
Insofar as direct digital quoting and binding enables organizations to promote customer loyalty, it will also support the longer-term competitiveness of adopting insurance organizations.

Tapping into Blockchain Potential

While its adoption has yet to become mainstream, the breadth of potential applications for blockchain technologies is a key reason why executives in the P&C insurance industry are bullish on blockchain. The technology was initially used in 2009 for the cryptocurrency Bitcoin, and later adopted by the financial services industry.[79]

Blockchain is an independent and universal digital ledger that records all transactions or digital events executed by participating parties.

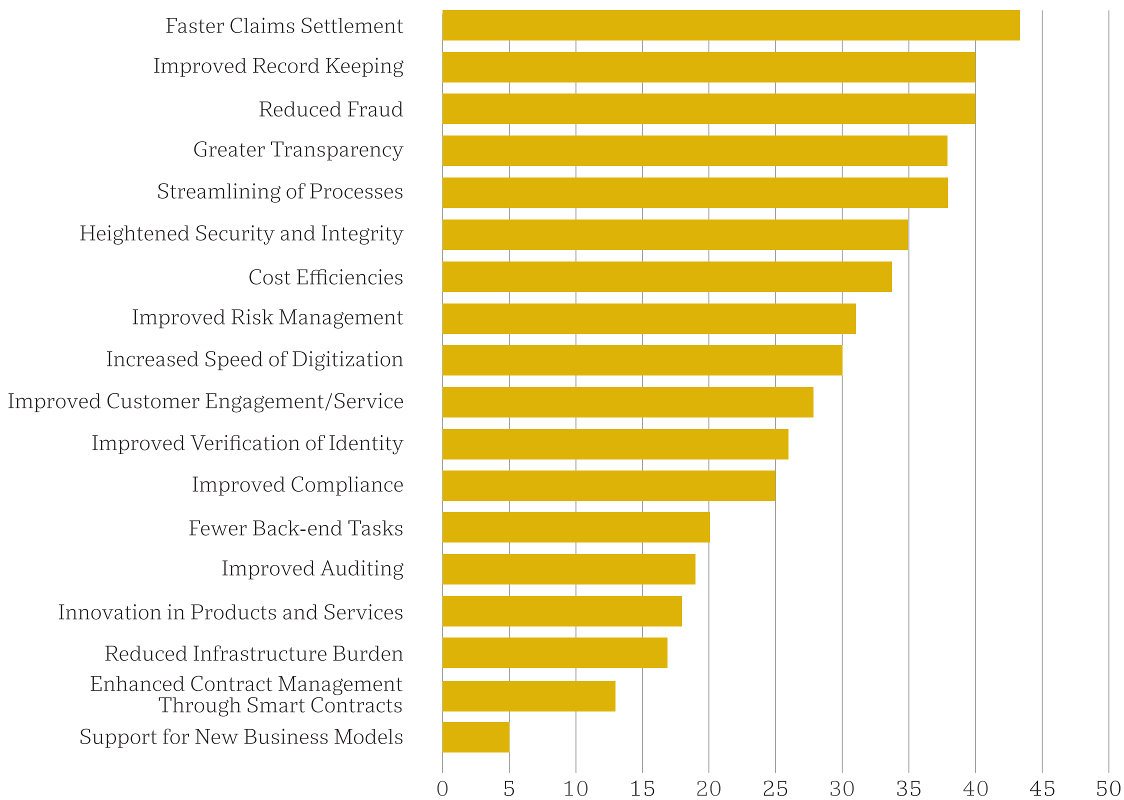
How exactly the technology will transform industries, including the P&C insurance industry, has yet to be seen, but insurance organizations believe that adopting blockchain could result in faster claims settlement, improved record keeping, and reduced fraud. (See Chart 24 on page 38.) **The breadth of the potential impacts of blockchain are apparent when one considers that only a marginally lower share of respondents anticipate benefits of the next four highest-ranked items, including greater transparency, streamlining of processes, heightened data security and integrity, and cost efficiencies.**



79 DAprile, "The Current State of Direct-to-Consumer Models."

Chart 24: Expected Benefits of Adopting Blockchain Are Plentiful

Top five expected benefits of adopting blockchain, share of respondents, percent



Source: Cognizant

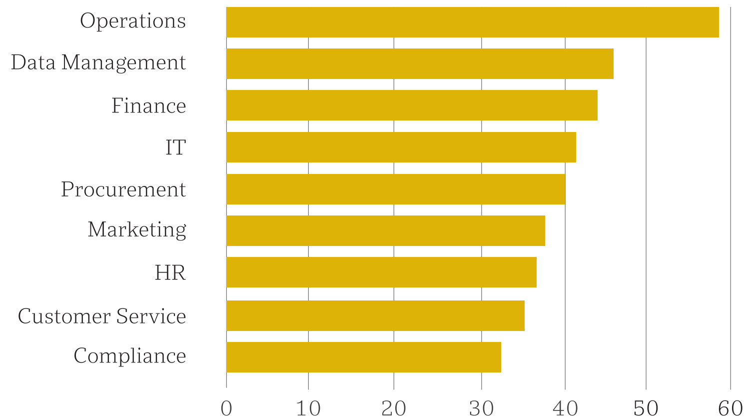
Categorizing the many potential applications for blockchain technologies, no area of the P&C insurance industry will be more impacted than operations. (See Chart 25 page 39.)

- Blockchain has the strong potential to create efficiencies in key operational areas.
  For example, blockchain could facilitate collaboration with third-party information sources needed for underwriting, pricing, claims management, and reinsurance, a process that has historically been manual, time consuming, and expensive.[80] By creating a single true source for this data, blockchain could facilitate the cost-effective access of this information by carriers.
- Blockchain holds promise in payment processing.
  While many carriers have already taken measures to ease and expedite payments through solutions such as mobile payment, social media payment, mobile wallets, and electronic funds transfers, intermediaries' (e.g., banks, vendors) service fees and clearance times remain a challenge.[81] Blockchain enables payments to be approved automatically without the need for human intervention or a central authority, something that would considerably speed up payment processing and cut operating costs.

80 Francis et al., "The Blockchain Imperative."
81 Francis et al., "The Blockchain Imperative."

Chart 25: Blockchain Expected to Have Largest Impact on Operations

Impact of blockchain across enterprise functions, share of respondents that rated impact as "high," percent



Source: Cognizant

- **Blockchain could noticeably simplify the claims process.**
  Smart contracts, a set of rules stored on a blockchain, are able to verify, enforce, negotiate, and track the performance of a contract between parties. They can also automatically execute a set of rules in case of a triggering event.[82] For example, using information such as flight schedules and weather (which is stored on a blockchain), a smart travel insurance contract can automatically initiate and pay out claims when there is a flight cancellation.

Combined, these operational efficiencies are why three in five P&C insurers anticipate that blockchain will have a high impact on operations, noticeably more than those that expect the technology to have a high impact on other industry functions, including data management, finance, and IT.

One important consequence of blockchain across operations is job automation. A survey conducted by Cognizant of insurance executives across the globe found that 91 percent of respondents expect the adoption of blockchain to result in cost savings at their organization of more than 2.5 percent, with most of these savings coming from automation.[83] What is more, over two-thirds of respondents expect that more than 2.5 percent of jobs at their organizations will be automated because of blockchain.

While a direct comparison with our executive survey is not possible, it is interesting to note that a respondent's receptiveness to blockchain (within our survey) did influence their employment outlook for the overall industry. Among respondents who anticipated opportunities in blockchain, 43 percent had a stable or negative outlook of the industry compared to 34 percent of those who did not foresee opportunities in blockchain. **This supports the notion that blockchain adoption is likely to reduce headcounts.**

Looking forward, organizations will face various obstacles in adopting blockchain technologies. These can include:

- external obstacles such as privacy and security concerns,
- internal obstacles such as understanding blockchain and its uses and communicating its benefits to key decision makers,[84] as well as

82 Francis et al., "The Blockchain Imperative."
83 Stockwell, Francis, and Krishnamurthy, "Blockchain in Insurance."
84 Stockwell, Francis, and Krishnamurthy, "Blockchain in Insurance."

- a lack of requisite skills: adopting blockchain technologies requires skillsets that generally extend beyond the traditional IT skillsets of insurance organizations into areas of technical expertise, including public key infrastructure, information architecture, software engineering, network infrastructure and integration, and user interface/user experience.[85]

In implementing blockchain technologies, it also worth noting that organizations should avoid the pattern of many IT projects that are massive in scale, slow to implement, and often fail to meet expectations. Instead, insurance organizations are advised to take a nimbler approach of starting small, failing fast, identifying what works, and scaling quickly.[86]

In short, blockchain represents one of the most powerful technologies for enabling digital transformation, and it is potentially self-financing.[87]

85 Francis et al., "The Blockchain Imperative."
86 Stockwell, Francis, and Krishnamurthy, "Blockchain in Insurance."
87 Ernst & Young, "Digital Transformation in Insurance."

How Does the Industry Plan to Manage Disruption?

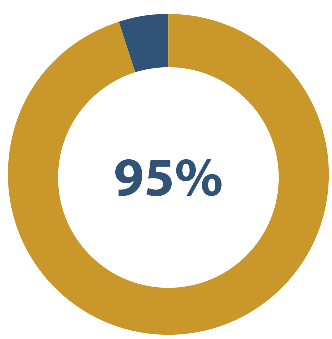
In order to survive, organizations will need to adapt by tackling the disruption head on by:

- Investing in digital and innovative capabilities
- Having the right talent to manage disruption

P&C insurance organizations face an unprecedented era of disruption driven by technological change. Not only does the industry face the challenge of incorporating innovations like AI, the IoT, and blockchain into their business practices, organizations are also confronted with changing distribution channels, regulatory change, new market entrants, and demographic change. In this hyper-disruptive age, many organizations are held back by their inability to address this change in its entirety. However, organizations know that unless they adapt, their survival will be at risk. In this section, we explore how organizations expect to tackle disruption.

Investing in Digital Capabilities

P&C insurance organizations understand that to successfully manage disruption and adapt to technological change, they will need to invest in digital and innovative capabilities. **Roughly 95 percent of executives highlighted the importance of changing their business and operating models to remain competitive in the future.** However, changing these models requires substantial digital investments. But not just any investments—organizations will need to move from doing digital to being digital.[88] In other words, organizations can no longer rely on siloed efforts to capture value through technologies but must instead reimagine all aspects of their business model to take advantage of the digital opportunities. Knowing this, 72 percent of executives cited investment in digital and innovative capabilities as the most important way to adapt to technological change—more than double any other activity. (See Chart 26 on page 42.)



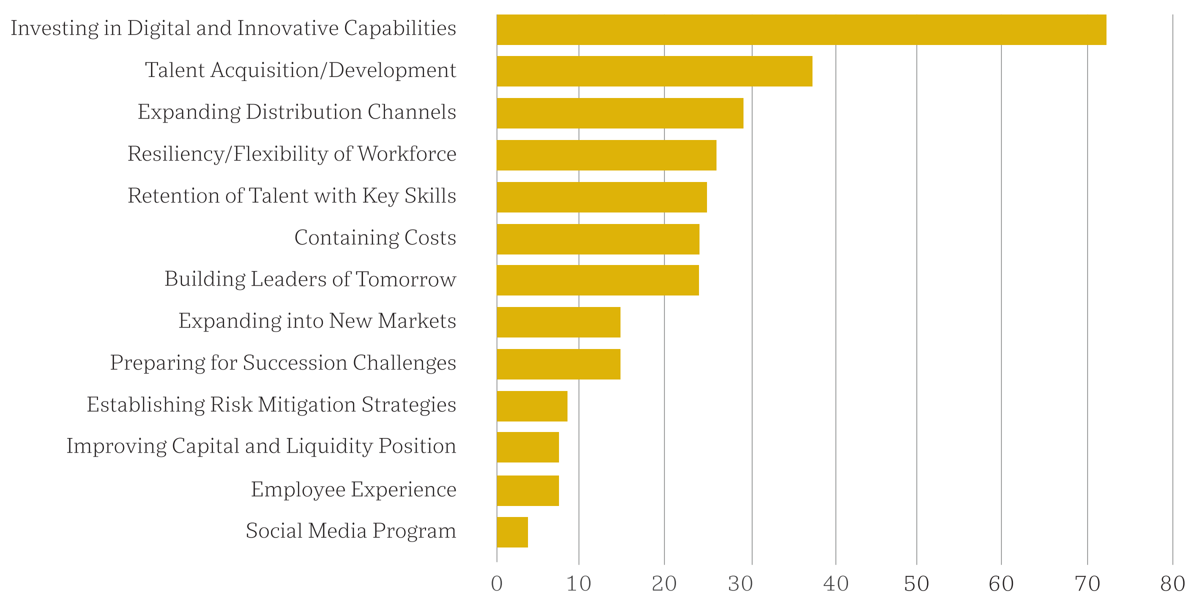
Roughly 95 percent of executives highlighted the importance of changing their business and operating models to remain competitive in the future.

88 Deloitte, "From 'Doing Digital' to 'Being Digital'."

Chart 26: Investing in Digital and Innovative Capabilities Is Central to Adapting to Technological Change

Over the next five years, which of the following activities are most important to your organization as it adapts to technological change?

Share of respondents, percent



n=224, respondents could choose up to three responses
Source: The Conference Board of Canada

Replacing legacy systems represents one key area that organizations will need to prioritize investments in to fully harness the opportunities provided by emerging technologies. Indeed, legacy systems represent a roadblock to organizations' digital transformations for several reasons:

- **Legacy systems are costly to maintain.**

  Some estimates suggest that 75 percent of IT budgets at banks and insurance organizations are consumed with maintaining existing systems.[89] Considering that IT accounts for just under one-quarter of the total operating costs for the P&C insurance industry,[90] this suggests that **some organizations spend 17 cents of every dollar of their operations budget maintaining these outdated systems**. (See Chart 27 on page 43.) Insofar as this portion of an organization's budget is being diverted away from potential productivity-enhancing investments, legacy systems act as a barrier to competitiveness in a digital age.

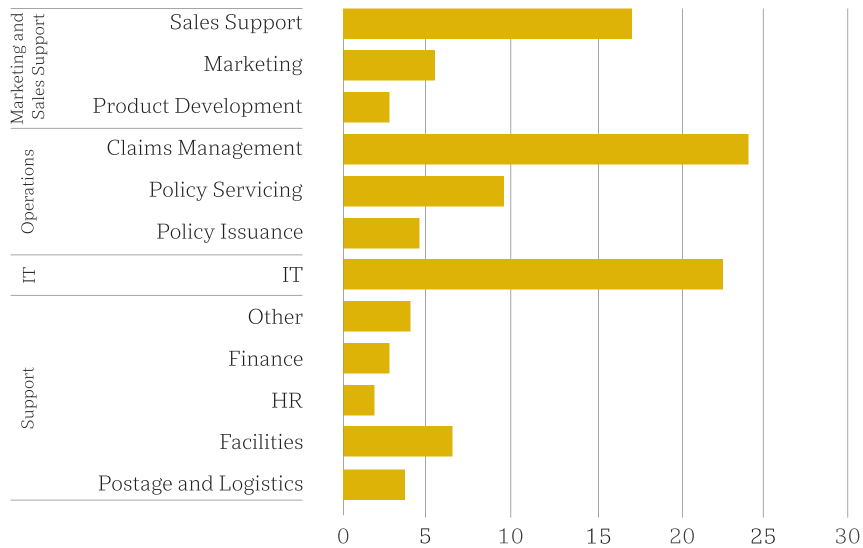
- **Legacy systems limit an organization's ability to introduce new technologies.**

  To date, "most insurers' approaches to going digital have amounted to a digital veneer placed on top of legacy systems, processes and products."[91] However, **the need to access and process large volumes of data, spurred by the IoT and innovations in AI, is making it increasingly difficult for organizations to use existing IT infrastructure.** This is a key reason why 81 percent of UK insurers reported that existing IT systems hinder innovation.[92] Moreover, it helps to explain why P&C executives cited current processes and procedures as the largest hurdle to adapting to technological change, ahead of budget constraints. (See Chart 28 on page 43.)

89 Crotty and Horrocks, "Managing Legacy System Costs."
90 Peters, Vogelgesang, and Kaniyar, "Transitioning to Standard Software."
91 Cognizant, "The Future of Insurance."
92 Marketforce, "The Future of General Insurance 2016."

Chart 27: A Significant Portion of IT Budgets Are Consumed Maintaining Legacy Systems

Share of total operating costs, P&C insurance industry, percent

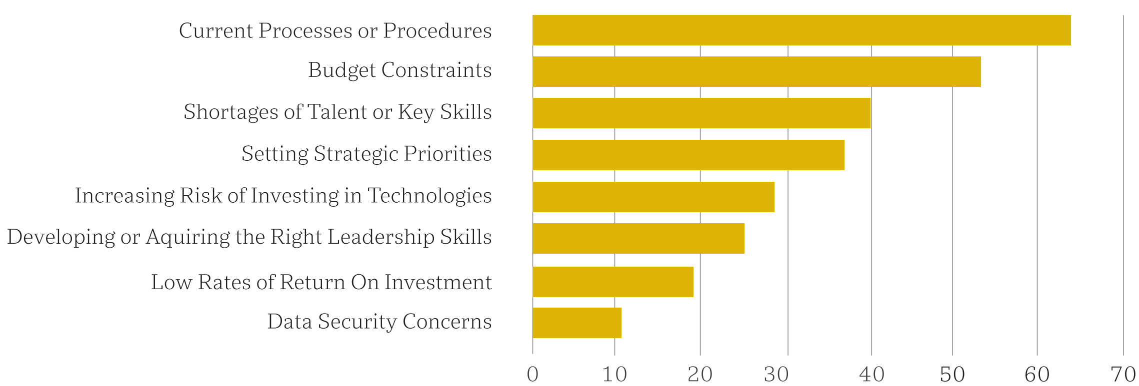


Source: McKinsey and Company

Chart 28: Legacy Systems Represent a Crucial Hurdle to Adapting to Technological Change

Over the next five years, which of the following represent the largest hurdles to your organization's ability to adapt to technological change?

Share of respondents, percent



n=224

Source: The Conference Board of Canada

Beyond replacing legacy systems, organizations face several other investment opportunities. For example, organizations can:

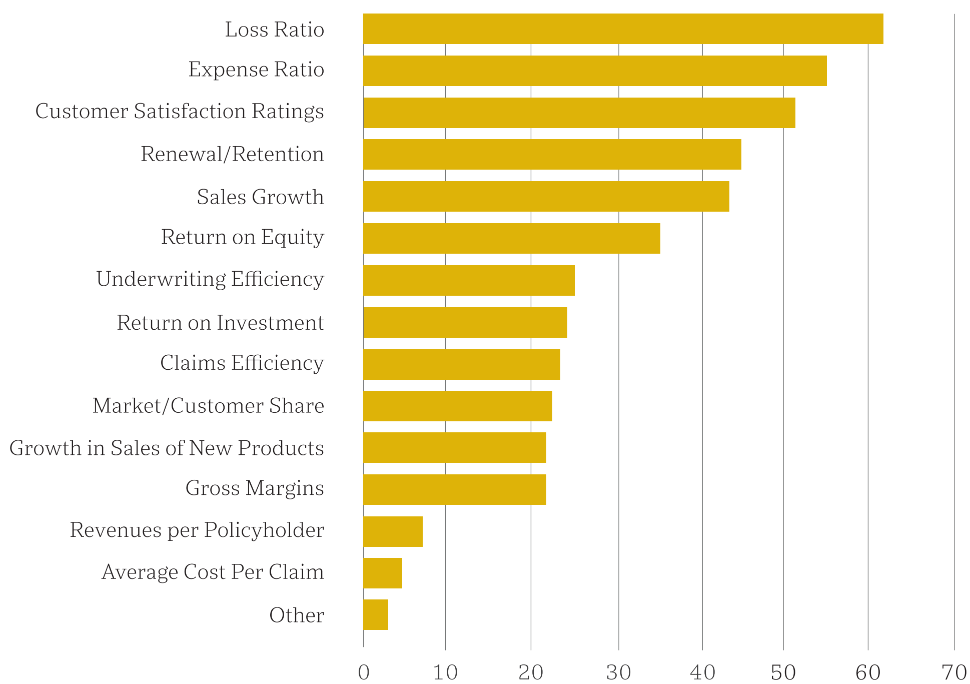
- **Invest in new digital partnerships** inside and outside the industry that allow it to expand into new business lines.
- **Invest in tools** that allow them to become more data driven and innovative. Process innovation was the most common type of innovation undertaken by organizations in our survey; 89 percent of respondents had engaged in process innovation, primarily by customizing or significantly modifying existing technology (64 percent) and purchasing off-the-shelf technology (63 percent). *Process innovation generally focuses on improving the productivity of an organization's workforce.*
- **Invest in product and marketing innovation,** which generally serve to boost an organization's sales. Roughly two-thirds of respondents to our executive survey expect to undertake these types of innovations over the next five years. For example, investments in front-end capabilities (e.g., expanding distribution channels) can improve customer experience. The benefit of such investments is that they could drive improvements in customer satisfaction, a performance metric that over half of executives expect to use to evaluate the success of their organization over the next five years. (See Chart 29.)

Ultimately, organizations that can commit to ongoing and targeted investments have much to gain.

Chart 29: Over Half of Organizations Expect to Gauge Future Success through Customer Satisfaction Ratings

Over the next five years, which of the following performance metrics are you mostly likely to depend on in evaluating the success of your organization?

Share of respondents, percent



n=223, respondents could choose up to five responses
Source: The Conference Board of Canada

A study by the *Harvard Business Review* found that digital leaders (organizations that achieved positive outcomes from their investments in digital transformation) enjoyed notable benefits over counterparts in the form of a better understanding of their customers, automated processes, lower expenses, higher sales, and profits.[93] In the case of the latter two benefits, percent of digital leaders reported increased revenues; compare this to 20 percent of followers and 12 percent of laggards. Similarly, 68 percent of leaders report improved profitability (compare to 25 percent of followers and 14 percent of laggards).

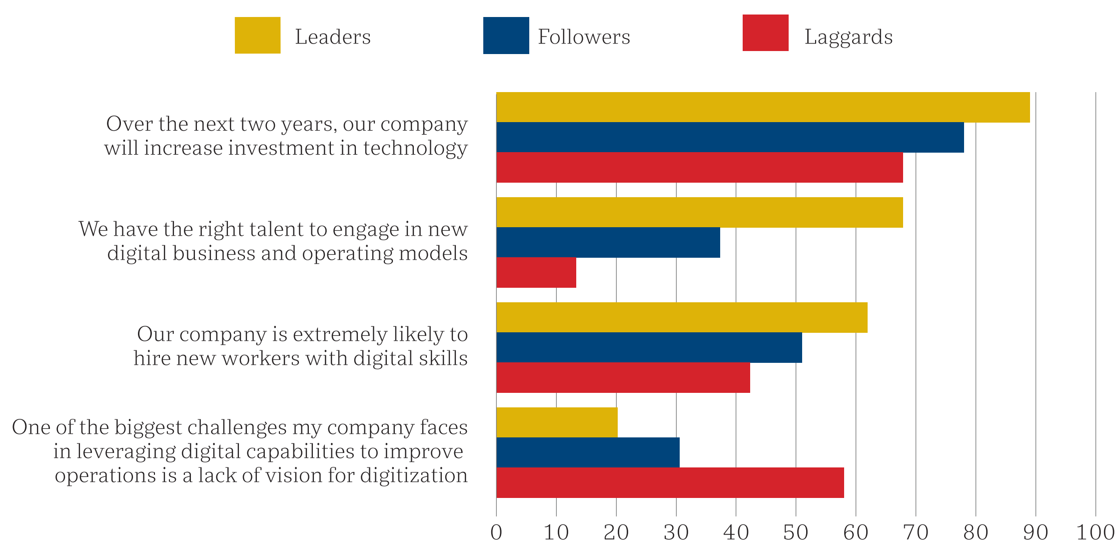
But what exactly differentiates digital leaders from their counterparts?

- Digital leaders are much more willing to invest: 89 percent of leaders expect to increase investment in technology over the next two years versus 67 percent of laggards.[94] (See Chart 30.)
- Digital leaders are characterized by their attitude toward talent: they were much more likely to have the right talent in place, and also more willing to hire new employees to secure the skills needed to take advantage of technologies.
- Digital leaders are much less likely to lack a vision for where digital capabilities could benefit their organization.

All this suggests that P&C insurance organizations should not be too quick to forgo investments in digital capabilities simply because of budget constraints. Not only can certain digital investments be justified on the basis that they have the potential to be self-financing, but forgoing such investments could easily have a compounding detrimental impact on an organization's competitiveness over time.

Chart 30: Attitude Toward Investing Distinguishes Digital Leaders from Laggards

Share of respondents agreeing with the following statements, percent



Source: *Harvard Business Review* Analytic Services Survey

Against the backdrop of a growing need to invest in productivity-enhancing technology, smaller organizations will generally find themselves at a disadvantage relative to larger organizations. The literature suggests that the level of financial resources, in-house technical and IT knowledge, and information resources accessibility can all impact the successful adoption of new

93 *Harvard Business Review*, "Operationalizing Digital Transformation."
94 *Harvard Business Review*, "Operationalizing Digital Transformation."

IT systems and processes.[95, 96] These are all factors which smaller organizations are less likely to possess in abundance relative to larger organizations, and thus has important ramifications for the widespread adoption of new innovative processes or technologies throughout the industry. In fact, it is a key reason why several larger organizations have already made headway into retiring legacy systems and investing in more sophisticated policy administration and claims systems,[97] while many small organizations find investing in new innovative processes or technologies more difficult than simply adding another employee.

> Ultimately, organizations that forgo or delay investments in productivity-enhancing technology will find themselves at a disadvantage long-term relative to those that implement more efficient processes. The consequences of inadequate investments could be more pronounced in so far as it impacts an organization's ability to retain and attract talent.

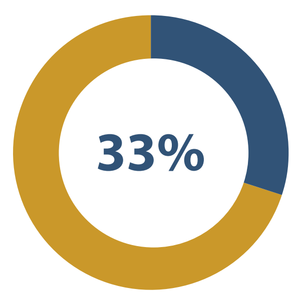
Having the Right Talent Is Essential to Managing Disruption

P&C insurance organizations are concerned that they may not be able to attract, develop, and retain the right talent to meet their evolving workforce requirements. This concern can be traced to several developments:

- **The industry is confronted with the unprecedented impacts of technological change on talent requirements**, with innovations in big data, AI, and the IoT fundamentally changing **the nature of work**. A key result of this change is that executives are losing faith in their digital capabilities.

> A PwC study of global technology executives found that 52 percent rated their digital IQ as strong, down from 67 percent in 2016.[98] This is not a reflection of employees becoming less digitally savvy, but rather it reflects **the fact that the gap between capabilities that organizations have and those they require keeps widening.**

- **The industry is facing a significant outflow of workers due to retirement**. Retirement projections suggest that 27 percent of the industry's current workforce is expected to retire by 2027.[99] Many of these retirements will occur in occupations such as underwriting and claims that are more susceptible to automation and thus face weaker demand profiles. However, 33 percent of current IT workers are expected to retire over the next decade, and demand for IT professionals is expected to expand significantly. As such, the industry will have the double challenge of replacing a high number of retirees while trying to expand its IT capabilities. One key concern of the oncoming wave of retirements is that organizations will need to bridge the transfer of institutional knowledge between retirees and remaining workers.
- **Industry employers will increasingly find themselves competing for talent** with other organizations, both within and outside the P&C insurance industry.



Percent of current IT workers expected to retire over the next decade.

95 Ghobakhloo, Hong, Zulkifli, and Sabouri. *Strategies for Successful Information Technology Adoption in Small and Medium-sized Enterprises.*
96 Cragg and Zinatelli, *The evolution of information systems in small firms*.
97 Williams, "Staying Power."
98 PwC, "2017 Digital IQ."
99 Insurance Institute of Canada 2017 industry census.

Given the combined effects of these three factors, two in five executives listed shortages of talent or key skills as a significant hurdle to their organization's ability to adapt to technological change. This result aligns with a survey conducted by the Boston Consulting Group, which found that half of US and German companies cited the lack of qualified employees as the biggest constraint to a full digital transformation.[100]

Faced with evolving workforce requirements, organizations will need to rethink their talent strategies. Part of formulating these strategies will require that organizations audit the skills and capabilities of their workforce to identify existing strengths and weaknesses. Just as important, organizations will need to engage in strategic workforce planning to identify what skills and capabilities are expected to be most critical for the organization in the future. Gauging the potential for gaps in skills and capabilities, organizations must then adopt a talent strategy that incorporates attracting, developing, and retaining digital talent.[101]

It is interesting to note that future talent strategies are expected to be more geared toward difference-making talent.[101] In other words, technology is changing the roles that matter most for organizations. As such, organizations will not only need to attract, develop, and retain talent in business-critical roles, but also determine where this difference-making talent can be put to best use within their organization.

To be successful, a future talent strategy must incorporate a framework for continual workforce upskilling. The rapid pace of technological change is eroding the traditional value of experience in favour of adaptability, making it increasingly important for organizations to engage employees in lifelong learning. As such, organizations will need to identify the skills they wish to develop and find appropriate educational experiences that can enable employees to acquire these skills. These educational experiences (e.g., training modules) will need to be flexible and in tune with modern learning styles and attention spans and will be most successful when they incorporate elements such as gamification, real-time feedback, and self-paced learning.[102]

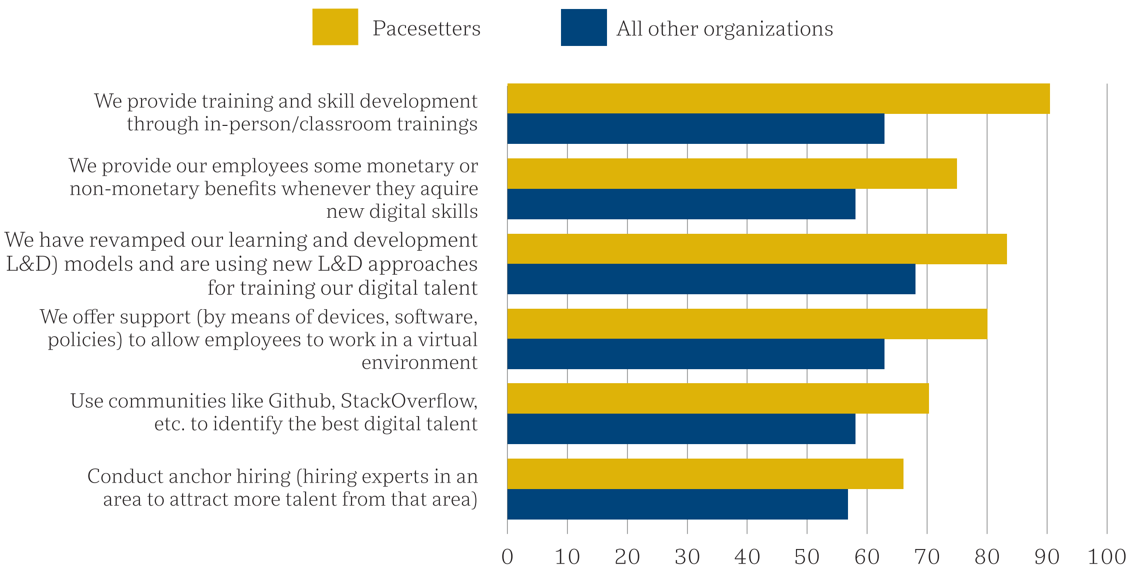
Beyond providing employees with educational experiences, organizations will need to consider ways to incentivize learning; 75 percent of pacesetters (i.e., organizations categorized as digital leaders) provide employees with some form of monetary or non-monetary benefit whenever they acquire new digital skills, compared to 58 percent of other organizations.[103] (See Chart 31 on page 48.)

Considering the growing importance of upskilling, it is surprising that fewer than one in five organizations across the globe reported upskilling every year based on current needs and future requirements, while only 6 percent did so every three to six months.

100 Bhalla, Dyrchs, and Strack, "Twelve Forces that Will Radically Change How Organizations Work."
101 Mankins, "How Leading Companies Build the Workforces."
102 Williams, "Staying Power."
103 Capgemini, "The Digital Talent Gap."

Chart 31: Digital Leaders Are More Likely to Employ Various Recruitment and Upskilling Practices

Share of respondents agreeing with the following statements, percent



Source: Capgemini

A future talent strategy must also consider the role for non-traditional workers. Indeed, organizations' skills gaps combined with the need to hire on demand (e.g., to deal with peak workloads during natural disasters) will make flexible workforces even more important. For example, contingent workers[104] are expected to account for a growing share of P&C industry employment in the coming years. They accounted for only 1.1 percent of the workforce in 2016, but HR professionals within the industry expect that 2.4 percent of recruiting in the coming two years will be for contingent positions.[105] Part of this growing dependence on contingent workers stems from the fact that, contingent work represents an appealing work arrangement for those planning to work past retirement.

Beyond integrating a rising prevalence of contingent workers, **future talent strategies will also need to adapt to more remote work**. Over half of all workers within the P&C insurance industry already work remotely at least part of the time.[106] A key benefit of an organization's ability to accommodate remote work is that it also expands the talent pool from which organizations can source talent.

Ultimately, formulating the right talent strategy represents a key channel through which P&C insurance organizations can manage disruption. While organizations work to update the skillset of their workforces, they should not lose sight of the fact that the critical skills today will not necessarily be the critical skills of tomorrow. Thus, any future talent strategy must be flexible and try to anticipate future trends. This may be easier said than done.

Nonetheless, 37 percent of executives believe that acquiring and developing the right talent will support their ability to manage disruption—the second most-cited activity to help manage disruption after investing in digital and innovative capabilities.

104 Contingent workers are defined as a provisional group of workers who work for an organization on a non-permanent basis and are not included on the payroll (e.g., freelancers, independent professionals, independent contractors, consultants).
105 Insurance Institute of Canada 2017 HR professional survey.
106 Insurance Institute of Canada 2017 employee survey.

Key Findings and Conclusions

The research presents nine key findings and conclusions:

1. Change is underway.
2. Changes will be wide ranging.
3. Think differentiation, not commoditization.
4. Size matters.
5. IT is more than a cost centre.
6. Talent is key.
7. Competition for talent will be high.
8. Don't forget critical workplace skills.
9. Head counts will continue rising.

This report has discussed an array of technological changes that the P&C insurance industry is expected to experience in the coming years. These changes are expected to provide both threats and opportunities. The skills of the industry's workforce, most importantly its leadership and IT skills, will be a key factor in successfully mitigating the risks and realizing the opportunities. As such, strategies to develop or acquire these skills should be a central part of any strategy related to managing technological disruption in the P&C industry. This concluding section summarizes nine key findings from the research.

1. Change is underway.

Whether wanted or not, a technological transformation of the P&C insurance industry is underway. The question is not if these changes will occur, but how fast the pace of transformation will be. New entrants and early adopters will drive other organizations to adapt, or they will risk losing market share. Clearly, many organizations are concerned about the pace of change and their ability to adapt. A shift in focus for IT investments away from maintenance of legacy systems toward new investments is one potential way for organizations to adapt. Developing a flexible and forward-looking talent strategy is also a key consideration.

2. Changes will be wide ranging.

Not only is the adoption of new technologies into the business practices of the P&C insurance industry inevitable, their impacts will be wide ranging. For example, when asked about what business functions face disruption in the next five years, more than 80 percent of respondents thought that there would be at least some impact on every key business function. This does not contradict the **start small, fail fast, identify what works, and scale quickly philosophy**. Instead, it requires organizations to build internal networks and processes that allow for organization-wide dissemination and adoption of best practices; this is a key component of success in scaling quickly.

3. Think differentiation, not commoditization.

There is a clear concern among a significant minority of industry executives (38.4 percent of survey respondents) that the commoditization of insurance markets will be a threat to their financial performance in the coming years. If true, the cost savings and operational efficiencies that many of the technologies under consideration could realize would be critical in maintaining the financial performance of the industry. However, the industry is also witnessing how technology is reshaping consumer demands. To the extent that customer experience overtakes price as the key brand differentiator, organizations will increasingly depend on technology to improve customer experience and interactions, and distinguish themselves from their competitors.

Technology is a driving force behind unique opportunities that are helping organizations successfully navigate change. Technology is

- Blazing trails for new insurance products and services (e.g., in cyber insurance),
- Forging new value propositions for insurance organizations to explore,
- Providing the means to transition into digital sales platforms to align with evolving customer expectations, and
- Affording opportunities to transform operations (e.g. through blockchain technologies), providing adopters with a competitive edge in the future.

4. Size matters.

The literature clearly shows a preference for scale in digital distribution channels; larger organizations are better able to leverage the opportunities that digital technologies provide. This sentiment is evidenced in our survey results, with smaller organizations indicating they have less ability to keep pace with technological change and being more likely to view technological change as a threat. This desire for scale may also be a contributing factor to the consolidation that the industry has been experiencing in recent years. In this environment, consolidation is likely to continue, as smaller organizations may find it increasingly difficult to maintain a competitive advantage. Leveraging partnerships, such as the data sharing that blockchain is expected to enable, is one potential way for smaller organizations to maintain their success.

5. IT is more than a cost centre.

IT has generally been viewed as a cost centre in the industry, with the maintenance of legacy systems being a core function of IT departments. However, more than any other department, IT will both drive organizational disruption through technology and be disrupted itself. This means that how organizational leaders think about IT departments may need to change. Rather than being a cost centre, IT departments will increasingly be a key source of how organizations create competitive advantage. This may require new skills and thinking for both senior managers and IT workers within the P&C insurance industry.

6. Talent is key.

The unprecedented impacts of technological change are driving a wedge between capabilities that organizations have and those that they require. Most notably, organizations are faced with changing talent requirements. To manage these changes, organizations will look to develop new or expand existing skill sets, with data analysis at the top of the list for executives. There is a clear concern among executives that talent shortages will impede their ability to adapt to change, and to fully exploit the opportunities afforded by new technologies. Successful talent development and acquisition will also require alignment between senior managers and HR departments. Our survey results highlight some misalignment between executives and HR professionals in terms of which skills are most needed and the competitive threat of fintech companies in terms of hiring people with desirable skills.

7. Competition for talent will be high.

The technological trends discussed here are not unique to the P&C insurance industry. This means that employers in a wide variety of industries will be seeking to hire people with the same skillsets that have been identified by the P&C insurance industry. However, indications are that enrolment in related post-secondary programs is not sufficient to meet rising demand. The result will be a high degree of competition for people with the desired skills. This may require P&C employers to look beyond recruitment to fulfill their needs. Training is one potential solution: With an above-average share of IT employees in the industry indicating dissatisfaction with their training opportunities, increased training for IT staff could also improve retention. Alternatively, P&C insurance organizations may need to make increased use of turnkey solutions from established providers rather than developing the necessary expertise in house.

The Growing Talent Challenges:

- The gap between capabilities that organizations have and those they require keeps widening.
- The industry is facing a significant outflow of workers due to retirement.
- Industry employers will increasingly find themselves competing for talent with other organizations both within and out of the insurance industry.

The Changing Talent Requirements:

- Analytics and data analysis skills are growing in importance and urgency as organizations look to increase their ability to collect, interpret, and monetize data and their competitive advantage.
- Customer service skills are a key ingredient to greater customer centricity and the increasing digital engagement of consumers as organizations look to improve the customer experience and brand loyalty.
- Management and leadership skills are changing: leaders will need to think divergently about new ways of doing things and make strategic decisions, often with less information and greater risk tolerance – as organizations look to create a culture of adaptability.

Insurance organizations will not only need to become more targeted in skill acquisition, but also foster lifelong learning to ensure the continuous skill development of their workforce.

8. Don’t forget critical workplace skills.

Although data analytics was the number one skill identified by executives in our survey, workplace skills such as customer service, adaptability, and innovation were also highly ranked. Even among IT workers organizations report a more pronounced talent gap in workplace skills than in hard digital skills. A key reason for this is that customer centricity is one of the ways that companies can build a competitive advantage in the digital era, and that requires an understanding of customer needs and expectations.

9. Head counts will continue rising.

Despite the potential that consolidation and the automation of tasks has to reduce industry payrolls, there is a consensus among industry executives that peak employment has yet to arrive. Although the number and importance of certain roles is expected to shrink, the need to develop and acquire new skills is expected to drive further employment gains. When taken in concert with the need to replace a rising number of retirees in the coming years, recruitment will remain a top priority for HR professionals in the industry.

Appendix I – Glossary and Notations

- **Employee status:** The following table outlines the different types of employment status addressed in this study:

Status	Description
Regular full-time	Employee working 30 or more hours per week.
Regular part-time	Employee working less than 30 hours per week.
Temporary full-time	A non-permanent employee working 30 or more hours per week for a limited time (e.g. one-year contract).
Temporary part-time	A non-permanent employee working less than 30 per week for a limited time (e.g. one-year contract).
Contingent	A provisional group of workers who work for an organization on a non-permanent basis and are not included on the payroll (e.g. freelancers, independent professionals, independent contractors, consultants).

- **Remote worker status:** Employees that work outside of a corporate office at least some of the time were categorized into one of the two following groups:

Status	Description
Formal	An employee who regularly works remotely for a fixed share of their time in formal agreement with their employer.
Informal	An employee who can work remotely on an occasional basis.

- **Technology-sensitive respondent (HR survey):** An HR professional that reported the impact of technology on job types and functions, and skill requirements, will impact their organization's future recruitment and retention of employees to a great extent.

- **Organizational Type:** Throughout this study, stakeholders were asked to identify the organizational type that best represented the structure of their organization. The list of organizational types included:
  - Broker represented insurer
  - Crown corporation
  - Direct response insurer
  - Independent adjuster
  - Independent broker
  - Mutual insurer
  - Reinsurer

  Respondents that believed that multiple structures existed were encouraged to select all organizational types that were applicable to their organization. For such respondents, data was entered across each selection. For example, the survey responses of an HR professional that categorized their organization as both a direct response insurer and a mutual insurer, would be captured in results relating to both organization types.

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Part and Chapter:	PART VI(1) Benchmarking PART V, EXP 3.2.1	Page No.:	8-10 22-23
PUB Approved Issue No:	5. Corporate Strategic Plan and Annual Business Plan; 9. Cost of Operations and Cost Containment Measures		
Topic:	Service Delivery Model; Expenses		
Sub Topic:			

Preamble to IR:

Question:

In regard to the MPI Call/Contact Centre, please provide the following:

a) The total number of calls received by the MPI Call/Contact Centre in each of 2015 – 2019;

b) The average time per call, including with wait times broken out, by hour of the day, for calls received by the MPI Call/Contact Centre in each of 2015 – 2019;

c) The number of FTE working at the MPI Call/Contact Centre in each of 2015 – 2019;

d) The number of forecasted FTE working at the MPI Call/Contact Centre in each of 2020 – 2024;

e) Information on the average cost per call received at the MPI Call/Contact Centre in each of 2015 – 2019;

f) What are the hours of the MPI Call/Contact Centre?;

1. Does MPI expect these hours to change should Online Customer Self-Service be implemented?.

g) Please explain the expected future role of the MPI Call/Contact Centre in regard to the scope of services offered or supported at or by the MPI Call/Contact Centre;

1. Does MPI have a strategic or long-term plan for the scope of services provided by the MPI Call/Contact Centre?;

2. Please provide copies of any studies or reports, if any prepared for or obtained by MPI, to assess the impact of customer self-service on MPI Call/Contact Centre; and

3. Does MPI have data or benchmarks of other online insurance environments? If so, what percentage of consumers does MPI project will "fall out of the box" or not close/bind their insurance coverage online? In other words, although consumers often review insurance information online, many of those same consumers will not actually purchase their insurance online: where does MPI believe they will go to actually purchase their insurance?

h) What is the experience of MPI receiving payments online? What percentage of current MPI customers now use this option?

1. How long has MPI payment online been available?

i) Does MPI expect that the development and implementation of any Online Customer Self-Service or online provisioning will impact:

1. the amount of calls received by the MPI Call/Contact Centre?;

   i. Why or why not?;

ii. If so, to what extent will the amount of calls be impacted in each Service Centre?;

2. the average time per call received by the MPI Call/Contact Centre?;

   i. Why or why not?;
   ii. If so, to what extent will the amount of calls be impacted in each Service Centre?;

3. the average cost per call received at the MPI Call/Contact Centre?;

   i. Why or why not?; and
   ii. If so, to what extent will the amount of calls be impacted in each Service Centre?

Rationale for Question:

To evaluate whether MPI plans to use the MPI Call/Contact Centre to assist with any Online Customer Self-Service or online provisioning and whether the Call/Contact Centre has the capacity for any increase in calls due to Online Customer Self-Service.

RESPONSE:

a) Please see Figure 1 below for the total number of calls received by the MPI Call/Contact Centre in each year, from 2015 to August 2019:

Figure 1 Contact Centre Inbound Call Volume

Line No.	Year	Total Inbound Call Volume
1	2015	1030293
2	2016	1066591
3	2017	1036411
4	2018	1155404
5	2019 to date	766141

b) Please see *Appendix 1*.

c) Please see Figure 2 below for the number of Full Time Equivalents (FTEs) working at the MPI Call/Contact Centre in each year, as requested:

Figure 2 Number of Forecasted FTEs

Line No.	Year	Budget Total FTEs	Total Overall Active FTEs
1	2015	131	131.3
2	2016	146	141.8
3	2017	146	139.8
4	2018	150	145.3
5	2019	157	149.4

d) Please see Figure 3 below for the number of forecasted FTEs working at the MPI Call/Contact Centre in each year, as requested:

Figure 3 Contact Centre of Forecasted FTEs

Line No.	Year	FTE Budget*
1	2020	157
2	2021	160
3	2022	162
4	2023	165
5	2024	168

*These figures are estimates. FTE counts are forecasted at the time the budget is prepared and are based on historical volumes and handle times. The counts are also adjusted based on known impacts such as process changes. These estimates include a growth factor of 1.64 which is based on the average number of FTEs MPI required to handle historical volumes in the past 4.5 years.

e) Please see Figure 4 below for the average cost per call received at the MPI Call/Contact Centre in each year, as requested:

Figure 4 Average Cost Per Call

Line No.	Year	*Cost Per Call
1	2015	$8.11
2	2016	$8.11
3	2017	$7.78
4	2018	$7.39
5	2019	$7.00

*Based on total departmental budget against call volume. Does not include employee benefits.

f) Please see Figure 5 below:

Figure 5 Contact Centre Hours for Public and Broker Calls

Line No.			
1	Public	Mon-Fri 7:30-7:00 p.m.	Sat 8:30-4:00 p.m.
2	Broker	Mon-Fri 8:30-8:30 p.m.	Sat 8:30-6:00 p.m.

1. No determination has been made on a potential change in hours of operation due to On-line Customer Self Service.

g) Please see responses below:

1. No, MPI does not have a strategic or long-term plan for the scope of services provided by the MPI Call/Contact Centre.

2. There are no studies or reports available on the impact of customer self-service on the MPI Call/Contact Centre.

3. There are no data/benchmarks available.

h) The Figure 6 below reflects Online Credit Card Payments ("OCCP's") for the period August 1-31, 2019. OCCP's are fairly consistent month to month so values shown reflect a typical month. Approximately 9% of eligible payments are made via on-line channel.

Figure 6 Online Credit Card Payments

Line No.	TYPE	COUNT		AMOUNT
1	Payments excluding OCCCP's	79348		$39,129,887.90
2	OCCP's	8016		$4,338,580.31
3	Total Payments	87364	$	$43,468,468.21
4		COUNT %		AMOUNT %
5	OCCP Usage	9.17		9.98

i) Please see responses below:

1) As noted in response *IBAM (MPI) 2-3*, the Contact Centre generally has seen a steady increase in call volume over time and with population growth. Implementation of online Customer Self Service may require a small group in the Call/Contact Centre to handle FAQ's or online support. Over time, the overall FTE is expected to reduce as more customers utilize self-service.

   i) As above.

   ii) No analysis has been completed to determine call volume within Service Centres; however, with self-service, there would likely be increased on-line correspondence. This would reduce the number of customer calls within Service Centres.

2) Analysis has not been completed to forecast changes in the average time per call received within the Contact Centre.

i) As above

ii) As above

3) Analysis has not been completed to forecast changes in the average cost per call received within the Contact Centre.

i) As above

ii) As above

Appendix 1: Call Centre Average Handle Time and Speeed of Answer

Handle Time	7:00	8:00	9:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	Overall
2015 Global															
2015 Reg/DL	04:22	04:27	04:37	04:52	04:55	05:02	05:03	05:01	05:00	05:33	05:56	05:50	21:01	-	05:23
2015 Broker	04:08	03:52	04:28	04:44	04:48	04:46	04:46	04:53	04:54	05:01	04:59	04:50	04:40	05:16	04:49
2016 Global															
2016 Reg/DL	04:21	04:34	04:45	04:55	04:51	05:03	04:59	05:01	04:57	05:27	05:52	05:41	23:50	-	05:19
2016 Broker	04:28	03:57	04:32	04:37	04:45	04:42	04:43	04:51	04:52	04:55	04:50	04:46	04:28	05:03	04:45
2017 Global															
2017 Reg/DL	04:33	04:42	04:52	04:57	05:00	05:06	05:07	05:07	05:06	05:39	06:10	06:07	18:22	-	05:25
2017 Broker	03:50	04:05	04:36	04:45	04:47	04:48	04:47	04:54	04:59	04:55	04:55	04:43	04:43	05:11	04:50
2018 Global															
2018 Reg/DL	03:45	04:14	04:27	04:40	04:36	04:45	04:47	04:46	04:47	05:03	05:06	04:40	10:45	-	04:54
2018 Broker	05:06	01:47	04:10	04:50	05:04	05:03	05:03	05:12	05:15	05:17	05:09	04:58	04:47	05:17	05:06
2019 Global															
2019 Reg/DL	02:59	03:46	04:08	04:28	04:29	04:33	04:36	04:35	04:41	05:01	04:48	04:21	05:00	-	04:39
2019 Broker	00:00	04:23	05:04	05:18	05:23	05:19	05:17	05:24	05:22	05:25	05:21	05:03	04:40	05:06	05:18

AVG Speed of Answer	7:00	8:00	9:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00
2015 Global														
2015 Reg/DL	00:56	00:45	00:58	00:56	00:34	00:24	00:29	00:28	00:34	01:30	01:34	01:18	03:27	-
2015 Broker	01:00	00:29	01:03	00:57	00:55	00:34	00:24	00:28	00:43	01:18	01:42	00:50	00:49	00:47
2016 Global														
2016 Reg/DL	01:14	01:19	01:35	01:14	00:37	00:32	00:34	00:33	00:46	01:37	01:33	01:00	01:27	-
2016 Broker	01:00	00:27	00:59	00:53	00:45	00:37	00:38	00:42	00:44	01:06	01:35	01:21	01:07	00:53
2017 Global														
2017 Reg/DL	00:54	00:52	01:06	01:03	00:33	00:25	00:31	00:36	00:42	01:38	02:12	01:53	06:14	-
2017 Broker	00:26	00:54	01:25	00:48	00:50	00:43	00:53	00:56	00:58	01:11	01:36	01:39	02:03	01:04
2018 Global														
2018 Reg/DL	02:05	01:37	02:09	02:17	01:32	01:17	01:16	01:20	01:41	03:18	03:36	02:50	04:55	-
2018 Broker	00:01	01:16	01:36	00:59	00:57	00:50	01:00	01:10	01:03	01:17	01:30	01:22	01:37	0:01:07
2019 Global														
2019 Reg/DL	04:48	03:03	03:13	02:57	02:54	02:19	02:03	01:54	02:24	05:08	08:49	09:29	10:44	-
2019 Broker	00:00	00:45	02:08	02:23	02:37	02:15	01:49	01:58	01:57	02:54	04:21	03:47	01:55	0:00:19

IBAM (MPI) 2-6

Part and Chapter:		Page No.:	
PUB Approved Issue No:	5. Corporate Strategic Plan and Annual Business Plan; 9. Cost of Operations and Cost Containment Measures		
Topic:	Service Delivery Model; Expenses		
Sub Topic:			

Preamble to IR:

Insurance Brokers Association of Manitoba ("IBAM") wants to ensure that Manitobans continue to receive professional consultation, advice and/or information about insurance products as business models change.

Question:

a) What is the role of the sales/marketing department in providing consultation, advice and/or information about insurance products?

1. Who do employees in the sales/marketing department who provide consultation, advice and/or information about insurance products report to?; and

2. What are the quality assurance measures in place to ensure that these employees are providing accurate advice and information?

b) What is the role of the customer service department in providing consultation, advice and/or information about insurance products?

1. Who do employees in the customer service department who provide consultation, advice and/or information about insurance products report to?; and

2. What are the quality assurance measures in place to ensure that these employees are providing accurate advice and information?

3. Does MPI have a way of evaluating the customer satisfaction relating to calls to the MPI Call/Contact Centre relating to its service?

    i. If so, please provide details and any reports relating to customer satisfaction specific to the MPI Call/Contact Centre.

4. Does MPI have a way of evaluating the customer satisfaction relating to service provided at the MPI Service Centre?

    i. If so, please provide details and any reports relating to customer satisfaction specific to the MPI Service Centres.

Rationale for Question:

To review the systems that currently provide consultation, advice and/or information about insurance products, and to evaluate those employees currently providing consultation, advice and/or information about insurance products to customers.

RESPONSE:

a) MPI does not have a Sales/Marketing department.

b) The role of employees within the Customer Service division who provide information and advice about insurance products, is to provide complete and accurate information and appropriate recommendations to customers based on their individual circumstances. Employees to be polite and courteous and to assist customers in a timely manner.

    1. Service Centre employees in Winnipeg and Brandon report to the customer service supervisor in each Service Centre. The supervisor reports to Service Centre management. For rural Service Centre locations, customer service

employees report to either the rural supervisor and/or the Service Centre manager.

Contact Centre employees report to a supervisor, who in turn reports to an assistant manager/manager.

2. Broker Support Services uses an audit application to provide a random sampling of transaction types to audit based on transaction volume performed by brokers and service centres. Below is a list of the current transactions types audited by Broker Support Services:

    - New Vehicle Setup
    - Cancel Policy/Registration
    - Change Vehicle Owner
    - Issue New Driver Licence
    - Issue New Policy/Registration
    - Permit Sales
    - Transfer Vehicle

   Within the Contact Centre, all agents are regularly monitored to ensure they are meeting customer service standards, following process and providing accurate information to customers and brokers. Agents receive scored call evaluations, which contain feedback on how they handled their calls. The evaluations are completed by their supervisor, customer care leads and quality analysts, each of whom has a different focus. Specifically, the supervisor is focused on customer service/employee development, the customer care leads focus on technical accuracy and the quality analysts focus on procedure compliance. The quality analysts also assess departmental trends and work with other departments to ensure that procedures are kept current.

   Agents who fail to meet the quality standards in an evaluation undergo a one-on-one coaching session with a customer care lead. A continued failure to meet quality standards would result in the development of a coaching plan by the supervisor. Failure to successfully meet the objectives set out in the coaching plan could lead to disciplinary action, up to and including termination.

3. Please see above and/or *Appendix 1*: Insurance and Licensing Customer Survey Report.

4. Please see *Appendix 1*: Insurance and Licencsing Customer Survey Report.

Insurance and Licensing Customer Survey Report

Transitional CX Report[1]: Quarter 1, 2019/20 Survey Period

This report provides an update of customer insight with recent Autopac and/or driver's licensing transactions and the Corporation as a whole. The **Core Dimensions** section of this report details the key customer touchpoints and suggestions for improvements within Autopac policy and driver's licensing transactions. The **Corporate Impressions** section summarizes customers' opinions of Manitoba Public Insurance's products, coverages, and the Corporation as a whole.

In this survey period, a random sample of 996 customers who had an insurance and/or driver's licensing transaction in Q1 of 2019/20 were surveyed: 614 visited a broker agency and 382 visited an MPI Service Centre; 178 had a Autopac policy only, 588 had a driver's licence only, and 230 had a combined (both policy and driver's licence) transaction; 373 were in Winnipeg and 623 were in non-Winnipeg.

Response scales used were based on Forrester Research methodology[2]. The revised questionnaire began fielding in Q2 of 2018/19. In Q3 of 2018/19, questions pertaining to the Customer Experience, the Corporation's Mission Statement, and additional Net Promoters were added. In Q1 of 2019/20, open-ended follow-up questions for the four Mission Statement questions were added.

Results in charts display the current report period (Q1), the previous period (Q4), and the average of all reporting periods since the questionnaire was revised.[3] Suggestions for improvements pertain to responses provided in the current period.

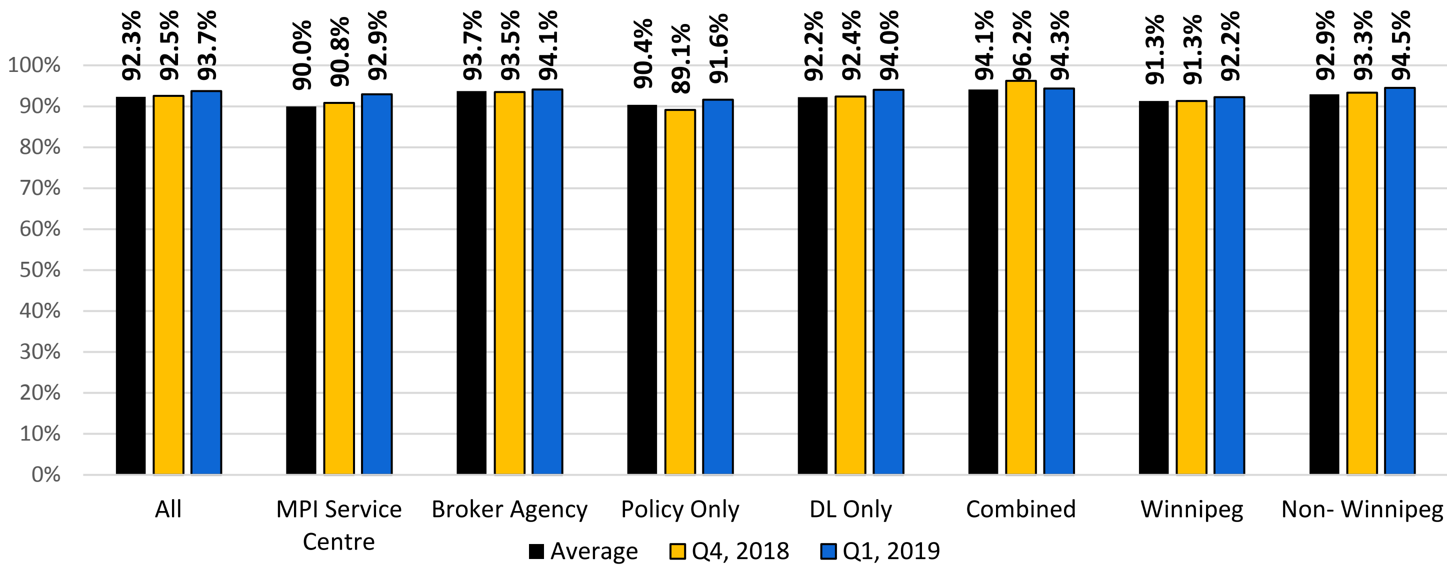
Contents

[1] Transitionary from the former Customer Service Standards-based survey to a Customer Experience survey.
[2] The standard Forrester Research scales and groupings (i.e., 1 to 7, or 0 to 10 for Net Promoter Score questions) are used. Those who are deemed to be *satisfied*, or in *agreement* with a statement provided a 6 or 7 response (out of 7).
[3] Average of questions added later are based on the periods since its fielding began.

Core Dimensions

Overall Transaction Experience

Overall Satisfaction with Service: percentage satisfied with *service received at agency visited*[4]



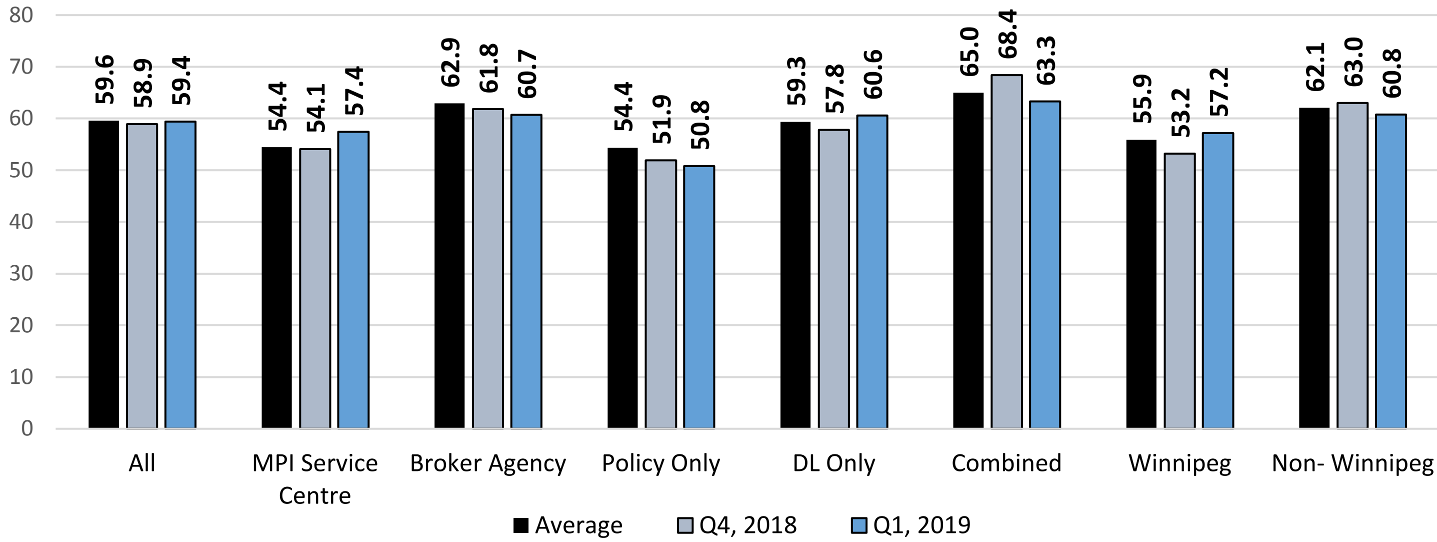
Suggestions for improvement: to provide better service during visit

Suggestion	% indicated**
Better training for staff / agent should be more knowledgeable	28.3%
Be more friendly / professional / treat people with respect	26.1%
Faster customer service / shorten waiting time to be served (in general)	26.1%
Hire more staff to reduce waiting time	21.7%
Explain options better / provide more info on Autopac Extension products	8.7%
Better customer service (in general, not otherwise specified)	6.5%

* Asked to only those who gave a 1-5 rating (out of 7) to the *satisfaction with service* question.
**Due to small numbers, only those categories where at least three customers (6.5%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

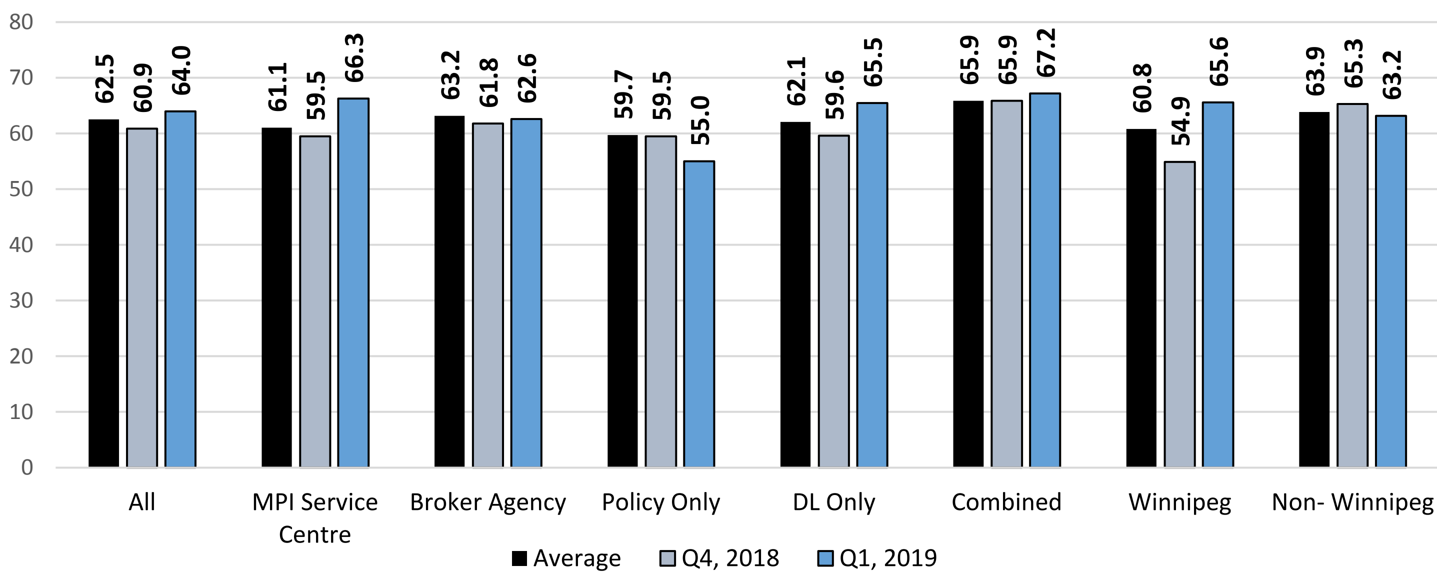
[4] Throughout this report, percentages may not sum to 100% within a category due to rounding. Region (Winnipeg and non-Winnipeg) is based on the location of the transaction.

Net Promoter Score[5]: likelihood to *recommend the agency visited if discussing Autopac or driver's licensing transactions with a friend or family*



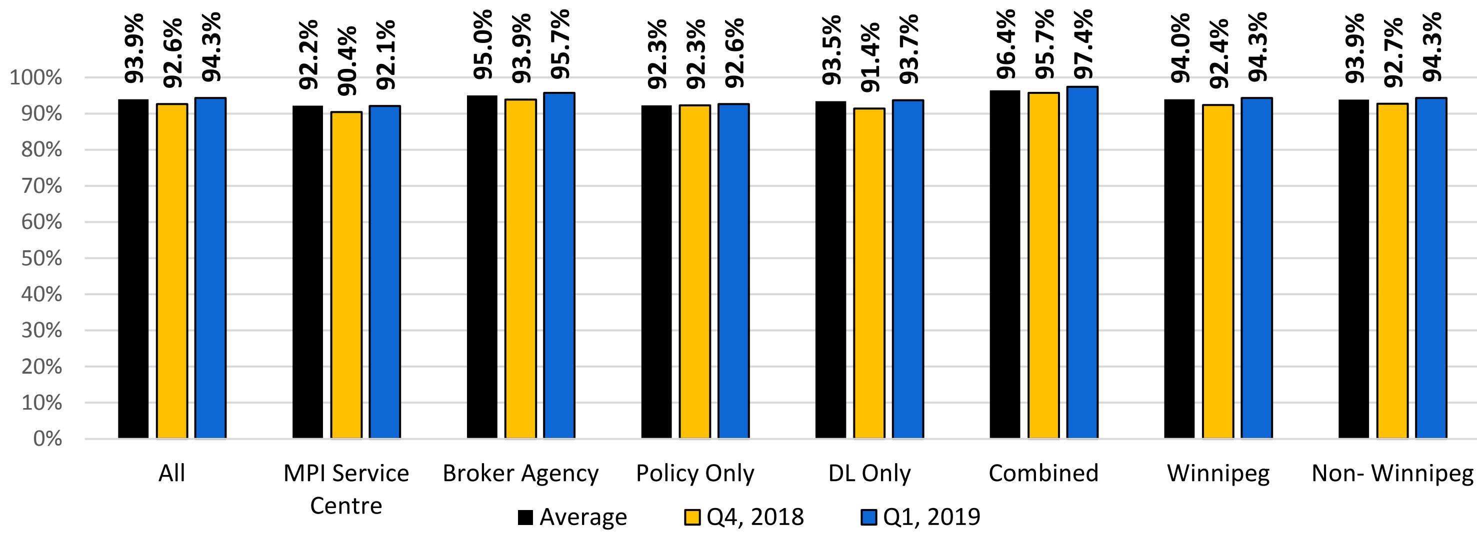
Customer Service Attributes

Net Promoter Score: likelihood to *speak highly of the agent dealt with if discussing Autopac or driver's licensing transactions with friends or family*



[5] The Net Promoter calculation differs from 'agreement' and 'satisfied' questions. The Net Promoter Scores (NPS) are calculated by subtracting the *detractors* (0-6 ratings) from the *promoters* (9-10 ratings). The NPS is an index score.

Answered Questions: percentage who agree that the *agent answered all questions completely*

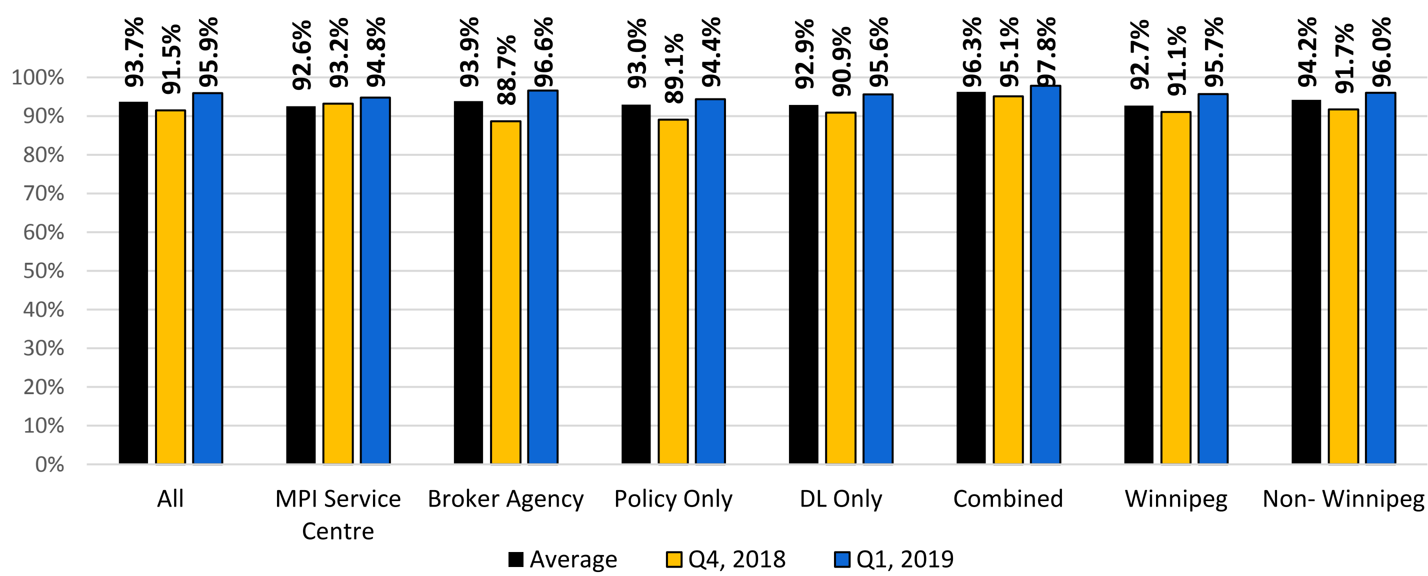


Suggestions for improvement: for agent to better answer questions

Suggestion	% indicated**
Better training / more knowledge about Autopac policy options	56.5%
Provide clearer explanations / more detailed responses	34.8%
Reduce the wait time to get an answer	17.4%

* Asked to only those who gave a 1-5 rating (out of 7) to the *agent answered questions completely* question.
**Due to small numbers, only those categories where at least four customers (17.4%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

Ease of Transaction: percentage who agree that the *agency made it easy to conduct the transaction with them*



Suggestions for improvement: for the agency to make it easier to conduct transaction

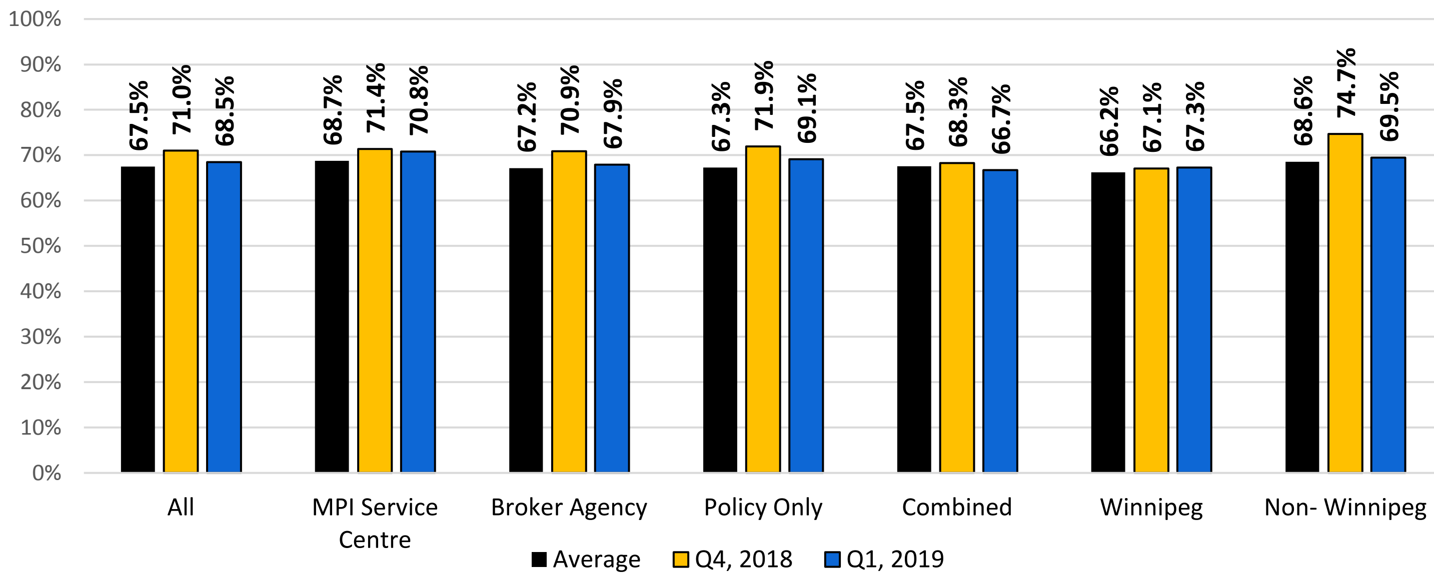
Suggestion	% indicated**
Better trained staff / more knowledge about Autopac policy options	35.7%
Reduce the wait time to be served (in general)	25.0%
Better customer service (in general)	17.9%
Provide clearer explanations / more detailed information	17.9%
Allow transactions online	10.7%
Improve professionalism / agent was rude	10.7%

* Asked to only those who gave a 1-5 rating (out of 7) to the *agency made it easy to conduct transaction* question.
**Due to small numbers, only those categories where at least three customers (10.7%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

Autopac Extension Products and Options

(Due to expectations for agents, questions in this section asked only to those with a *change, new,* or *transfer* of Autopac policy as a component of their transaction)

Discussion of Additional Options: percentage who indicate[6] that *the agent discussed additional options and Autopac Extension products*



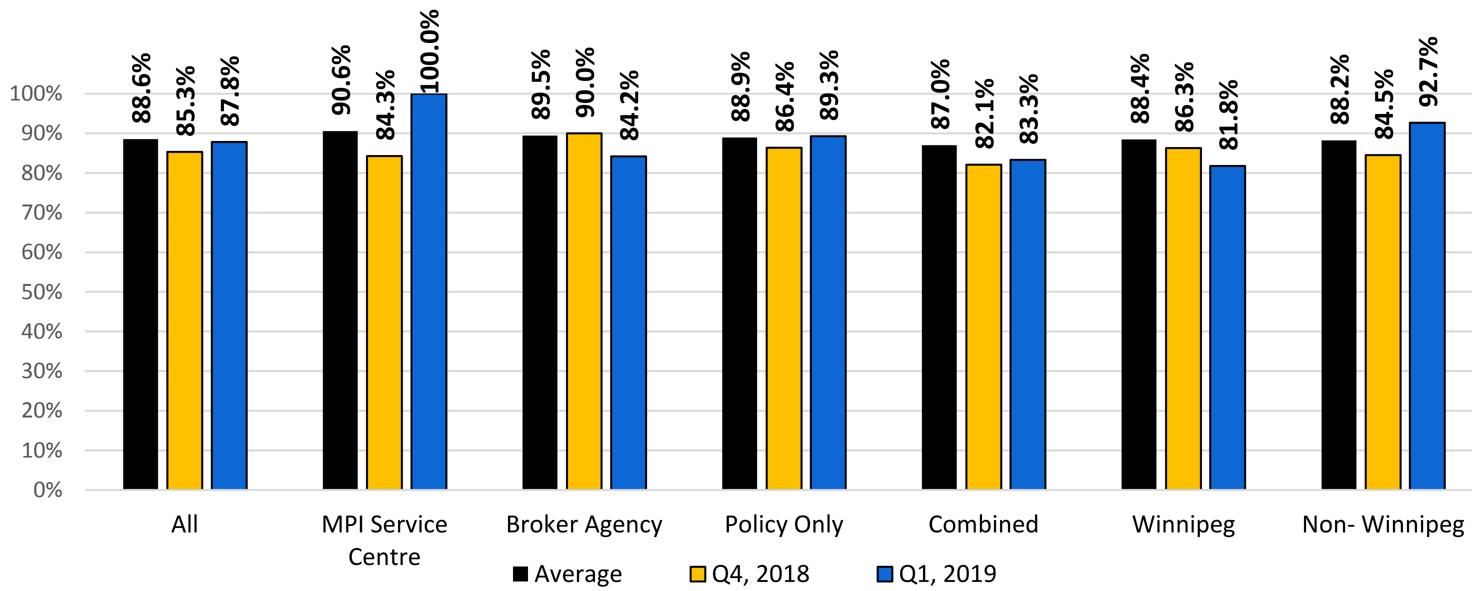
[6] Asked only to those with a change, new, or transfer of Autopac policy as a component of their transaction; based on a 'yes/no' question.

Additional Options and Extension Products Discussed: percentage who indicated the following options and products was discussed by the agent

Autopac Option and Extension Products	% indicated**
Deductible amount	48.1%
Third Party Liability	38.9%
Extension Loss of Use	27.8%
Off-Road Vehicle Coverage	13.0%
Excess Value Coverage	11.1%
Changing Insurance Use (e.g., pleasure, all-purpose, farm, ride share)	7.4%
New Vehicle Protection	7.4%
Leased Vehicle Protection	5.6%
Changing Coverage Area (insurance rate territory)	3.7%
Income Replacement Indemnity Extension	1.9%

* Asked only to those who indicated their agent discussed options and/or Extension products. Not all products are relevant for each customer (e.g., new vehicle protection, leased vehicle protection, excess value).
** As a customer may indicate that more than one option or product was discussed, the sum of percentages may add to more than 100%.

Helpfulness of explanation: percentage who indicate that *the agent's explanation of options and Autopac Extension products was helpful*



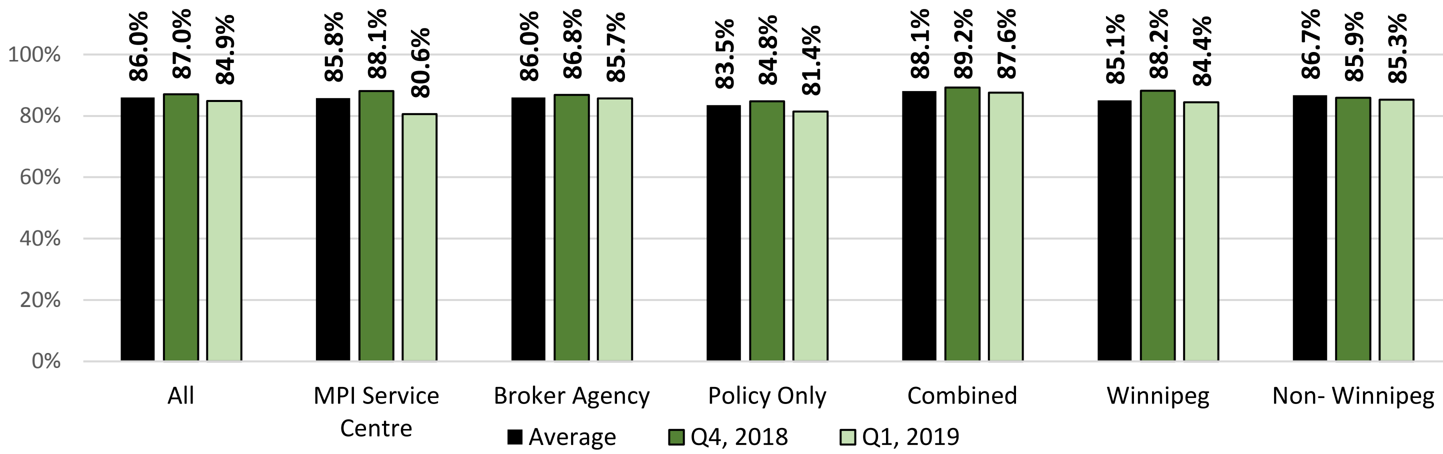
Suggestions for improvement: for agent to provide better explanations of options and Autopac Extension products

Suggestion	% indicated**
Explain/illustrate the difference in cost by taking (or not taking) options	100.0%

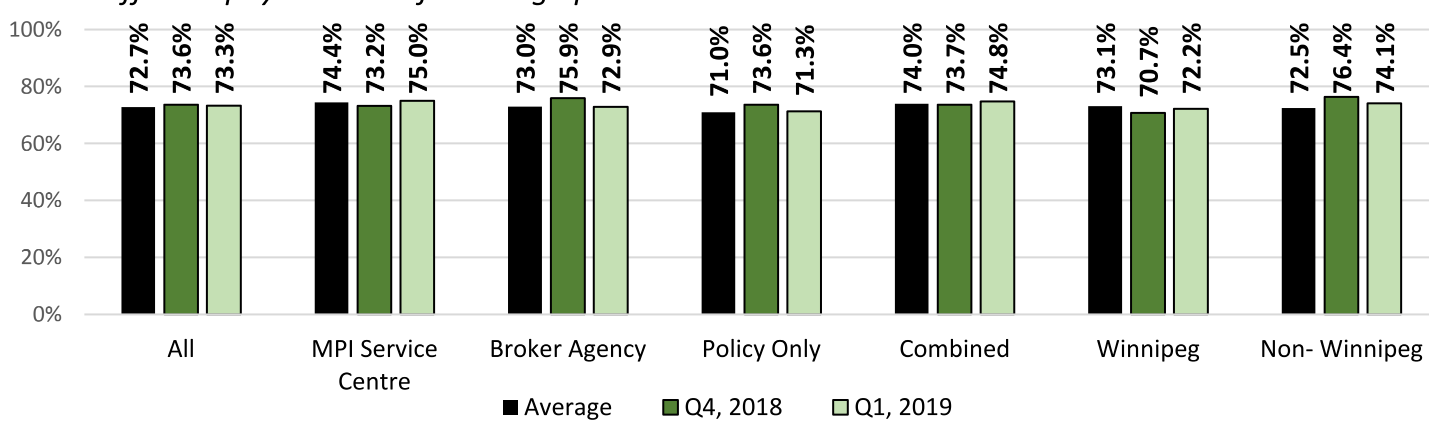
* Asked to only those who gave a 1-5 rating (out of 7) to the *helpfulness of agent's explanation* question.
**Due to small numbers, only those categories where at least one customers (100.0%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

Payment Plans

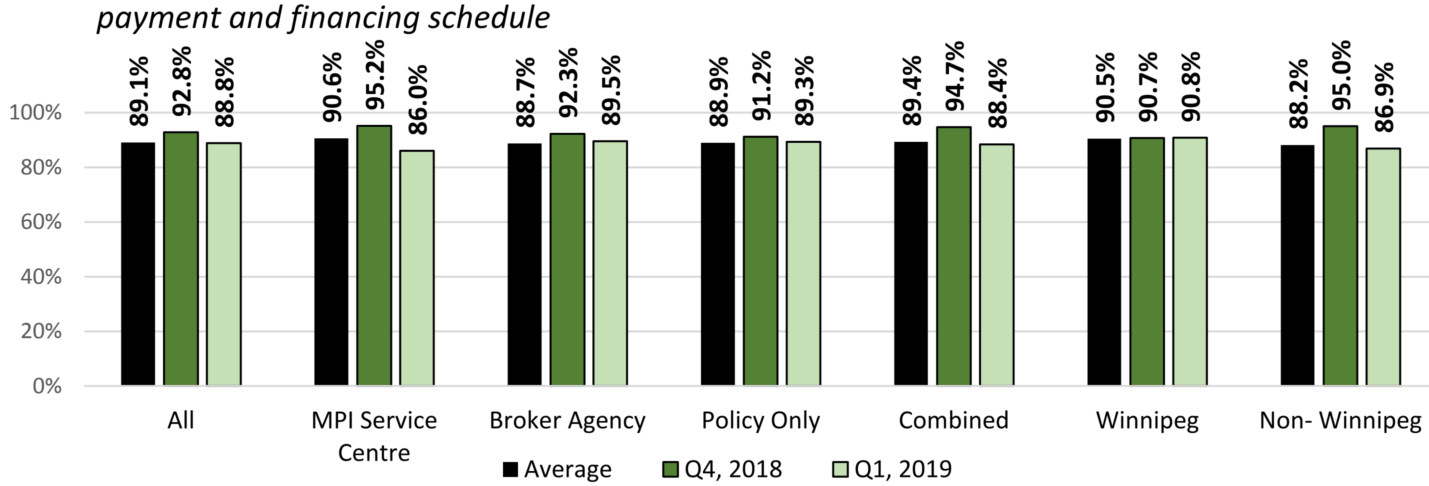
Satisfaction with Payment Plans: percentage satisfied with *payment plan options available (i.e., yearly, quarterly, monthly)*



Explained Payment Options: percentage who indicate[7] that the *agent explained the different payment and financing options available*



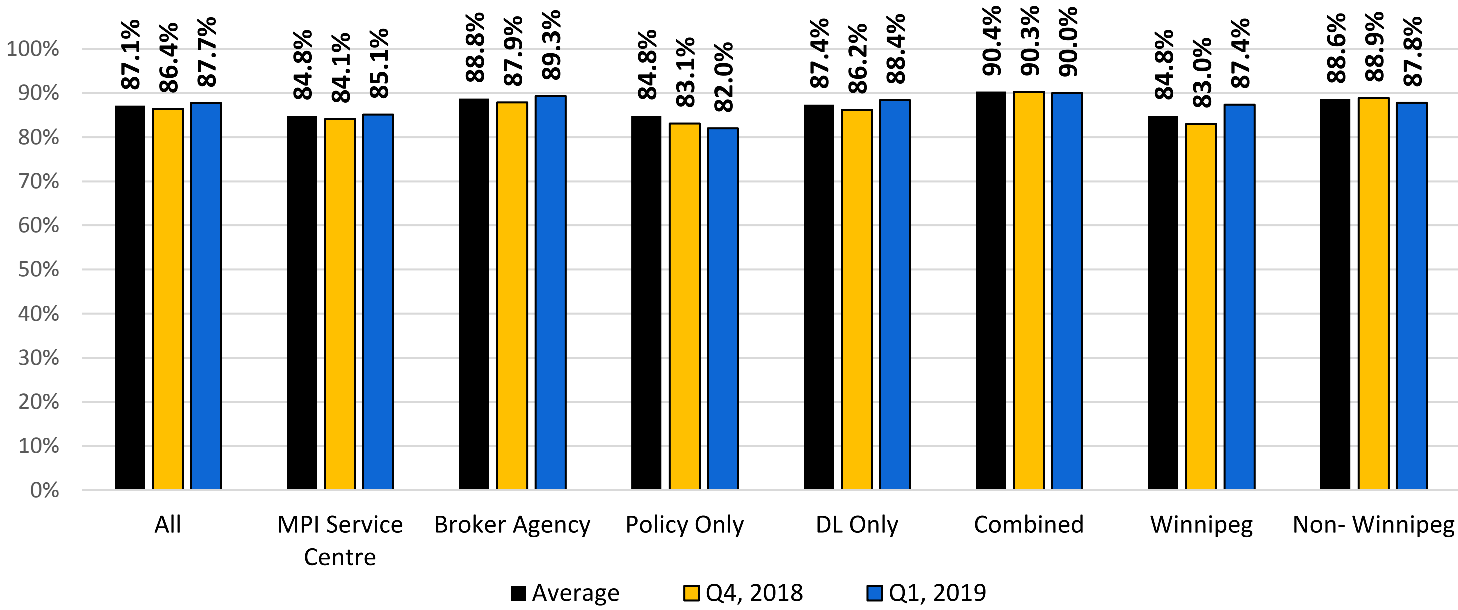
Reviewed Payment Schedule: percentage who indicate[8] that the *agent reviewed the payment and financing schedule*



[7] Asked only to those with an Autopac policy as a component of their transaction; based on a 'yes/no' question.
[8] Asked only to those who selected a payment plan (i.e., quarterly or monthly); based on a 'yes/no' question.

Visit Duration

Satisfaction with Timeliness: percentage who are satisfied with *time it took to complete the entire visit (including time waited to be served)*



Suggestions for improvement: for the agency to reduce the time it took to complete the visit or transaction

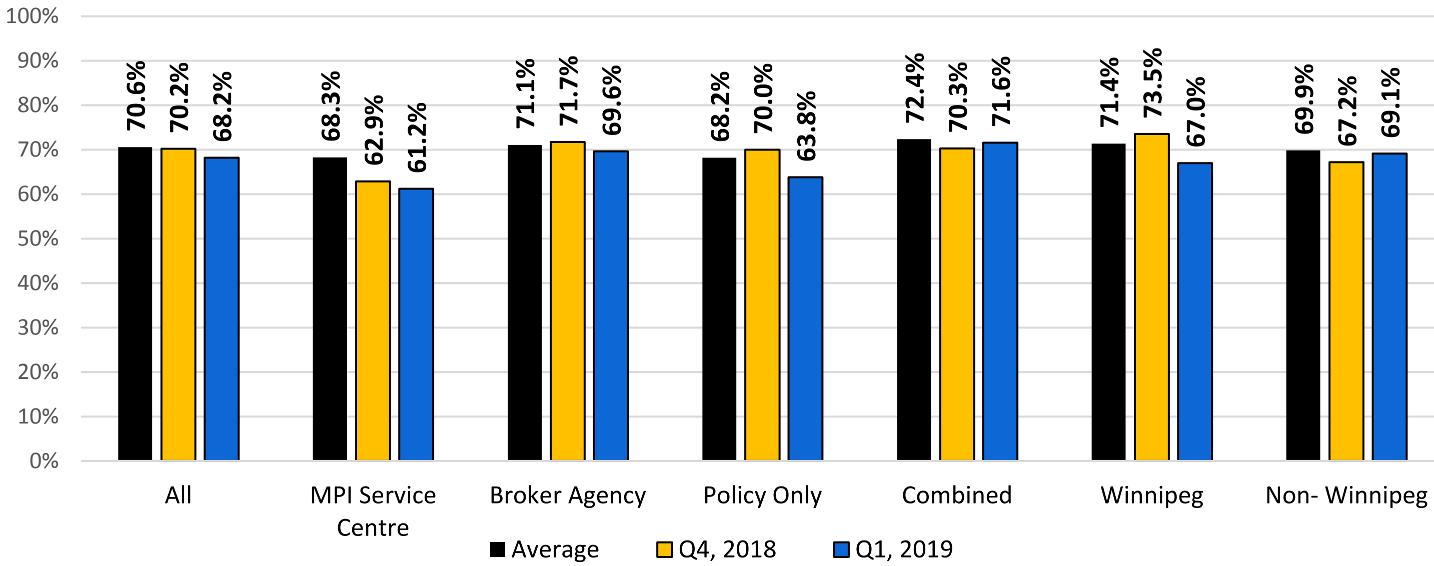
Suggestion	% indicated**
Hire more staff (to reduce waiting times / during busy times)	46.8%
Complete the transaction faster (in general)	25.3%
Better training for staff / took agent too long to find information	17.7%
Reduce the wait time to be served / waited too long for service	16.5%
Shouldn't have to deal with more than one agent (i.e., agent needed help from another agent)	7.6%
Ensure the camera for driver's licence photos is ready and working	6.3%

* Asked to only those who gave a 1-5 rating (out of 7) to the *satisfied with timeliness of visit* question.
**Due to small numbers, only those categories where at least five customers (6.3%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

Corporate Impressions

Products and Coverage

Overall Satisfaction with Coverage[9]: percentage satisfied with *Autopac automobile insurance coverage*



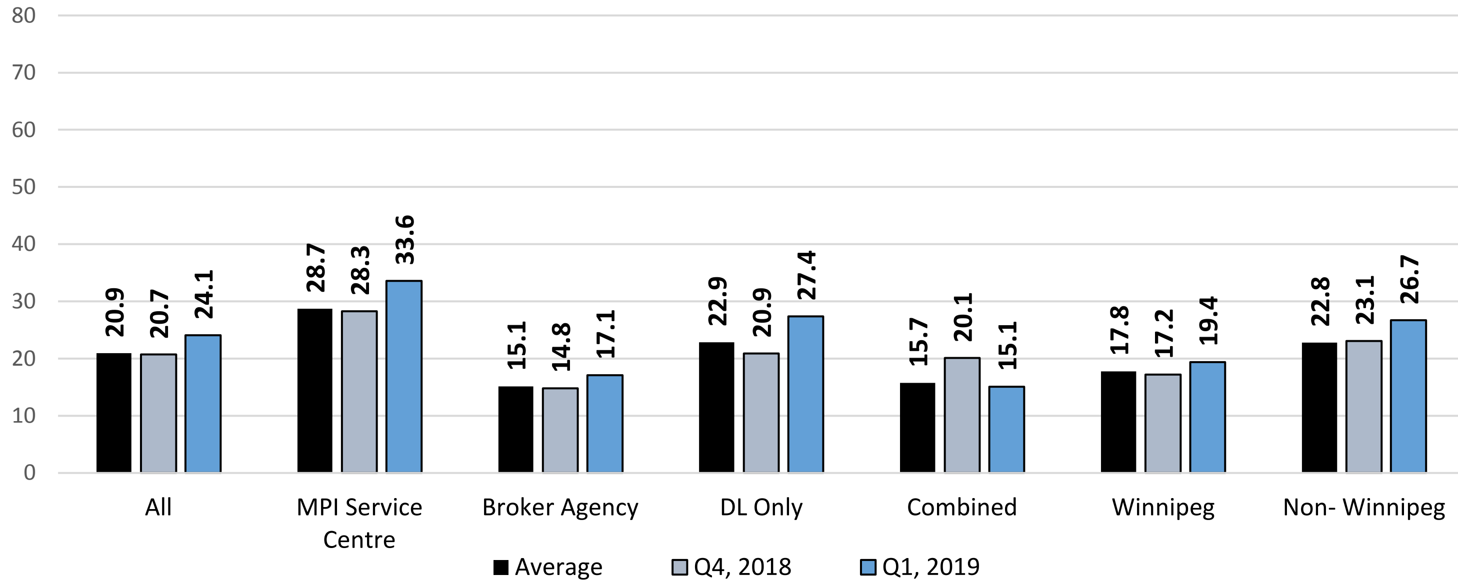
What is not satisfactory about coverage: aspects of coverage or suggestions for improvement about Autopac coverage

Suggestion	% indicated**
Rates/price is too expensive	81.1%
Disagree with Crown monopoly system / want private sector options	6.3%
Have discounts for multiple vehicles insured / offer bundle discounts	4.2%
Should be able to have more of a discount for good driving record / Limiting the amount of Driver Safety Rating (DSR) merits to 15	10.5%
Speed up time to process claims and/or receive payments and benefits	4.2%

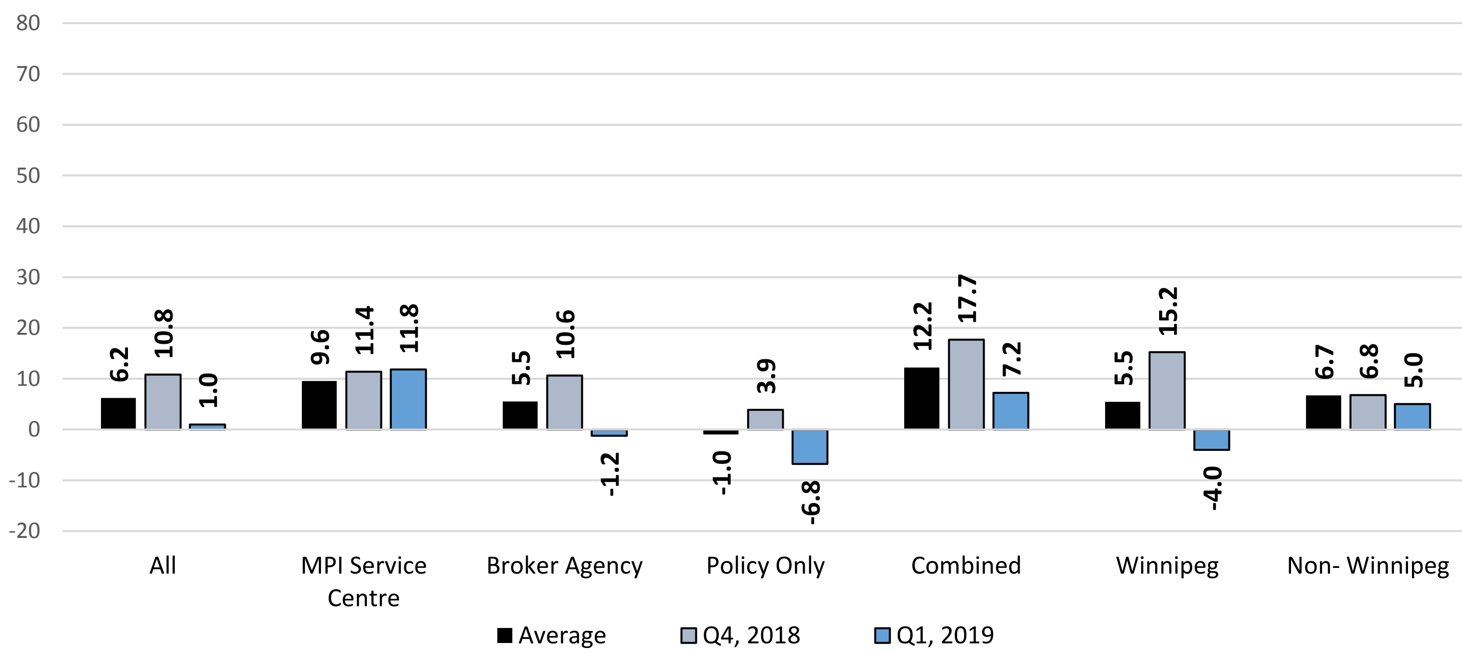
* Asked to only those who gave a 1-5 rating (out of 7) to the *satisfaction with coverage* question.
**Due to small numbers, only those categories where at least four customers (4.2%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

[9] Asked only to those with an Autopac policy as a component of their transaction.

Net Promoter Score: likelihood to *speak highly of the services provided by Manitoba Public Insurance if discussing* ***driver's licensing*** *with a friend or family*[10]



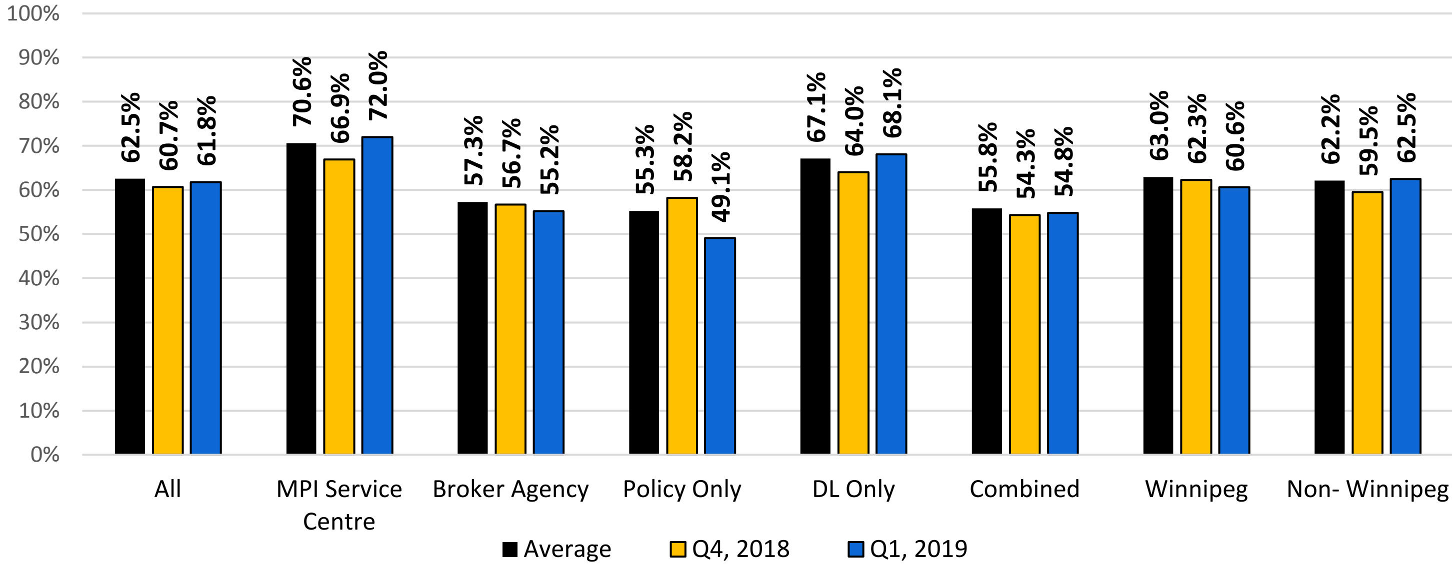
Net Promoter Score: likelihood to *speak highly of the services provided by Manitoba Public Insurance if discussing* ***auto insurance*** *with a friend or family*[11]



[10] Asked only to customers with a driver's licensing transaction as part of their visit.
[11] Asked only to customers with an Autopac transaction as part of their visit.

Corporate Mission Statement

Contributes to Safer Roads: percentage who agree that *Manitoba Public Insurance contributes to safer roads for Manitobans*

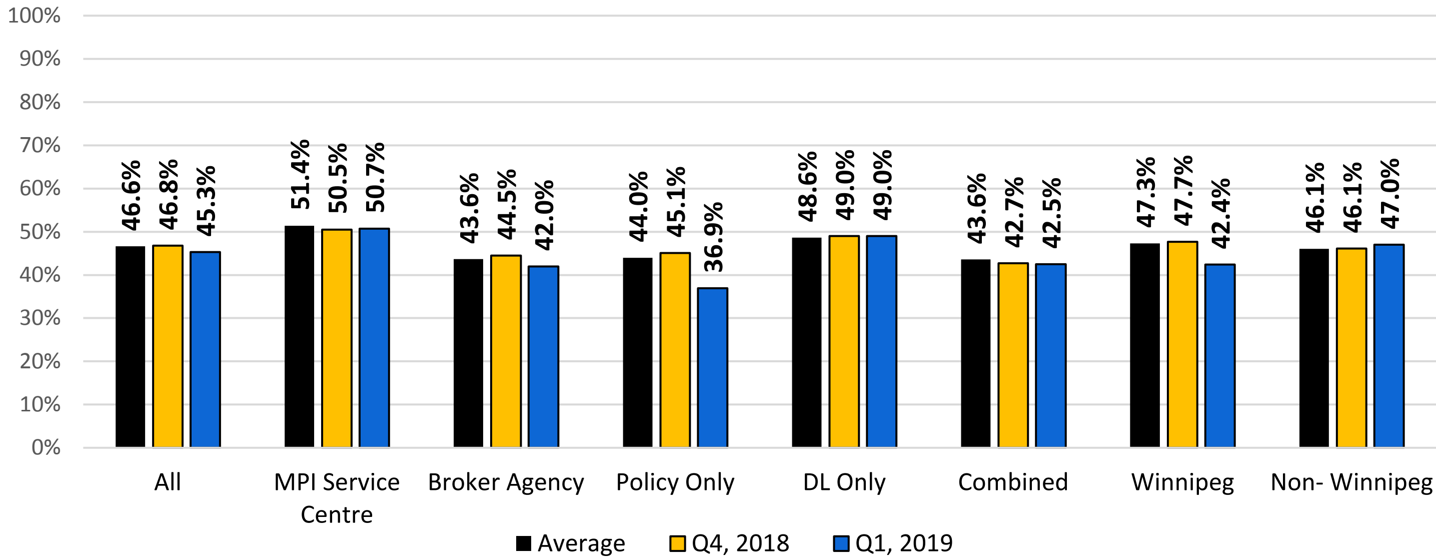


Suggestions for Safer Roads: what MPI could do to improve its contribution to safer roads for Manitobans

Suggestion	% indicated**
Support/fund road repairs and maintenance (including snow clearing, snow bank removal, potholes) / make roads safer for driving (including lighting, rumble strips)	45.2%
Provide lower Autopac rates / make auto insurance more affordable	11.3%
Could do more about reckless drivers (including impaired and/or distracted) / support for more check stops	10.2%
Have better training for new drivers / improve driver education	9.0%
Have more ads trying to raise awareness / educate the public about safe driving	8.5%
Have clearer road signs (easier to see, understand)	4.5%
Harsher penalties / increased fines for bad drivers	4.0%
Make it more difficult to get driver's license/pass road test	4.0%
Could work better with other agencies	3.4%
Retest older drivers	1.7%

* Asked to only those who gave a 1-5 rating (out of 7) to the *agreement MPI contributes to safer roads* question.
**Due to small numbers, only those categories where at least three customers (1.7%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

Autopac Rates are Affordable: percentage who agree that *Autopac rates are affordable*

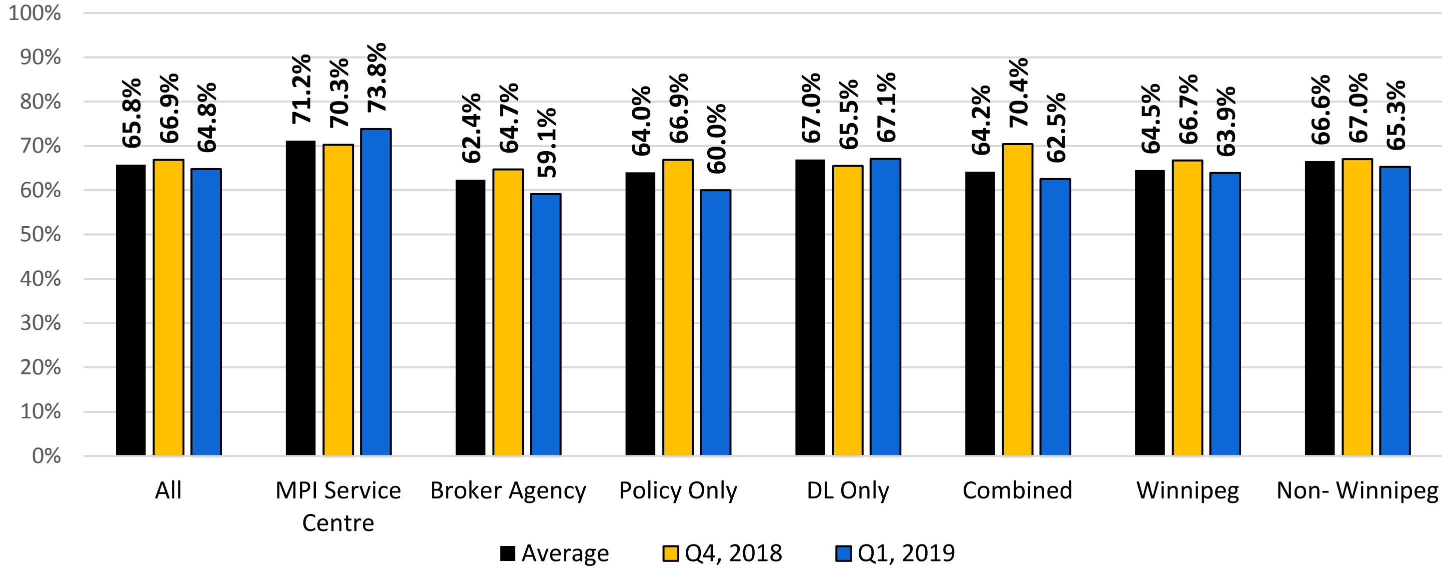


Suggestions for more Affordable Rates: what MPI could do to make Autopac rates more affordable

Suggestion	% indicated**
Lower rates/too expensive/I pay too much/always increasing (in general)	53.3%
Lower rates for good drivers / should get better discounts if low risk driver / do not cap DSR discount	14.8%
More efficient operation / properly run / less bureaucracy	4.3%
End monopoly / have choice via private sector competition for insurer	3.0%
Reduce rates for older vehicles / still goes up every year despite vehicle's age	2.6%
Reduce spending (in general)	2.6%
Reduce rates for motorcycles	2.3%
Lower rates those with low DSRs (including young, novice) / poor driving records	2.0%
Rates are cheaper in other provinces / match prices to provinces with lower rates	2.0%
Crack down on fraud	1.0%
Provide better coverage for what you are paying	1.0%

* Asked to only those who gave a 1-5 rating (out of 7) to the *agreement Autopac rates are affordable* question.
**Due to small numbers, only those categories where at least three customers (1.0%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

Provides Exceptional Service: percentage who agree that *Manitoba Public Insurance provides exceptional service*

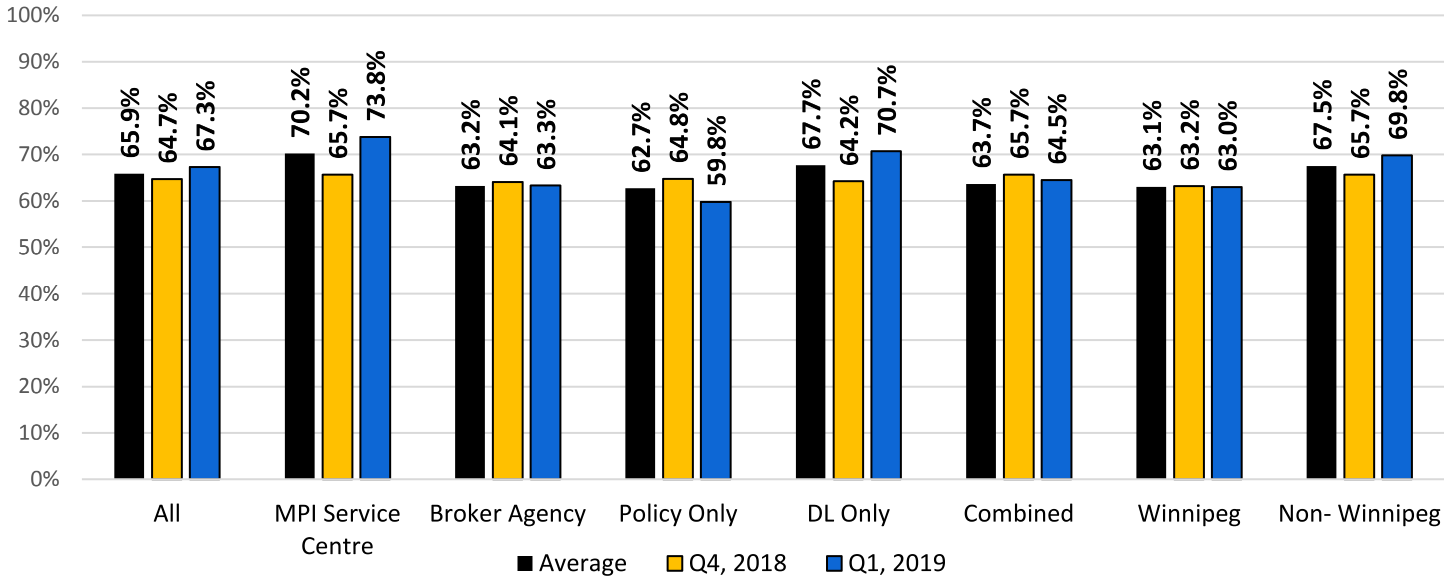


Suggestions for Exceptional Service: what MPI could do to improve the service it provides

Suggestion	% indicated**
Faster processes / faster claims / faster transactions	18.2%
Hire more staff (to reduce waiting times / during busy times)	12.6%
Better trained staff / more knowledgeable / better explanations	8.2%
Be more professional / trusting / caring / respectful	7.5%
Improve communication / faster follow-up / easier to contact	6.3%
Longer hours / open on weekends / open later into evenings / open on Sunday	6.3%
Allow online transactions / online claim reporting	5.7%
Could be less expensive / too costly / offer more for less money	5.0%
Have more locations / open a location near me/in my town	4.4%
MPI needs to look out for their customers, not look out for themselves	4.4%
End monopoly / have choice via private sector competition for insurer	3.8%
Improve driver training / driver testing processes (easier to access/understand)	3.8%
Coverage provided is not enough / cover more (in general)	3.1%
More efficient operation / properly run / less bureaucracy	3.1%
Be better than average / always room for improvement (in general)	1.9%

* Asked to only those who gave a 1-5 rating (out of 7) to the *agreement MPI provides exceptional service* question.
**Due to small numbers, only those categories where at least three customers (1.9%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

Provides Exceptional Coverage: percentage who agree that *Manitoba Public Insurance provides exceptional coverage*



Suggestions for Exceptional Coverage: what MPI could do to improve the coverage it provides

Suggestion	% indicated**
Have better / more comprehensive coverage (in general)	31.1%
Could be less expensive / too costly / offer more for less money	25.5%
Be better than average / always room for improvement (in general)	9.4%
No fault insurance is not fair / deductible not fair / DSR system is not fair	5.7%
End monopoly / have choice via private sector competition for insurer	4.7%
Cover cost of rental vehicle if vehicle is non-drivable after an accident	3.8%

* Asked to only those who gave a 1-5 rating (out of 7) to the *agreement MPI provides exceptional coverage* question.
**Due to small numbers, only those categories where at least four customers (3.8%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

IBAM (MPI) 2-7

Part and Chapter:		Page No.:	
PUB Approved Issue No:	5. Corporate Strategic Plan and Annual Business Plan; 9. Cost of Operations and Cost Containment Measures		
Topic:	Service Delivery Model; Expenses		
Sub Topic:	Marketing Expenses		

Preamble to IR:

Question:

a) If MPI were to implement direct Online Customer Self-Service, has MPI considered whether there will be an increase in the budget for the marketing department to educate the public?

   i. If not, why not?; and
   ii. If so, please provide a breakdown of the projected cost(s).

Rationale for Question:

To review the anticipated cost(s) of marketing Online Customer Self-Service to consumers.

RESPONSE:

a) MPI does not anticipate increasing or changing its marketing budget at this time because:

   i. Even with limited promotion, MPI has seen customer uptake on various online offerings. For example, class 5 online test bookings rose from 0% to 7% immediately and presently to 12-14%, all without any advertising.

ii. There are low cost methods available to MPI that it can use to advertise its online services to customers. Specifically, MPI can advertise the availability of these services on annual renewal notices or on its website at little cost. It can also implement low-cost public relations campaigns using mainstream media.

iii. MPI can achieve the objectives of the business case for the Legacy Systems Modernization (LSM) with a relatively small reduction in the number of in-person, broker-based insurance transactions. MPI does not seek a radical or immediate change in the demand for in-person service or, a reduction of broker compensation. Maintaining the availability and option of broker-based transactions to customers in rural and remote locations where broker coverage is limited is of particular importance to MPI.

iv. MPI expects that some brokers will promote the convenience of the new online services to their clients, as they do for the limited online services MPI currently offers. For example, some brokers currently include links in their websites to the online payments and class 5 bookings services offered online by MPI.

v. As it evolves its online offerings, MPI will assess the need for additional spend on marketing, with customer experience and business efficiency in mind.

IBAM (MPI) 2-8

Part and Chapter:	V(i) Expenses, Appendix 19 PUB (MPI) 1-64	Page No.:	4
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Expenses		
Sub Topic:	External Consultants		

Preamble to IR:

PART V(i) Expenses, Appendix 19 contains a summary of consultant costs. However, this summary is only broken down to IT costs and corporate capital costs. The response to PUB (MPI) 1-64 contains consultant costs incurred from 2016 to present.

Question:

a) Please clarify as to whether Figure 2 in the response to PUB (MPI) 1-64 contains all external consultant costs, or just those relating to IT;

b) Please further provide the total spending by MPI on all external consultants and all related expenses, broken down by project and/or business area in each of 2015 – 2019; and

c) Please explain the role of any consultants hired or expected to be hired in relation to Online Customer Self-Service and the costs attributed to same (either actual or projected).

Rationale for Question:

To determine if MPI is effectively using its resources in relation to consultants.

RESPONSE:

a) *PUB (MPI) 1-64 Figure 2* includes consultant costs allocated to Basic for improvement initiatives. It does not include the consultant costs for Information Technology (IT) Operational Activities.

b) Please see Figure 1 below for a breakdown of consultant costs for IT Operational Activities by operational area for Basic:

Figure 1 Consultant Costs

Line No.	ITO Operational Activies by Business Area	2015/16A	2016/17A	2017/18A	2018/19A
1	Business Transformation Office	301	211	1	-
2	Information Technology	3,531	4,165	2,568	-
3	Enterprise System Support	-	-	-	2,651
4	Sharepoint and Application Services	-	-	-	7
5	Total Basic Consultant Costs	3,832	4,376	2,569	2,658
7	Note: Basic is estimated at 80% of Corporate				

PUB (MPI) 1-64(b) reflects the breakdown of Improvement Initiatives by year. The allocation for consultant costs working on improvement initiatives is based on the project to which the consultant was assigned at any given time.

c) The following roles were fulfilled by consultants for Online Customer Self-Service projects for the fiscal years 2017/18 and 2018/19.

Architecture: Resources were involved in the high level design of the overall solution and the design and integration between the solution and other related systems and business processes. These resources are specialists in applications, data, and business processes. $538,142.30 in costs were incurred in the two budget years.

Project Management: Resources were involved in the oversight of all project deliverables and management of the projects to scope, schedule, and timelines. $506,012.37 in costs were incurred in the two budget years.

Requirements and Analysis: Resources were involved in the documentation, review, and management of business and technical requirements which were used in the architecture and development activities. $1,934,056.33 in costs were incurred in the two budget years.

Development: This included the creation of all solutions and includes testing of the solutions to ensure alignment to requirements and the architecture. $527,044.49 in costs were incurred in the two budget years.

Technical Expert: This included all other technical professionals which contributed to the project. This included specialists in SharePoint and Database development as well as Informatica skills which were used for integration between solutions. This also includes technical writing of any user facing communications or training materials. $323,681.70 in costs were incurred in the two budget years.

IBAM (MPI) 2-9

Part and Chapter:	PART V(i), EXP Appendix 10	Page No.:	
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Expenses		
Sub Topic:			

Preamble to IR:

PART V(i) Appendix 10 contains information as to staffing levels, broken down by department and category.

Question:

a) Please provide the information set out in EXP Appendix 10 (staffing levels broken down by department and category) for each of 2015 –2019;

b) How will staffing be impacted in each department and category if MPI implements Online Self-Service or online provisioning for customers?;

c) What is the potential cost of these staffing changes?;

d) If any online customer self-service or online provisioning is implemented, will there be staffing changes?;

e) What education and training will be provided to customer service personnel, including those at the Service Centres and the Call/Contact Centre, in regards to assisting customers with self-service and insurance decisions?

   1. What will this training cost?; and

2. Over what time frame will you provide training to MPI staff in regards to assisting customers with Online Customer Self-Service and insurance decisions?

f) Will there be an expectation on customer service staff that they be qualified under *The Insurance Act*, C.C.S.M. c. I40, to sell insurance?:

1. If yes, what will be the cost of this training?; and
2. If no, how does MPI intend to deal with the requirements for the sale of insurance under The Insurance Act, C.C.S.M. c. I40?

g) Will average staff salaries be impacted by the development and implementation of Online Customer Self-Service?

1. Why or why not?; and
2. If so, to what extent?

Rationale for Question:

To evaluate the impact of Online Customer Self-Services for customers on staffing-related expenses.

RESPONSE:

a) Please refer to *IBAM 2-2(a)(i)* and part *(a)(ii)* for detail on departmental Full-time Equivalent (FTE) counts.

b) Please see the confidential filing *Part IV(ii) Value Management Appendix 7, Legacy Systems Modernization Business Case – Confidential*.

c) Please see the confidential filing *Part IV(ii) Value Management Appendix 7, Legacy Systems Modernization Business Case – Confidential*.

d) MPI anticipates staff changes resulting from the implementation of online customer self-service or online provisioning. While MPI expects reductions in some areas, depending on the solutions chosen, it also expects that new or existing staff may be required to occupy new positions.

e) MPI has yet to determine the requirements for training customer service personnel to assist customers with self-service and insurance decisions.

1. Not yet determined.
2. Not yet determined.

f) As no such requirement currently exists, and as the changes contemplated do not fundamentally alter staff responsibilities, MPI does not expect that its customer service staff will be subject to the requirements of *The Insurance Act,* C.C.S.M. c. I40, pertaining to the sale of insurance, as a result of any changes in service delivery.

1. N/A

2. Pursuant to section 29 of *The Manitoba Public Insurance Corporation Act,* the provisions of *The Insurance Act* relating to agents and adjusters do not apply to MPI employees.

g) While MPI has not completed a future "average staff salary" impact assessment, it does not expect a dramatic impact on the average salary.

1. N/A
2. N/A

IBAM (MPI) 2-10

Part and Chapter:	PART V, EXP 3.2.2	Page No.:	23-24
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Service Delivery Model; Expenses		
Sub Topic:	Benefits		

Preamble to IR:

In regard to its 2018-2021 Benefits Variation, MPI wrote the following at Part V(i) – Expenses, page 24:

"The primary difference is due to the following:

- *In 2018/19, the under budget variance is primarily due to Canada Pension Plan 3 contributions and Employment Insurance premiums of about $900,000, 4 Pension / Superannuation contributions are approximately $500,000 lower than 5 budget and group long term disability and dental plans account for about 6 $470,000 of the variance. These amounts are directly proportional to staffing 7 level counts.*
- *In 2019/20 and onward the under forecasted variance is primarily due to less 9 than expected contributions related to the Pension / Superannuation"*

Question:

Please provide the total benefits paid to MPI employees in each of 2015–2019, broken down into the following categories:

i. Health benefits;
ii. Dental benefits;
iii. Short-term disability benefits;

iv. Long-term disability benefits.

Rationale for Question:

To review the total cost per employee when benefits are included and how this will change should MPI implement Online Customer Self-Service.

RESPONSE:

Please see Figure 1 below. Please note that the Health and Dental benefits are amounts paid to our service provider. Long-term disability benefits are based on premiums paid to the long-term disability service provider. MPI does not pay any of these benefits to the employees directly. Short-term disability benefits are provided through sick leave accumulated or paid as part of regular earnings.

Figure 1 5 Year Summary of Benefits

Line No.	Expense	2014/15A	2015/16A	2016/17A	2017/18A	2018/19A
1	*($000's, except where noted)*					
2	Health benefits	2,846	2,958	3,264	3,728	3,520
3	Dental benefits	1,413	1,439	1,566	1,626	1,548
4	Short-term disability benefits	-	-	-	-	-
5	Long-term disability benefits	1,862	2,036	1,995	1,345	1,708

IBAM (MPI) 2-11

Part and Chapter:	PART VI, RMF.1 & RMF.2	Page No.:	3-5
PUB Approved Issue No:	5. Corporate Strategic Plan and Annual Business Plan; 9. Cost of Operations and Cost Containment Measures		
Topic:	Expenses		
Sub Topic:	Pension Liabilities		

Preamble to IR:

PUB (MPI) 1-46 lays out the number of retirements over the past five (5) fiscal years and states that there are currently one hundred twenty two (122) employees eligible for retirement. It further outlines the retirement benefits and post-retirement benefits expenditures in 2018/19.

Question:

Please provide the total pension liabilities for existing employees, retired employees and soon-to-be retired employees in each of 2015 –2019.

Rationale for Question:

To review if MPI is adequately prepared for retirements and the cost of such retirements, especially due to the capital cost of developing and implementing such projects as the Legacy Systems Modernization project.

RESPONSE:

Pension liabilities information is available in the annual audited financial statements (Note 16) which can be found at *Part VIII Annual Reports Appendix 5*, or at mpi.mb.ca https://www.mpi.mb.ca/pages/corporate-docs.aspx.

IBAM (MPI) 2-12

Part and Chapter:	PART 5	Page No.:	N/A
PUB Approved Issue No:	5. Corporate Strategic Plan and Annual Business Plan; 9. Cost of Operations and Cost Containment Measures		
Topic:	Expenses		
Sub Topic:	Severance		

Preamble to IR:

Question:

a) Please provide the amount of all severance, reasonable notice and/or termination pay paid to departing MPI employees in each of 2015 –2019;

b) Does MPI expect that it will terminate employees based on not meeting new requirements for skill sets and/or licensing (under The Insurance Act, C.C.S.M. c. I40, or otherwise) should MPI develop and implement Online Customer Self-Service?; and

c) Does MPI expect that the cost of severance, reasonable notice and/or termination pay will increase if MPI develops and implements Online Customer Self-Service?

Rationale for Question:

To determine if the implementation of any Online Customer Self-Service or online provisioning will result in employees no longer meeting job requirements and/or being terminated, meaning that the costs of such will increase.

RESPONSE:

a) Please see Figure 1 below. Please note that these expenses include retirement payments.

Figure 1 5 Year Summary of Severance/Retirement Expenses

Line No.	Expense	2014/15A	2015/16A	2016/17A	2017/18A	2018/19A
1	*($000's, except where noted)*					
2	Severance/retirement payouts	2,469	2,614	3,106	4,474	4,308

b) and c)

[Redacted. MPI is seeking confidential treatment for these parts]

IBAM (MPI) 2-13

Part and Chapter:	PART V(i) EXP.6 Part IV(ii) – VM Appendix 5	Page No.:	63 4
PUB Approved Issue No:	5. Corporate Strategic Plan and Annual Business Plan; 9. Cost of Operations and Cost Containment Measures		
Topic:	Service Delivery Model		
Sub Topic:	Cost Savings for Online Direct-to-Consumer Sales		

Preamble to IR:

Figure EXP- 43 in EXP.6 shows that commissions to brokers will grow until 2023. However, Part IV(ii) – VM Appendix 5 shows that MPI intends to adopt a service delivery model that will *"reduce broker commissions by $30,000 in first year and $85,000 by 3rd year of implementation and a maximum of $200,000 based on long-term maturity of 50% customer adoption rate for the self-service channel."*

Question:

a) Please provide all detailed business cases claiming cost saving for all options related to changing the service delivery as seen in 2020 GRA Information Requests – Round 1 CAC 1-1 Appendix 14 *("The Future of MPI's Customer Service Delivery Model")*; and

b) 2020 GRA Information Requests – Round 1 CAC 1-1 Appendix 14 *("The Future of MPI's Customer Service Delivery Model")*, slide 27, contains a series of assumptions. Please indicate how MPI determined all of these assumptions.

Rationale for Question:

To determine if MPI expects additional cost savings other than outlined in the Application and to determine how it intends to achieve those cost savings.

RESPONSE:

a) MPI created no detailed business cases for the six operating models reviewed in *CAC (MPI) 1-1 Appendix 14*. The operating model options and financial analysis were developed to enhance MPI's understanding of the impact changing service delivery models and to better understand the various scenarios. While the Legacy Systems Modernization (LSM) Business Case looks at one option, based on the impact broker commissions have on the benefits stream, MPI determined that it would be prudent to explore the implications of the full spectrum of options.

b) The modelling was intended to evaluate 'what if' scenarios, not to reflect a single best estimate. As such, business knowledge was used to establish a reasonable basis for the online uptake assumption (range of 20%/35%/50%), online commission cost, shared delivery online split and online capability start date. Internal data was used to develop the broker-MPI compensable transaction split of 91.3% broker/8.7% MPI. The 2019/20 budget model was used as the source for the forecasted commission expense and commission growth rate. As mentioned in the response to part (a) above, the options provided were meant to be analyzed at a high level to inform initial discussion.

IBAM (MPI) 2-14

Part and Chapter:	Part V(i) Expenses	Page No.:	63
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Expenses		
Sub Topic:	Broker Commissions		

Preamble to IR:

Figure EXP-43 at EXP.6 provides expenses relating to commissions.

Question:

a) How did MPI derive these commission numbers?;

b) Please indicate if any revenues collected from the services currently provided by brokers detailed in the table below (typically flat fee) are included in the revenue line – "*Basic Premium Total Net Premiums Written*":

Rcrd Ownership Document Fee	Req KT Class 5 Srvc	Req KT Class 6 Srvc
Mid Term Change - Policy	Reactivation Policy/Rgstn	Reassess Policy/Rgstn
Change Customer Information	Plate Replacement	Req KT Class 4 Srvc
New Customer Setup	Reapply for DL	Req RT Class 4 Srvc
Cancel Policy/Registration	Reactivate DL	Req RT Class 6 Srvc
DL Replacement	Req Drv Education Srvc	Req RT Class 3 Srvc
Reapplication Policy/Rgstn	Apply for IC	Req KT Class 3 Srvc
Mid-Term Change Layup	IC Replacement	Estate
Transfer	Req RT Class 1 Srvc	Reactivate IC
New Policy/Rgstn	Req KT Class 1 Srvc	Req RT Air Brk/Slk Srvc
Other Sales	Req KT Air Brake Srvc	Req KT Class 2 Srvc
Renewal Policy/Rgstn	Req for EI Intrv Srvc	Req RT Class 2 Srvc
Req RT Class 5 Srvc	Renewal IC	Req KT Schl Bus Srvc
Process Loan Authorization	Reapply for IC	

c) Please indicate how revenues collected from each of the services in the table above at Question (ii) are allocated. For example: MPI - Service Fees & Other Revenues, Manitoba Infrastructure - Automobile and Motor Carrier Licences and Fees, Manitoba Infrastructure - Drivers Licences, etc.:

   i. If no customer revenue is collected, explain why the full cost of the services in the table above at Question (ii) are tied to Basic Premiums?;
   ii. If revenue from these services is allocated elsewhere, why is the compensation expense for these services tied to Basic Premiums?; and
   iii. If flat fee service fees are included in the Commissions line why are they termed "*Commissions*"?

Rationale for Question:

To ensure broker commission on Basic Autopac is accurately reflected and understood.

RESPONSE:

a) Please refer to *CAC (MPI) 1-1(a)* and *PUB (MPI) 2-19* of the 2020 General Rate Application (GRA), for a detailed analysis of the derivation of commissions written. As indicated on *Part V(i) Expenses Chapter, page 63*, Basic commissions are based on variable commissions (3% of premiums written) plus flat fees.

b) Of the services listed above, the following are included in the revenue line – "*Basic Premium Total Net Premiums Written*":

   - Cancel Policy/Registration
   - Estate
   - Mid-Term Change – Policy
   - Mid-Term Change Layup
   - New Policy/Rgstn
   - Reactivate DL
   - Reactivation Policy/Rgstn
   - Reapplication Policy/Rgstn
   - Reapply for DL
   - Reassess Policy/Rgstn
   - Transfer

c) Please refer to the following table for a list of revenue allocations per transaction:

	INCLUDED IN						
	MPI			MANITOBA INFRASTRUCTURE			
SERVICE	Basic Premium	Service Fees & Other Revenues	No Charge	Registration - Auto & Motor Carrier	DL Charge - Driver	Fees - Auto & Motor Carrier	Fees - Driver
Apply for IC		X					
Cancel Policy/Registration	X	X		X		X	
Change Customer Information			X				
DL Replacement		X					X
Estate	X	X		X		X	
IC Replacement		X					
Mid Term Change - Policy	X	X		X		X	
Mid-Term Change Layup	X	X		X		X	
New Customer Setup			X				
New Policy/Rgstn	X	X		X		X	
Other Sales		X		X			
Plate Replacement		X				X	
Rcrd Ownership Doc Fee		X				X	
Reactivate DL	X						X
Reactivate IC		X					
Reactivation Policy/Rgstn	X	X		X		X	
Reapplication Policy/Rgstn	X	X		X		X	
Reapply for DL	X				X		X
Reassess Policy/Rgstn	X	X		X			
Transfer	X	X		X		X	
Renewal IC		X					
Req Drv Education Srvc		X					
Req for EI Intrv Srvc		X					
Req KT Air Brake Srvc						X	
Req KT Class 1 Srvc						X	
Req KT Class 2 Srvc						X	
Req KT Class 3 Srvc						X	
Req KT Class 4 Srvc						X	
Req KT Class 5 Srvc						X	
Req KT Class 6 Srvc						X	
Req KT Class 6 Srvc						X	
Req KT Schl Bus Srvc						X	

	MPI			MANITOBA INFRASTRUCTURE			
SERVICE	Basic Premium	Service Fees & Other Revenues	No Charge	Registration - Auto & Motor Carrier	DL Charge - Driver	Fees - Auto & Motor Carrier	Fees - Driver
Req RT Air Brk/Slk Srvc						X	
Req RT Class 1 Srvc						X	
Req RT Class 2 Srvc						X	
Req RT Class 3 Srvc						X	
Req RT Class 4 Srvc						X	
Req RT Class 5 Srvc						X	
Req RT Class 6 Srvc						X	

i. Change Customer Information and New Customer Setup are transactions that do not levy a fee or service charge as they are transactions essential to conducting Basic business with our customers.

ii. Compensation for services allocated elsewhere is not tied to Basic Premiums. In many instances, there is a Basic transaction in place that supports additional activity within the same transaction, however it could not occur without the existence of the Basic activity.

iii. A flat fee commission is paid to the broker to perform flat fee services in accordance with the Agents' Commission and Flat Fee Schedule and is included in the Commission line accordingly.

IBAM (MPI) 2-15

Part and Chapter:	Part IV(ii) – VM Appendix 5 & 5a, Appendix 15	Page No.:	1-15
PUB Approved Issue No:	5. Corporate Strategic Plan and Annual Business Plan; 9. Cost of Operations and Cost Containment Measures		
Topic:	Service Delivery Model		
Sub Topic:			

Preamble to IR:

MPI has completed an Online Customer Self-Service business case including several different scenarios for distribution.

Question:

In furtherance of MPI's commitment to openness and transparency, please provide all internal briefing notes and business cases and assumptions regarding future service delivery, including those relating to MPI moving services to an Online Customer Self-Service business, a direct online portal and/or other online environment.

Rationale for Question:

To determine which other options MPI has considered for a service delivery model other than as laid out in the Application and whether it is cost-effective for MPI to provide those services currently provided by brokers in Manitoba.

RESPONSE:

All relevant business case materials and supporting financial analysis and models have been provided in the General Rate Application (GRA) (accessible through the PUB's Commercially Sensitive Information process) as well as in its responses to Information

Requests relating to the Customer Self-Service Project and the Legacy Systems Modernization Program.

IBAM (MPI) 2-16

Part and Chapter:	PART V(i) Expenses, EXP.1 & Figure EXP-1	Page No.:	5-6
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Expenses		
Sub Topic:	Claims Expense		

Preamble to IR:

MPI wrote at EXP.1:

> *"The annual Claims expense ratio and operating expense ratio declined an average of 4.1% and 5.3% respectively from 2014/15 through to 2018/19."*

Question:

a) Please explain why the Claims Expense line increased by 17.9% in 2017/18;

b) How might this relate to the decline in Operating Costs in this same year (2017/18)?; and

c) Please provide a detailed list and amount of expenses included in Claims Expense.

Rationale for Question:

To review the reasons behind an increase in expenses related to claims.

RESPONSE:

a) The Claims Expense line increased in 2017/18 as a result of the allocation of improvement initiative deferred development impairments occurring in that fiscal year. Please see Figure 1 of the *2019 GRA PUB (MPI) 1-63(a)* (reproduced below) for a listing of impaired projects.

Figure 1: Impairment of Deferred Development Costs

Line No.	Total Corporate Initiatives	2017/18 Impairment
1	*(C$000s, except where noted)*	
2	Physical Damage Re-Engineering Main/Phase 3	993
3	Financial Re-engineering Inititiative	343
4	SRE Future State	55
5	High School Driver Education Phase 2	2,086
6	Enhanced DR Capabilities	681
7	Customer Claims Reporting System	15,624
8	PDR Opt Repair - Remote Estimating	229
9	HR Management System Phase 3 & 4	247
10	**Total Impairment**	**20,258**

NOTE: the Customer Claims Reporting System (CCRS) initiative listed above had a substational impairment allocation, contributing to the significant increase in Claims Expenses in the fiscal year 2017/18.

b) The increase in the Claims Expense line in the fiscal year 2017/18 has no relation to the decrease in operating expenses in that same year, as CCRS was a claims-related (not operating) project. MPI experienced an overall decrease in normal operating expenses (from 2017/18 to 2016/17), which explains why operating expenses decreased.

c) The Claims Expense line is comprised of direct and allocated expenses. Direct expenses relate to the claims departments (i.e. Injury Claims and Physical Damage Centers), whereas the allocated expenses relate to commonly shared departments (i.e. Accounting, Information Technology and Human Resources). Also included are allocated and direct expenses relating to projects. Please see *Part V Expenses Appendix 2 Summary of Basic Expenses By Category* for details.

IBAM (MPI) 2-17

Part and Chapter:	PART V(i) Revenue, REV.4	Page No.:	29-30
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Expenses/revenue		
Sub Topic:			

Preamble to IR:

MPI receives annual funds from the Government of Manitoba for the administration of drivers and vehicle administration ("DVA").

Question:

a) Please provide the amount of this annual transfer for each year from 2015-2019;

b) How is this revenue accounted for in MPI's Financial Statements?; and

c) Please explain why the revenue recovered from the Government of Manitoba for DVA has increased since 2015. What factor(s) contributed to the increase in this transfer?

Rationale for Question:

To review the agreement made with the Government of Manitoba regarding DVA revenues.

RESPONSE:

As a preamble to the response, MPI notes that the cost and revenue associated with DVA operations are not in-scope for the determination of Basic rates. However, as this information is available publicly, MPI has provided the following responses.

a) MPI presents the annual DVA transfers from Manitoba in annual financial statements. The Statement of Operations for the past 10 years may be accessed at the link below: https://www.mpi.mb.ca/pages/corporate-docs.aspx

b) The DVA Operations recovery revenue is accounted for as revenue in the MPI financial statements. Please refer to *Part VIII Appendix 5, 2018/19 Audited Financial Statements* for more information. Further, *page 8* of the Audited Financial Statements shows the revenue line item for DVA Operations. Finally, notes 22 and 24 on *pages 46* and *47* respectively explain DVA recoveries in further detail.

c) Please see the *Part VIII Appendix 5, Audited Financial Statements – Final signed, page 47*. Note 24 in the financial statements explains DVA operations recoveries.

IBAM (MPI) 2-18

Part and Chapter:	PART IV(ii) IT; PART IV(ii) IT Appendix 5 PART V(i) EXP Appendix 17	Page No.:	4 4 1
PUB Approved Issue No:	17. Current IT Strategic Plan and IT Expenses and Projects, including the Physical Damage Re-Engineering Project, Legacy Systems Modernization, and other initiatives planned for or ongoing in the rating years		
Topic:	Information Technology		
Sub Topic:	Legacy Systems Modernization (LSM) Project		

Preamble to IR:

MPI has confirmed that the Legacy System Modernization ("LSM") Project will cost $106 million over five (5) years and that recurring operating costs will be $21.3 million annually.

PART IV(ii) IT Appendix 5 provides information relating to the LSM Project. The Appendix provides information relating to current and future capital spending, some information regarding where this money is being spent, and timelines for the completion of the work.

PART V(i) EXP Appendix 17 provides for a capital project cost comparison, only comparing last year's General Rate Application ("GRA") to the current year's GRA.

Question:

a) Please provide all internal briefing notes and the business case related to the LSM Project;

b) How did MPI arrive at the estimated cost of the LSM Project?;

c) How will the cost of the LSM Project be impacted by the development and implementation of Online Customer Self-Service?;

d) What portion of the forecasted recurring costs are to support any Online Customer Self-Service?

   1. Please provide details with regard to forecasted recurring costs of $21.3 million associated with the LSM Project.

e) When will the LSM Project be moved from the capital expenses line to the operating expenses line?

   1. Will the development and implementation of Online Customer Self-Service affect this date?; and

   2. If so, how?

Rationale for Question:

To review the impact of the LSM Project on MPI's capital expenditures.

RESPONSE:

a) Please see the confidential filing *Part IV(ii) Value Management Appendix 7, Legacy Systems Modernization Business Case - Confidential*.

b) The Legacy Systems Modernization (LSM) budget was developed over a one year period with input from two Assessment Vendors, Deloitte and Avasant. The Business Case referenced in Part (a) provides the budget details.

c) The Online Customer Self-Service project ended with the implementation of the Knowledge Test and Road Test services for Customers. The LSM Program now has the scope of implementing Digital Services for Customers.

d) The detailed breakdown for the recurring costs is described in *Part IV(ii) Value Management Appendix 7 – Confidential, Section 7.1.3 On-Going Costs* of the Confidential Business Case referenced in Part (a). The recurring costs for "Online Customer Self-Service" cannot be separated from the overall recurring costs for the new systems at this time. Further business visioning, system solution modeling and prototyping of the future solution is required to refine the business case operating expenses to the next level of detail.

e) The LSM Program will follow MPI's established guidelines for capitalizing and expensing of projects. The LSM business case did not define when capital costs would be expensed.

IBAM (MPI) 2-19

Part and Chapter:	PART V(i) Expenses	Page No.:	N/A
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Expenses		
Sub Topic:	E&O Exposure		

Preamble to IR:

By implementing a direct Online Customer Self-Service and/or online portal, MPI's errors and omissions exposure will increase.

Question:

a) For each of 2015 - 2019, please provide the amount of expenses MPI has spent in settlements with customers when said customers have alleged that they were under-insured or misinformed at the time of purchasing insurance;

b) Does MPI expect that these costs would rise should direct Online Customer Self-Service be developed and implemented?

   i. Why or why not?; and
   ii. If so, how much does MPI expect the cost to rise?

Rationale for Question:

To review current and future expenses incurred by MPI and how those may be impacted by the implementation of Online Customer Self-Service.

RATIONALE FOR REFUSAL:

a) and b)

Any costs incurred by MPI to resolve complaints by customers against brokers for failing to properly inform, advise or underinsure them, would necessarily relate to the sale of products under the Extension line of business. This is because a customer purchasing Basic coverage cannot be underinsured by virtue of the minimum coverage legally required under the compulsory Autopac program (i.e. $500 deductible – All Perils Insurance; $200,000 Third Party Liability Insurance and Personal Injury Protection Plan benefits). MPI will not provide the information requested as it pertains to the sale of Extension products which is beyond the scope of this General Rate Application and therefore irrelevant.

IBAM (MPI) 2-20

Part and Chapter:	See: 2020 GRA Information Requests – Round 1; PUB (MPI) 1-47	Page No.:	4
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Expenses		
Sub Topic:	Claims Expense		

Preamble to IR:

PUB has requested agreements with brokers as well as repair shops, commercial vehicle repair shops, chiropractors, and rental vehicles.

Question:

a) Please provide the total amount of expense paid to Repair Shops in each year from 2015-2019;

b) Please provide average hourly Labour Rates for Light Vehicle repair for each year from 2015-2019;

c) Please provide average hourly Labour Rates for Glass Repair for each year from 2015-2019;

d) Please provide the total amount of funds paid to Commercial Repair Shops in each year from 2015-2019;

e) Please provide the total amount of expenses paid to all Medical Professionals, including Chiropractors, in each year from 2015-2019; and

f) Please provide the total amount of expense paid for Rental Vehicles in each year from 2015-2019.

Rationale for Question:

To review expenses related to other stakeholders.

RESPONSE:

a) Please see Figure 1 below for the amounts paid to repair shops (non-commercial vehicle) for each year from 2014/15 to 2018/19:

Figure 1 Total Amounts Paid To Repair Shops (Non-Commercial Vehicle) 2014/15-2018/19

Line No.		2014/15A	2015/16A	2016/17A	2017/18A	2018/19A
1	Payments to Non-Commercial Repair Shops	$323,516,000	$317,045,000	$343,989,000	$361,902,000	$360,502,000

b) Please see Figure 2, Figure 3 and Figure 4 below for the average hourly labour rates for light vehicle repair for each year from 2015 to 2019:

Figure 2 Average Hourly Light Vehicle Repair Labour Rates 2015-2019 (Southern)

Line No.	Effective Date	Body, Refinish & Mechanical - Southern MB	Frame - Southern MB	Designated Repair - Southern MB
1	1-Jan-15	$70.37	$77.12	$96.56
2	1-Jan-16	$71.36	$78.20	$96.56
3	1-Mar-17	$72.89	$79.88	$98.64
4	1-Mar-18	$74.43	$81.56	$100.71
5	15-Apr-19	$74.43	$81.56	$100.71

Figure 3 Average Hourly Light Vehicle Repair Labour Rates 2015-2019 (Northern)

Line No.	Effective Date	Body, Refinish & Mechanical - Northern MB	Frame - Northern MB	Designated Repair - Northern MB
1	1-Jan-15	$78.76	$86.33	$96.56
2	1-Jan-16	$79.86	$87.54	$96.56
3	1-Mar-17	$81.58	$89.42	$98.64
4	1-Mar-18	$83.29	$91.96	$100.71
5	15-Apr-19	$83.29	$91.96	$100.71

Figure 4 Average Hourly Light Vehicle Repair Labour Rates 2015-2019 (Far North)

Line No.	Effective Date	Body, Refinish & Mechanical - Far North	Frame - Far North	Designated Repair - Far North
1	1-Jan-15	N/A	N/A	N/A
2	1-Jan-16	N/A	N/A	N/A
3	1-Mar-17	$83.95	$91.96	$98.64
4	1-Mar-18	$85.71	$93.89	$110.71
5	15-Apr-19	$85.71	$93.89	$110.71

c) Please see Figure 5 and Figure 6 below for the average hourly labour rates for glass repair for each year from 2015 to 2019:

Figure 5 Average Hourly Labour Rates for Glass Repair 2015-2019 (Southern)

Line No.	Effective Date	Windshield (Safety) - Southern MB	Tempered Glass - Southern MB
1	1-Jan-15	$55.31	$69.15
2	1-Jan-16	$55.31	$69.15
3	1-Mar-17	$55.31	$69.15
4	1-Mar-18	$55.31	$69.15
5	15-Apr-19	$55.31	$69.15

Figure 6 Rates Average Hourly Labour Rates for Glass Repair 2015-2019 (Far Northern/Far North)

Line No.	Effective Date	Windshield (Safety) - Northern MB	Tempered Glass - Northern MB	Windshield (Safety) - Far North	Tempered Glass - Far North
1	1-Jan-15	$63.32	$77.40	N/A	N/A
2	1-Jan-16	$63.32	$77.40	N/A	N/A
3	1-Mar-17	$63.32	$77.40	$65.22	$79.61
4	1-Mar-18	$63.32	$77.40	$65.22	$79.61
5	15-Apr-19	$63.32	$77.40	$65.22	$79.61

d) Please see Figure 7 below for the total amounts paid to repair shops (commercial vehicle) in each year from 2014/15 to 2018/19:

Figure 7 Total Amounts Paid To Repair Shops (Commercial Vehicle) 2014/15-2018/19

Line No.		2014/15A	2015/16A	2016/17A	2017/18A	2018/19A
1	Payments to Commercial Repair Shops	$10,143,000	$11,139,000	$12,164,000	$13,858,000	$12,895,000

e) Please see Figure 8 below for the total amounts paid to all injury service providers, including Chiropractors, in each year from 2014/15 to 2018/19:

Figure 8 Total Amounts Paid To Injury Service Providers 2014/15-2018/19

Line No.		2014/15A	2015/16A	2016/17A	2017/18A	2018/19A
1	Payments to Injury Service Providers	$37,984,000	$39,513,000	$38,831,000	$41,192,000	$37,346,000

Please note, the above Figure identifies all payments made to service providers on injury claims, including all service-related expenses such as expenses for treatment/rehabilitation programs, equipment, and assessments/reports.

f) Please see Figure 9 below for the total amounts paid for rental vehicles in each year from 2014/15 to 2018/19:

Figure 9 Total Amounts Paid for Rental Vehicles 2014/15-2018/19

Line No.		2014/15A	2015/16A	2016/17A	2017/18A	2018/19A
1	Payments to Rental Vendors	$16,387,000	$17,151,000	$15,203,000	$17,818,000	$15,442,000

IBAM (MPI) 2-21

Part and Chapter:	Part V(i) Revenues and Expanses	Page No.:	
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Basic Commissions		
Sub Topic:	CAGR		

Preamble to IR:

Question:

Please show a 2014-2018 five (5) year Compound Annual Growth Rate ("CAGR") of Basic Commissions only (excluding flat fee) and compare this to the 2014-2018 five (5) year CAGR of Total Basic Net premiums.

Rationale for Question:

To see if broker commissions are growing with the revenue delivered.

RESPONSE:

Figure 1 Compound Annual Growth Rate of Premiums / Commissions

Line No.	Commissions/fees Paid to Brokers	14/15 - 18/19 (5 years)
1	Basic	6.0%
2	Basic Transactions / flat fees	6.0%
3	DVA Transactions / flat fees	10.3%
4	Total Basic / DVA Commissions	6.1%
5	Total Basic Net Premiums written	
6	Motor Vehicles	5.8%
7	Drivers	10.0%
8	Total Basic Net Premiums written	6.0%

IBAM (MPI) 2-22

Part and Chapter:	Part V(i); Expenses	Page No.:	
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Transactions		
Sub Topic:			

Preamble to IR:

One of the rationales for reducing commissions paid to brokers on Basic Autopac - from five percent (5%) to three percent (3%) - was a projected decrease in the number of transactions in the broker channel.

Question:

a) Please provide the total number of Basic transactions handled in the broker channel in each year since 2015;

b) Please provide the total number of Extension transactions handled in the broker channel in each year since 2015; and

c) Please provide information with respect to market share for Extension services. Does MPI keep this information and, if so, what is the market share trend since 2010?

Rationale for Question:

To receive information on workload and related trends in the broker channel.

RESPONSE:

a) and b)

Identifying broker activity at the transaction level by Line of Business (LOB) is difficult. While product activity is easier to analyze at the LOB level, one policy transaction may involve multiple products that belong to one or more LOBs (i.e. a Basic policy with multiple Basic and Extension products).

The following figure conveys the number of Basic products transacted in the Broker Channel.

Figure 1 Basic product transactions in broker channel

Line No.		2015/16	2016/17	2017/18	2018/19
1	*(000's)*				
2		1,728	1,672	1,675	1,653

The following figure conveys the number of Extension products transacted in the Broker Channel.

Figure 2 Extension product transactions in broker channel

Line No.		2015/16	2016/17	2017/18	2018/19
1	*(000's)*				
2		3,265	3,190	3,233	3,217

c) MPI has consistently held 95% or more of the Extension auto insurance market over this period. Please see also *2018 GRA MPI Exhibit #45*, which states:

> *"MPI's estimate for 2016 and a proxy estimate for 2008, using fiscal year data, suggests that the Extension market share was over 95% throughout this period."*

IBAM (MPI) 2-23

Part and Chapter:	2020 GRA Information Requests - Round 1 - CAC (MPI) 1-1 k)	Page No.:	CAC 1-1 page 9 of 11, Figure 2 and Figure 3
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Commissions		
Sub Topic:			

Preamble to IR:

Trailing commissions are tied to trailing revenue. Broker commission on Basic Autopac is 3.0% of premium delivered.

Question:

a) Please provide the contracted value (contracted revenue) associated with the numbers listed for Basic and Extension for each year in Figure 2;

b) Please show the commission for Basic and Extension for each year in Figure 2 as a percentage to total contracted revenue;

c) Figure 3 contains reference to the term "*Automated*". Does this simply refer to the four (4) non-renewal years as part of the five (5) year renewal process?

   i. If not, how does MPI define this term in this context?

d) On a percentage basis, how many reassessments are being handled by independent brokers directly on an annual basis? Please provide this information.

Rationale for Question:

Clarification of the terminology and information set out in this section is important.

RESPONSE:

a) Please refer to the figure below:

Figure 1 Contracted Revenue

Line No.		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
1	($000's, except where noted)									
2	Basic	90,993	558,826	565,738	600,860	602,813	629,532	672,717	736,013	791,611
3	Extension	12,980	93,534	100,281	102,368	102,205	103,811	112,091	118,601	121,038
4	Total Contracted Revenue	103,974	652,360	666,020	703,228	705,018	733,344	784,808	854,613	912,649

b) Please refer to the figure below:

Figure 2 Commission to Contracted Revenue

Line No.		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
1	Basic Percentage	4.47%	4.06%	3.38%	3.08%	3.04%	3.06%	3.06%	3.08%	3.08%
2	Extension Percentage	20.58%	18.84%	22.15%	24.30%	22.54%	21.16%	19.82%	19.80%	19.84%

c) Correct: The definition is located in the preamble to the initial response:

Automated Reassessments may occur during the 4 years when a customer's policy is reassessed, rather than renewed. For an automatic reassessment the customer need only make a payment online, at a bank, or in person. Customers paying monthly continue to have payments debited automatically.

d) Please refer to the figure below:

Figure 3 Reassessment Transactions

Line No.		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
1	Counts									
2	Broker	6,869	108,019	112,824	112,495	106,266	109,696	111,527	109,125	108,190
3	MPI	218	1,525	1,745	1,791	1,938	2,135	2,436	2,313	2,664
4	Automated	227,901	1,490,060	1,554,705	1,602,543	1,554,578	1,528,345	1,611,424	1,673,643	1,706,309
5	Total	234,988	1,599,604	1,669,274	1,716,829	1,662,782	1,640,176	1,725,387	1,785,081	1,817,163
6	% Broker	3%	7%	7%	7%	6%	7%	6%	6%	6%

IBAM (MPI) 2-24

Part and Chapter:	Part IV - Benchmarking	Page No.:	
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Broker Commissions		
Sub Topic:	Comparatives		

Preamble to IR:

Broker commissions are included as part of the cost of operations and cost containment measures.

Question:

a) Does MPI have benchmarking data against other public and private insurance companies with regard to cost of distribution, including broker commissions?

   i. Please provide specific details relating to any such comparisons.

b) How do commissions on Basic insurance (exclusive of flat fee services) MPI pays to brokers in Manitoba compare to other private and public insurance companies across Canada?

   i. Please provide specific details relating to any such comparisons.

Rationale for Question:

MPI will, no doubt, have an increase in its costs as a result of any direct-to-consumer sales model. Although broker commissions have been included as part of the costs of operations and cost containment measures, how does these commissions compare to other public and private insurance companies with regard to the cost of distribution in other Canadian jurisdictions?

RESPONSE:

a) Please see *Appendix 1*, filed confidentially pursuant to the PUB's Commercially Sensitive Information process.

b) While private markets are less willing to share exact commission schedules, third party sources can provide average retail insurance commissions. In the case of public insurers, this information provides an "apples-to-oranges" comparison as private markets offer a much wider range of products and services and are subject to different regulatory, economic and competitive forces.

   As for MPI commissions, the range varies from 3% paid on Basic products to 19.75% paid on Extension products. By comparison, the Insurance Corporation of British Columbia (ICBC), pays less for basic insurance. Given the wide disparity in commission rates, MPI believes that looking at the average commissions paid offers the best comparison between organizations. On average, MPI pays a broker commission of approximately 6-7%[1] on all retail premium collected. This rate may be compared to the rates paid by public insurers in other jurisdictions (please refer to *Attachment A* for more details).

   However, no comparison of commissions paid is complete without considering the value added or the work performed for that compensation. Some private market brokers perform activities that do not apply in the case of auto insurance transactions conducted in Manitoba. These relate to assisting the customer in managing their risk and price and include:

   - Shopping among insurance providers for quotes
   - Submitting a single application to many insurers for quotes

[1] Based on the 2018 Annual Report, Gross Premiums Written/Commissions

- Filtering insurers with dissimilar claims processes or 'fine print' coverage limitations
- Comparing coverages provided which are much wider in scope (eg. $2000 deductibles offered vs $500 basic deductible in MB)
- Comparing costs among insurers and features, such as payment plans

In Manitoba, MPI is a one-stop shop with no fine print, no-fault coverage, a low deductible for basic coverage and one of the lowest cost insurance platforms in Canada. Additionally, an auto insurance customer in Manitoba carries far less risk than the average customer in other provinces, especially those in tort environments. Finally, because MPI is the sole provider of auto insurance and licensing, customers do not have to re-inform themselves of new product providers or coverage changes every year. As a result, brokers handling auto insurance transactions in Manitoba, on average, add less value to the transaction compared to brokers in a private market, per transaction and over time. Notwithstanding this, MPI acknowledges that many of its customers derive benefit from the services provided by their broker, and that there are some unique or complex situations where MPI's customers derive great benefit from the services provided by their broker.

Appendix 1:
Broker Compensation Model Study

This material is the subject of a confidential motion.

IBAM (MPI) 2-25

Part and Chapter:	2020 GRA Information Requests - Round 1 - PUB (MPI) 1-64	Page No.:	2-5. Figure 2
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Consultant Costs		
Sub Topic:			

Preamble to IR:

PUB requested information re: consulting professional services. Figure 2 lists *"Consultant Costs – Basic".*

Question:

a) Are there other consulting contracts outside of "*Basic*"?

   i. If yes, please provide a schedule detailing the fees paid to consulting professional service firms for the years 2017/18 and 2018/19 and the forecast for 2019/2020 identifying the service provided for the fees.

b) Please provide a schedule detailing the fees paid to all consulting professional service firms and individuals used at MPI for the years 2017/18 and 2018/19 and the forecast for 2019/2020 identifying the service provided for the fees.

Rationale for Question:

To review MPI's total consulting costs.

RESPONSE:

As a pre-amble to this response, MPI notes that the General Rate Application is for approval rates for service the Basic line of business. The response provided below should assist in understanding the consultant costs relevant to the approval sought.

a) MPI does not allocate consultant contracts by line of business (LOB). Consultant costs are accounted for by initiative. MPI then allocates each initiative to the applicable LOB. The consultant costs outlined in *PUB (MPI) 1-64 Figure 2* are those allocated to the Basic LOB by initiative.

b) *PUB (MPI) 1-64 Figure 2* outlines the Basic consultant costs for the fiscal years 2016/17, 2017/18 and 2018/19. The consultant cost forecast for the fiscal year 2019/20 is based on a blended rate for work required, not at a contract or vendor level.

IBAM (MPI) 2-26

Part and Chapter:	2020 GRA Information Requests - Round 1 - PUB (MPI) 1-68	Page No.:	2
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Investment Capital Forecast		
Sub Topic:	Cityplace Projects		

Preamble to IR:

MPI has allotted approximately $2.9 million towards investment capital entitled *"Cityplace Projects"* for 2019/2020.

Question:

Please detail the specific contemplated uses for the $2.9 million allotted to *"Cityplace Projects."*

Rationale for Question:

To review MPI's forecasted capital expenditures.

RESPONSE:

The forecast of $2.9 million was primarily for building modernization and building integrity improvements. Please see *Part IV VM Appendix 1*, filed through the PUB's Commercially Sensitive Information process.

IBAM (MPI) 2-27

Part and Chapter:	Part IV(ii) – VM Appendix 5	Page No.:	1
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures 17. Current IT Strategic Plan and IT Expenses and Projects, including the Physical Damage Re-Engineering Project, Legacy Systems Modernization, and other initiatives planned for or ongoing in the rating years		
Topic:	Customer Self Service		
Sub Topic:	Customer Service and Information Technology & Business Transformation		

Preamble to IR:

In the 2020 General Rate Application, Part IV(ii) – VM Appendix 5, the Customer Self Service Business Case states, in part:

> *"Building on the business architecture and technology infrastructure being introduced by the Physical Damage Re-engineering program (PDR) with respect to shop appointment booking as well as the portal technology for the business partner portal, this project will leverage these foundational corporate technology investments and assets to introduce an extended customer self-service channel for high volume/low-value transactions."*

> *"With escalating project costs to deliver a full suite of services via the new self-service delivery channel, and the subsequent outcomes of the Legacy Modernization Assessment project which deemed Autopac On-line (AOL) and Driver Licensing System (DLS) as candidate systems for modernization, Management has made a decision to no longer invest in the technologies currently being utilized for developing the customer self-service capability."*

Question:

a) Since 2017, MPI has spent $4.6 million (see VM Appendix 5a) on Customer Self-Service. Has this spending delivered on the envisioned Online Customer Self-Service outcomes?;

b) Is Customer Self-Service now dependent on the delivery / implementation of the LSM Project?;

c) If an MPI - Broker Agreement that considered Customer Self-Service were in place for future service delivery today, would MPI be in a position to launch Customer Self-Service?;

d) Are there additional costs related to envisioned Customer Self Service options beyond the $106 million in capital expenditures and $21.3 million in recurring annual expenses?;

e) Please provide capital expenditures, to date, and forecasted capital expenditures related to the Physical Damage Re-engineering program (**"PDR"**);

f) Please provide capital expenditures, to date, and forecasted capital expenditures related to the portal technology for the *"business partner portal"* as referenced in the Preamble above;

g) With regard to the $4.6 million spent on Customer Self Service since 2017, what has MPI delivered to customers? Please provide net present value (**"NPV"**) data, if possible; and

h) Has MPI analyzed potential impacts with regard to under-insured drivers and any reductions in revenue arising from Customer Self-Service initiatives?

  1. Has MPI reviewed the experiences with other private and public insurers to obtain a proper understanding of this issue? Please share any reports of findings in this area.

Rationale for Question:

To review the impact of online Customer Self-Service initiatives on MPI's capital expenditures and on the increase of under-insured drivers in the Province of Manitoba.

RESPONSE:

a) Spending has not delivered on the envisioned Online Customer Self-Service (CSS) outcomes. MPI ceased its efforts to implement online CSS past booking and cancelling class 5/6 license tests and decided instead to deliver all of its future online services using new technology. MPI decided to move in this direction because of the difficulties it experienced in moving transactions types online via its existing technology and because of the existence of better technology options in the marketplace.

b) Yes.

c) No. As IBAM is aware, MPI requires the Legacy Systems Modernization (LSM) project to deliver the type of modern experience that customers expect. MPI's existing technology platforms are not amenable to doing so.

d) Please refer to the business case for LSM in Part IV VM Appendix 7, filed confidentially.

e) Please refer to the *Part IV(ii) Value Management Chapter VM.3*.

f) The Physical Damage Re-engineering (PDR) partner portal project was implemented at a cost of $2.56M. There are no incremental capital expenditures forecasted for this project and associated technologies.

g) Please refer to:

- *Part IV(i) Service Delivery Model Chapter SDM.3,*
- *Part IV(ii) Value Management Appendix 5, Updated Customer Self Service Business Case,* and *Appendix 5a, Financial Analysis.*

h) MPI has had no discussions with IBAM or any other stakeholder regarding the impact that CSS initiatives would have on underinsured drivers in Manitoba or on its revenues.

MPI has however considered some of the potential impacts of implementing online CSS. One such potential impact is an increase in customer awareness of the mandatory and optional insurance products available to them. According to recent customer research, about one third of customers surveyed in Manitoba indicated that the broker with whom they dealt on a new application, vehicle transfer or insurance product change transaction did not offer them options or choices. This suggests that many people in the current sales channel are not being consulted on their insurance choices and may be under served or unaware of optional products available to them.

By contrast, an online platform could be set up to automatically and consistently ask customers selecting the minimum third-party liability amount of $200,000 whether they travel outside Manitoba and identify a potential underinsurance situation depending on their answers. Such a process could decrease the number of underinsured customers.

With respect to reports, MPI has conducted surveys on customer experience regarding claimant satisfaction. These surveys provide a snapshot of the overall satisfaction levels for claimants with bodily injuries and those with physical (property) damage. Please see *Appendix 1* and *Appendix 2* for copies of these surveys.

Injury Claimant Satisfaction

Transitional CX Report[1]: July 2019/20 update

This report provides an update of injury claimant insight based a sample of customers who reported claims in January and February, and experienced the claims process through to May and June, 2019[2] or had their claims closed by then. The **Core Dimensions** section summarizes the key touchpoints and suggestions for improvement within the claims process. The **Special Interest Topics** section summarizes additional questions on chiropractic and massage therapy treatments[3]. **Corporate Mission Statement** questions were added for the July 2019/20 reporting period.

In this survey period, 325 claimants were interviewed: 275 were assigned to the Benefit Administration Unit (BAU) and 50 were 'non-BAU' who had a Case Manager(s); 246 from Winnipeg and 79 from non-Winnipeg.

Results in charts display the current report period (July), the previous period (May), and the average of all survey periods since the revised questionnaire began reporting in November, 2018/19. Suggestions for improvements pertain to responses provided in the current period. Response scales used were based on Forrester Research methodology[4]. As the sample size for individual bi-monthly updates are smaller than the average of all surveys, bi-monthly results may be subject to increased variation.

Contents

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[1] Transitionary from the former Customer Service Standards-based survey to a Customer Experience survey.

[2] A lag is required between the claim being reported and the survey to ensure claimants have experienced much of the claims process and include a notable amount of claims that are closed and/or treatments and benefits received.

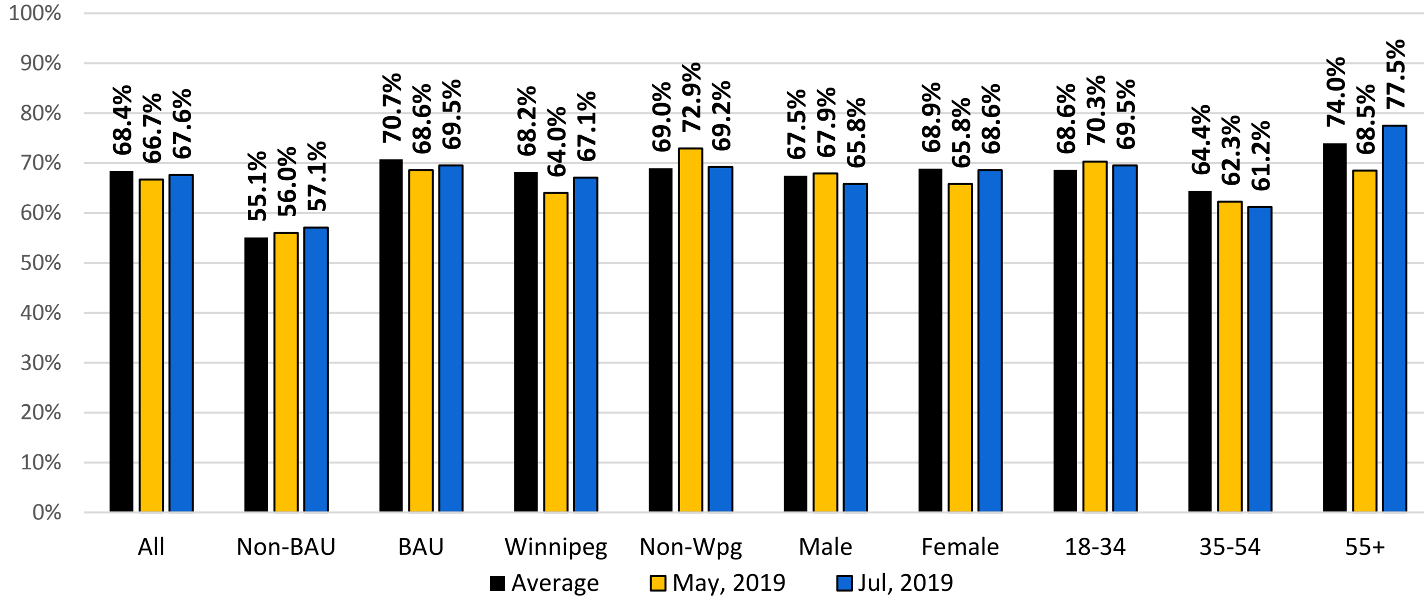
[3] Questions on chiropractic and massage therapy are *special interest* at present. Should the questions be deemed to have a permanent use, they will integrate into the c*ore dimensions* section.

[4] The standard Forrester Research scales and groupings (i.e., 1 to 7, or 0 to 10 for Net Promoter Score questions) are used. Those who are deemed to be *satisfied*, or in *agreement* with a statement provided a 6 or 7 response (out of 7).

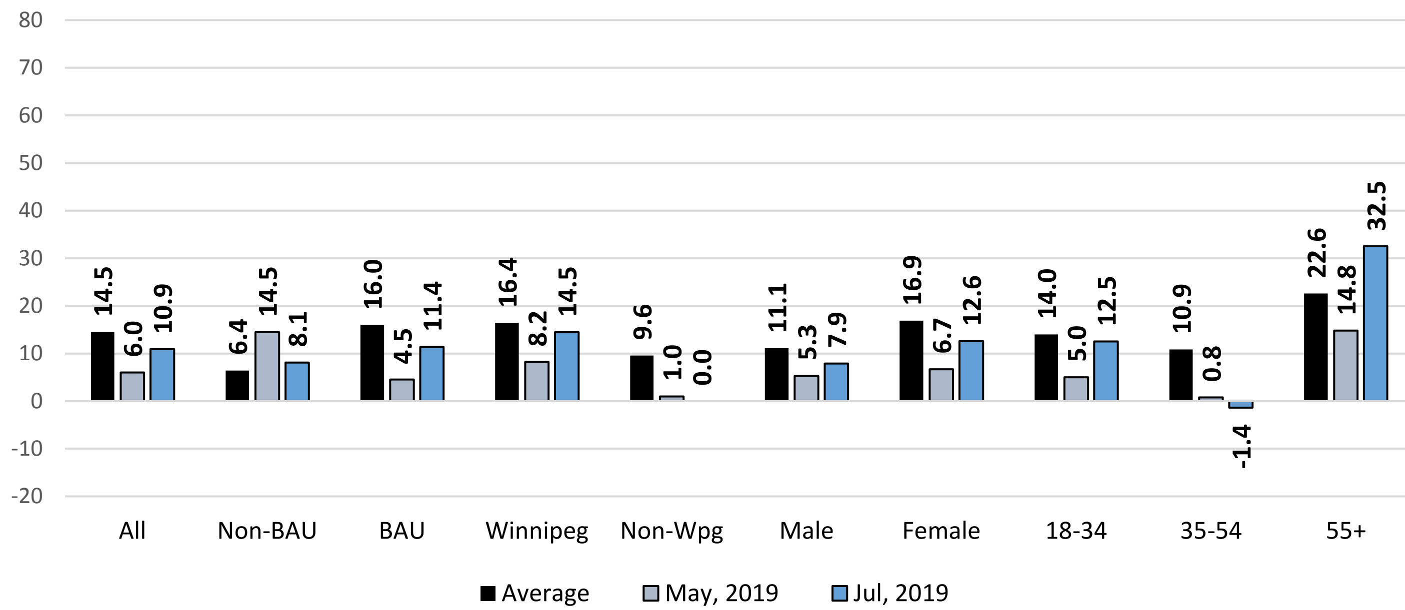
Core Dimensions

Overall Claim Experience

Overall Satisfaction: percentage satisfied with *most recent claim*

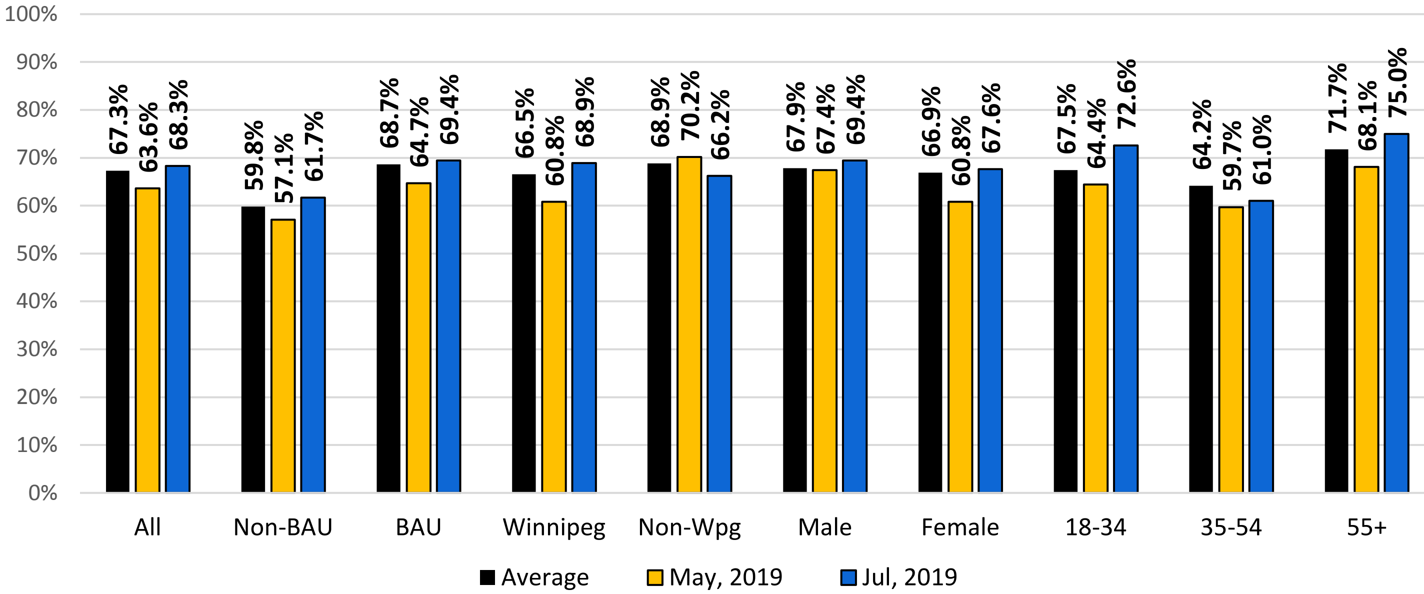


Net Promoter Score[5]: likelihood to *speak highly of the services provided by MPI if discussing auto insurance with a friend or family*

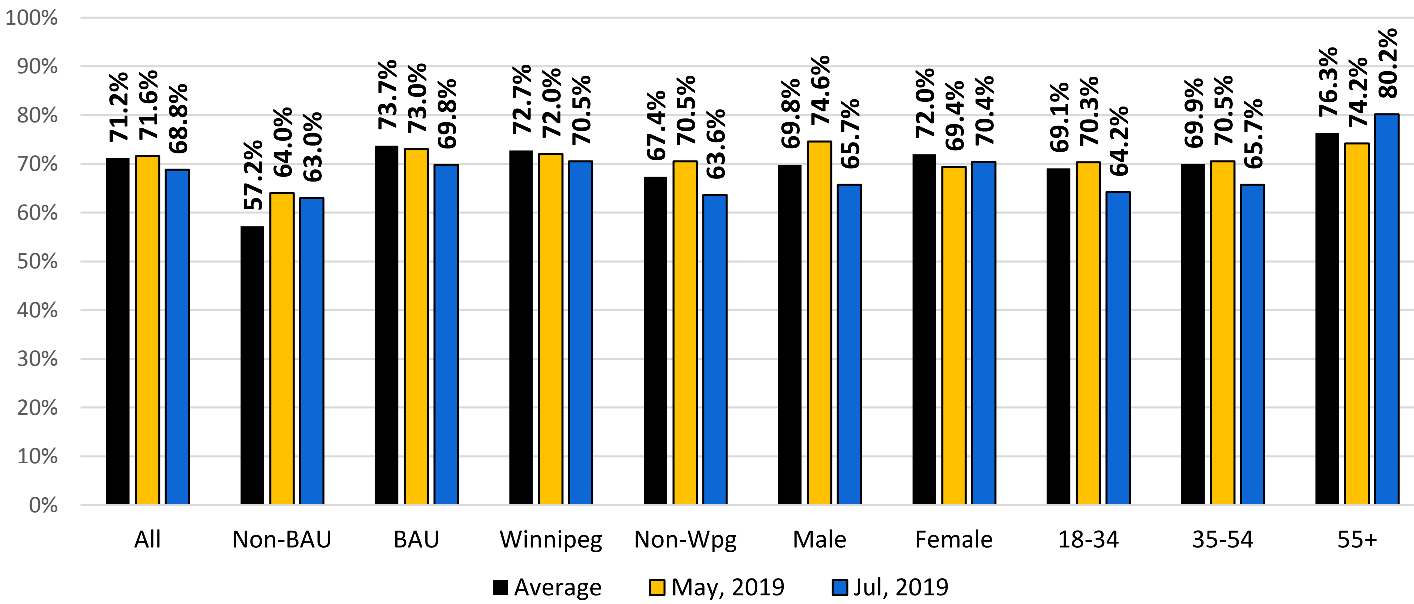


[5] The Net Promoter calculation differs from 'agreement' and 'satisfied' questions. Net Promoter Scores (NPS) are calculated by subtracting the *detractors* (0-6 ratings) from the *promoters* (9-10 ratings). The NPS is an index score.

Needs Met: percent who agree that *MPI met (customers') needs related to the claim*

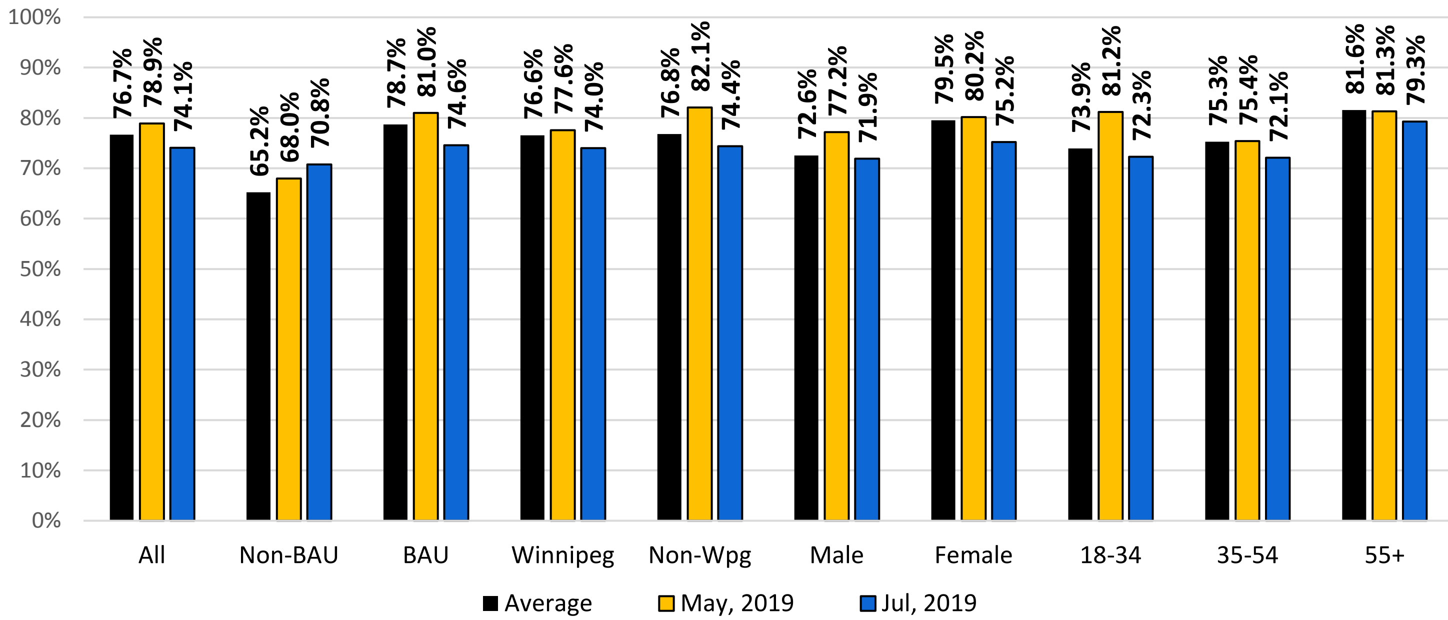


Ease: percent who agree that *going through the claims process was done with ease*



First Notice of Loss

Overall Satisfaction: percentage satisfied with *service received with call to report claim*



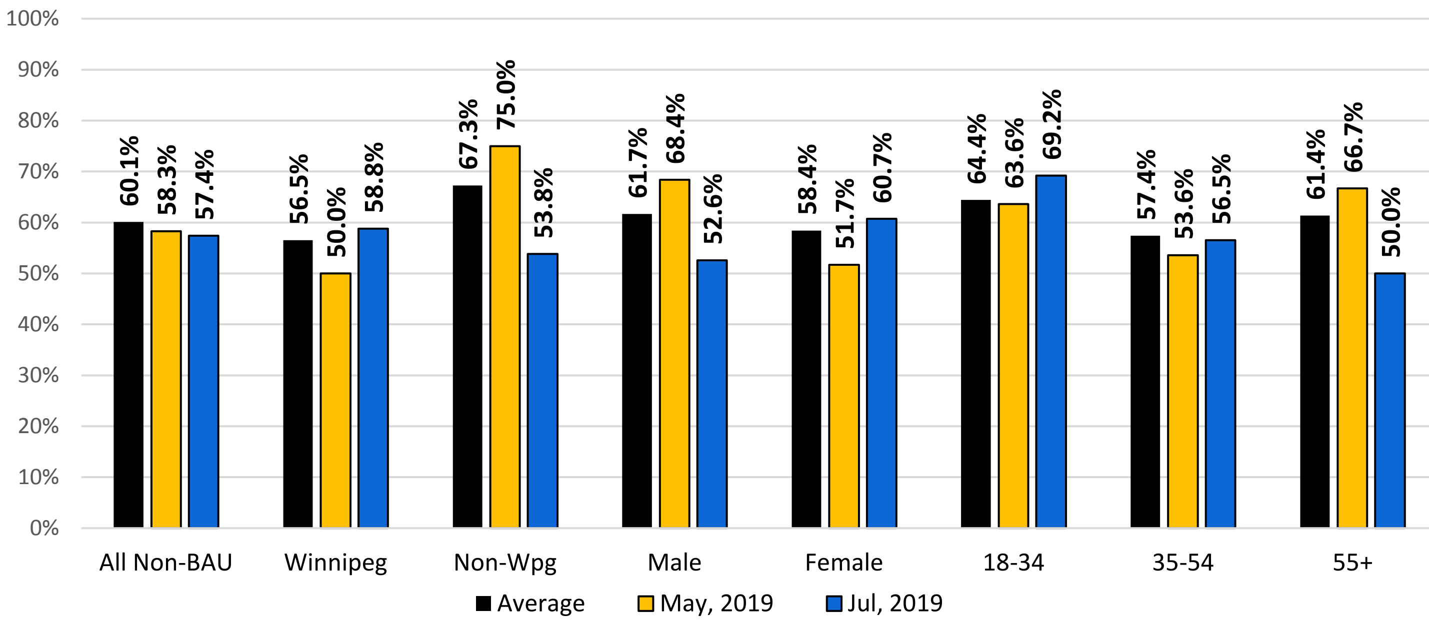
Suggestions for improvement: to process of reporting claim*

Suggestion	% indicated**
Answer calls faster / less time on hold	38.1%
Return my calls promptly	14.3%
Speed up reporting process / reduce the time required to report claim	12.7%
Be more thorough / give complete information	11.1%
Give a better explanation of the upcoming process and options	9.5%
Disagree with policies / benefit entitlements	7.9%
Be more knowledgeable / able to answer questions	6.3%
Be more polite / friendly	6.3%
Be on my side / believe me	6.3%
Have an online option to report claim	6.3%
Be more sympathetic	4.8%
Provide follow-through / ensure I received information package/paperwork	4.8%

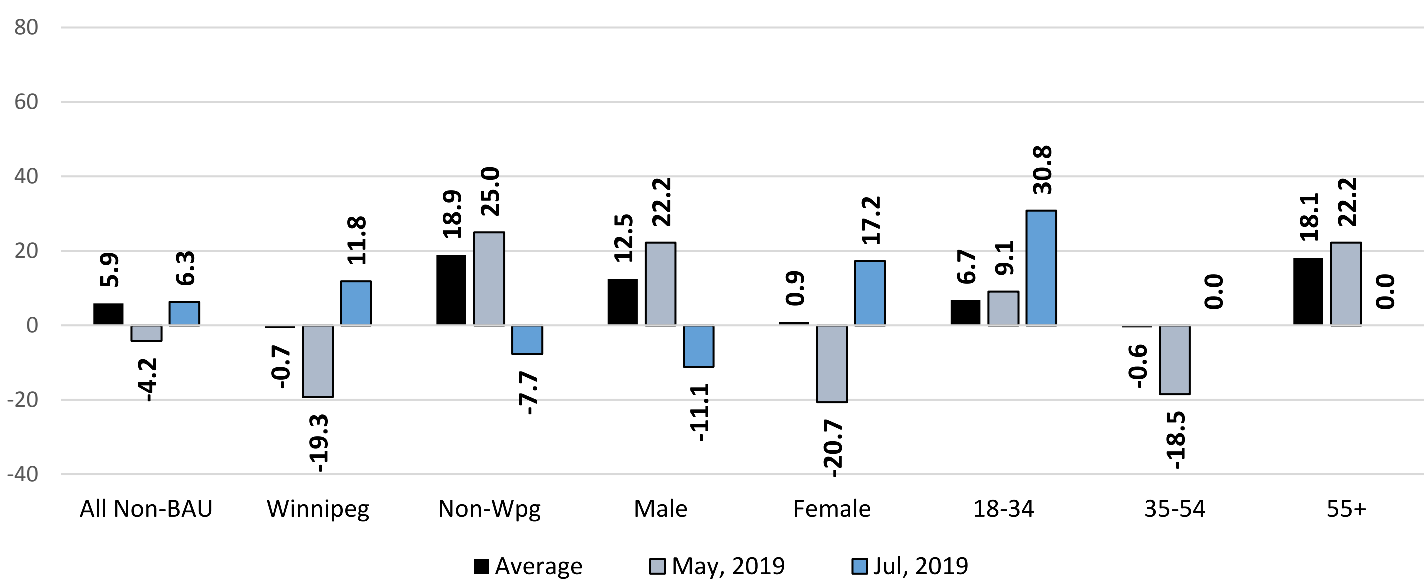
* Asked to only those who gave a 1-5 rating to the *satisfaction with FNOL* question. May sum to over 100% due to some claimants providing multiple suggestions.
**Due to small numbers, only those categories where at least three claimants (i.e., 4.8%) who indicated an improvement are included.

Case Management (non-BAU only)[6]

Overall Satisfaction: percentage satisfied with *service received from Case Manager(s)*



Net Promoter Score: likelihood to *speak highly of services provided by the Case Manager(s) if discussing the injury claim with a friend or family*



[6] Interpret Case Manager/non-BAU results with caution due to a small sample size.

Suggestions for improvement: for Case Manager(s) to provide better service

Suggestion	% indicated**
Be more accessible / return calls and emails faster	38.1%
Be on my side / believe me	38.1%
Give timelier service (in general)	23.8%
Keep in regular contact / more communication	19.0%
Provide more information on benefits/entitlements	14.3%
Be more knowledgeable / able to answer questions	9.5%
Ensure all Case Managers are 'on the same page' / all equally aware of my claim	9.5%

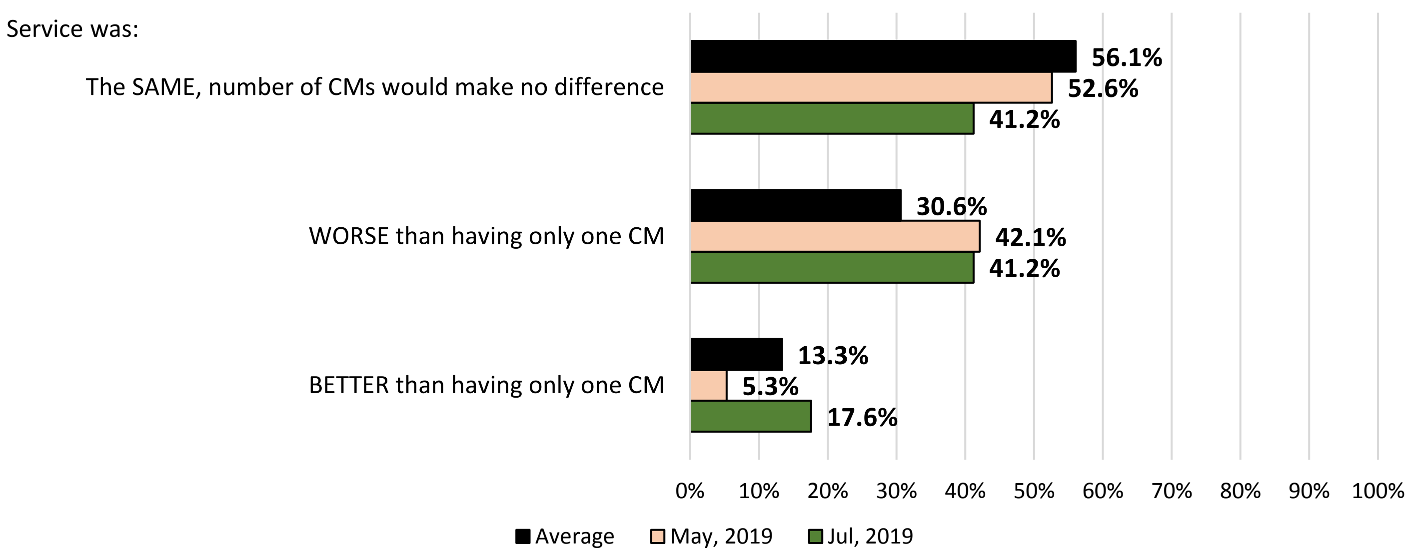
* Asked to only those who gave a 1-5 rating to the *satisfaction with Case Manager* question. May sum to over 100% due to some claimants providing multiple suggestions.
**Due to small numbers, only those categories where at least two claimants (i.e., 9.5%) who indicated an improvement are included.

Multiple Case Managers

In this survey period, 48 of the 50 non-BAU claimants were able to recall and indicate they had the following numbers of Case Managers personally assist them during their claim[7]:

- 31 claimants (64.6%) had one
- 12 claimants (25.0%) had two
- 4 claimants (8.3%) had three
- 1 claimant (2.1%) had four or more

Perception of service received: due to having contact with multiple Case Managers rather than only one[8]



[7] Claimants were reminded that the person they reported their claim to on the phone (during FNOL) is not a Case Manager.
[8] Asked only to claimants who indicated having more than one Case Manager; interpret with caution due to a small sample size.

Why having multiple Case Managers was <u>worse</u> than only one: reasons claimants indicated that service was worse as a result of more than one Case Manager

Reason	% indicated**
Caused confusion (in general)	28.6%
Had to keep repeating information I already provided	28.6%
Poor continuity between Case Managers	28.6%
Seemed inefficient / unorganized	28.6%

* Asked to only those who indicated that *having multiple CMs was worse*. May sum to over 100% due to some claimants providing multiple suggestions.
**Due to small numbers, only those categories where at least two claimants (i.e., 28.6%) who indicated a reason are included.

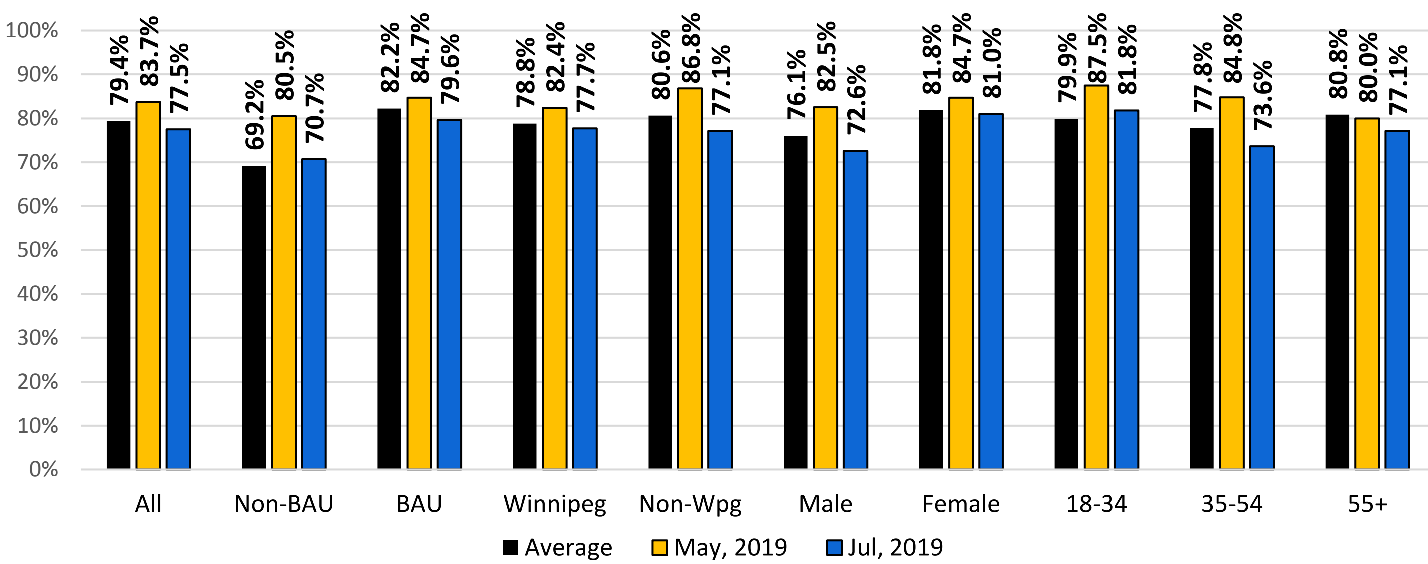
Why having multiple Case Managers was <u>better</u> than only one: reasons claimants indicated that service was better as a result of more than one Case Manager

Reason	% indicated**
One CM was much better than the other / allowed for at least one good CM	100.0%

* Asked to only those who indicated that *having multiple CMs was worse*. May sum to over 100% due to some claimants providing multiple suggestions.
**Due to small numbers, only those categories where at least two claimants (i.e., 100%) who indicated a reason are included.

Information Reviewed

Overall Satisfaction: percentage satisfied with *information reviewed*

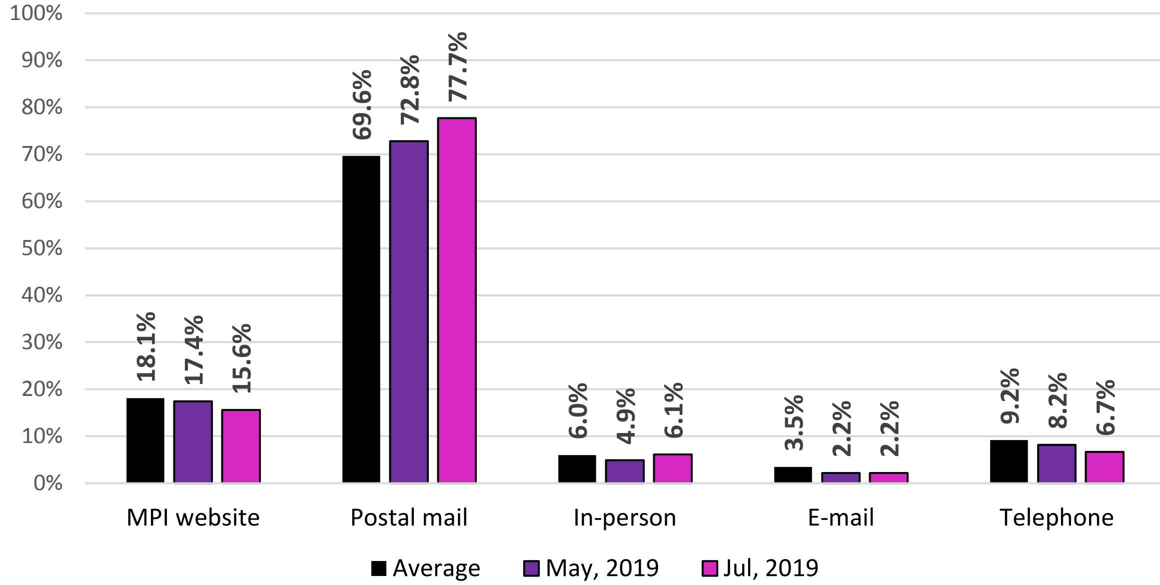


Suggestions for improvement: to provide better information

Suggestion	% indicated**
Provide additional details about coverage / process	39.1%
Clearly indicate person to contact for questions / help line	17.4%
Speed up the process (in general)	17.4%
Increase the use of technology / improve online functionality and self-service	13.0%
Make paperwork and forms clearer / better instructions for paperwork	13.0%

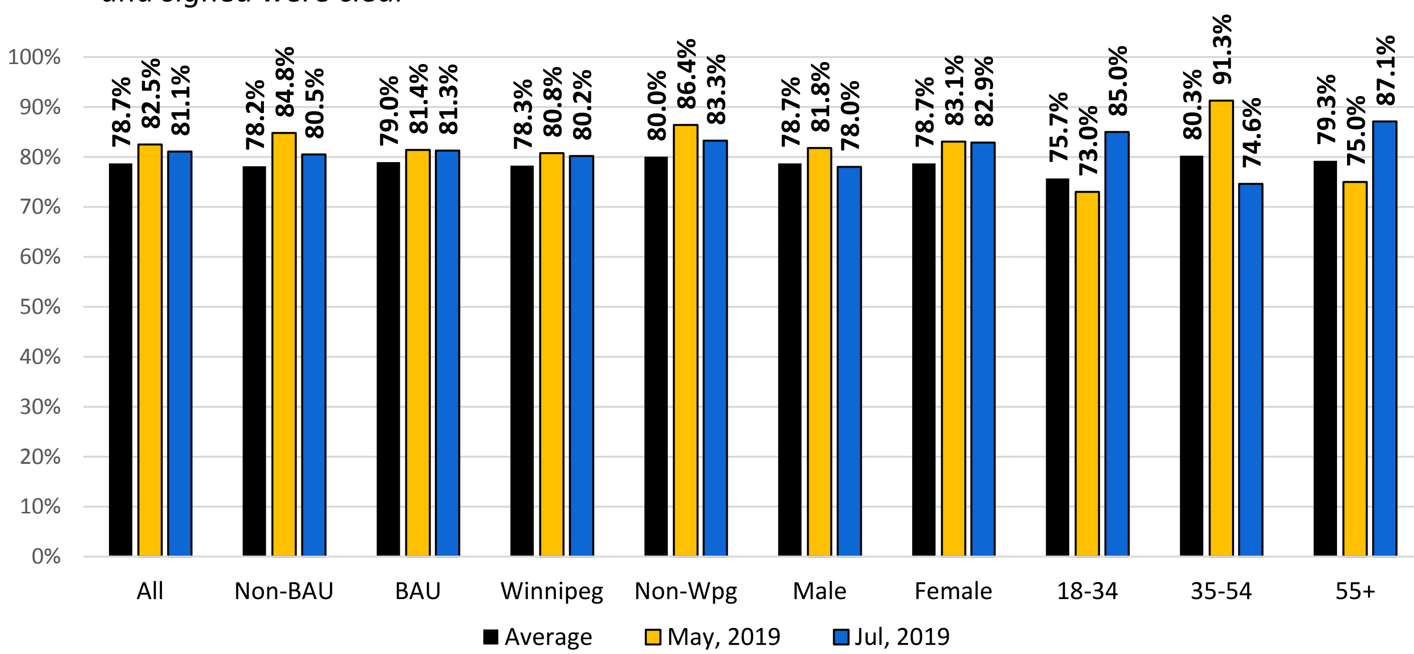
* Asked to only those who gave a 1-5 rating to the *satisfaction with information reviewed* question. May sum to over 100% due to some claimants providing multiple suggestions.
**Due to small numbers, only those categories where at least three claimants (i.e., 13.0%) who indicated an improvement are included.

Sources of information: where claimants received information such as the PIPP guide, forms, and any other materials from the Corporation about injury claims[9]



Forms[10]

Clarity of information on the forms: percentage who indicate the forms they *reviewed and signed were clear*[11]



[9] Sums to more than 100% as claimants may receive information from multiple sources.
[10] Questions about forms only asked to claimants who indicated they had completed and signed at least one form.
[11] Based on a 1 to 7 scale, where 1 is *not at all clear* and 7 is *very clear*; a claimant is deemed to indicate the forms were *clear* if they provided a 6 or 7 response.

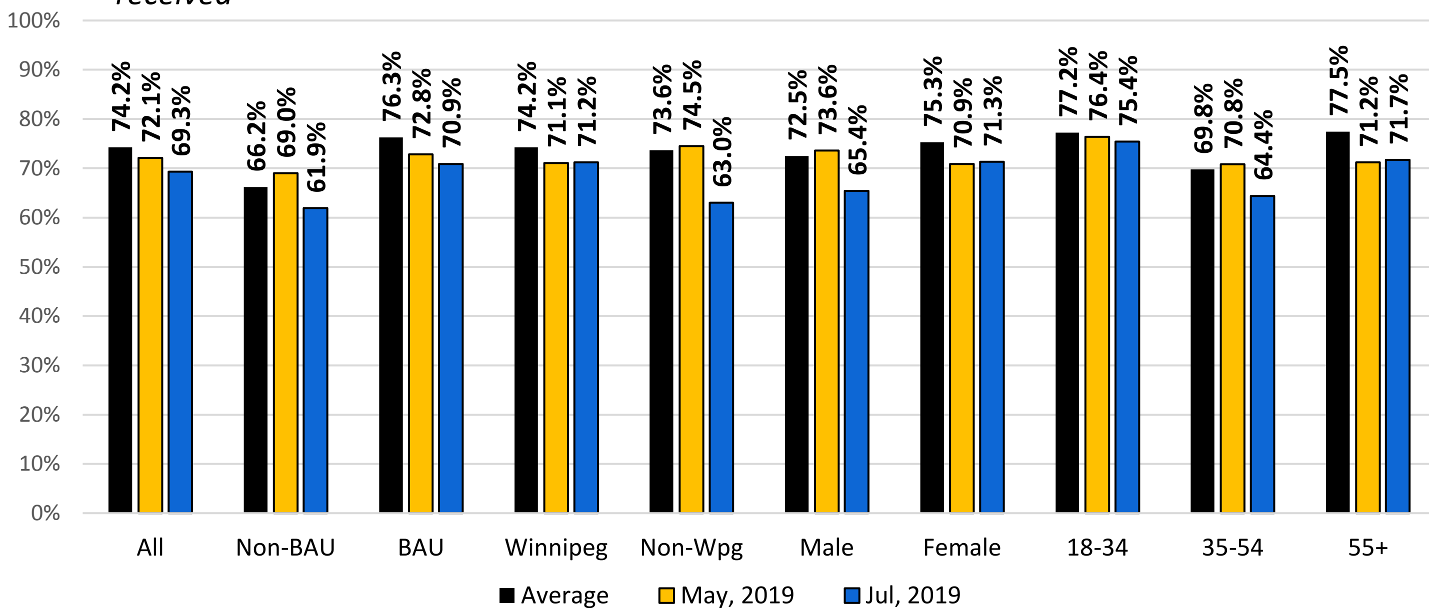
Suggestions for improvement: to make forms more clear

Suggestion	% indicated**
Clarify purpose of needing information / rationale too vague	42.1%
Offer personal assistance to help fill out forms	21.1%
Provide better directions / clearer instructions and definitions	21.1%
Reduce 'legal language' / use plain language	21.1%
Indicate who can sign (including if primary caregiver can sign)	15.8%

* Asked to only those who gave a 1-5 rating to the *clarity of information on forms* question. May sum to over 100% due to some claimants providing multiple suggestions.
**Due to small numbers, only those categories where at least three claimants (i.e., 15.8%) who indicated an improvement are included.

Benefits[12]

Overall Satisfaction: percentage satisfied with *Personal Injury Protection Plan benefit(s) received*



Suggestions for improvement: to provide better PIPP benefits

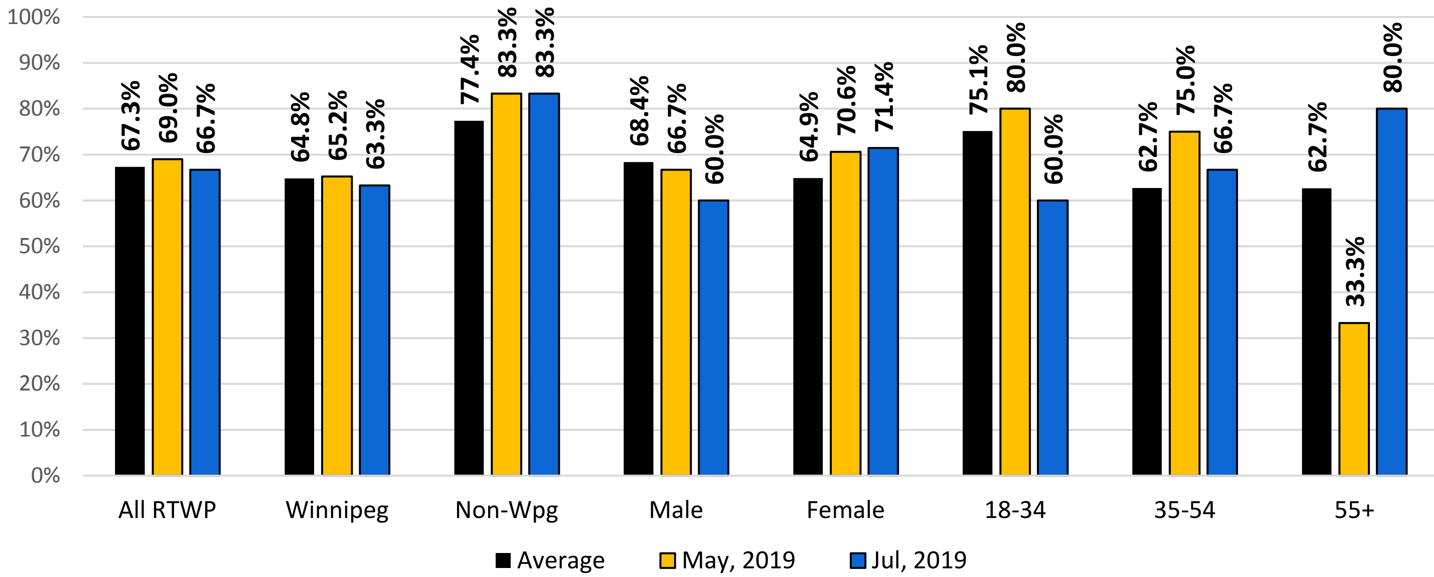
Suggestion	% indicated**
Allow / accept my treatment claim (in general)	33.9%
Provide better explanations / information about benefits (including what qualifies)	22.0%
Include massage therapy	16.9%
Allow more treatment visits if needed	15.3%
Be faster with processing and settling decisions	15.3%
Dissatisfied with current policies/PIPP (in general)	13.6%
Properly reimburse me / pay the correct amount	10.2%
Have more knowledgeable staff that can quickly answer my questions on benefits	8.5%
Believe me / take my word for it	3.4%

* Asked to only those who gave a 1-5 rating to the *satisfaction with PIPP benefit(s) received* question. May sum to over 100% due to some claimants providing multiple suggestions.
**Due to small numbers, only those categories where at least two claimants (i.e., 3.4%) who indicated an improvement are included.

[12] Questions on benefits asked only to those who indicated they had received at least one benefit or payment under PIPP at the time of the survey.

Return to Work Plan[13]

Overall Satisfaction: percentage satisfied with *Return to Work Plan and its process*



Suggestions for improvement: to provide a better Return to Work Plan and process

Suggestion	% indicated**
More flexibility in expectations / allow a slower, more gradual return	40.0%

* Asked to only those who gave a 1-5 rating to the *satisfaction with Return to Work Plan* question.
**Due to small numbers, only those categories where at least two claimants (i.e., 40.0%) who indicated an improvement are included.

Other Suggestions for Improvement[14]

Suggestion	% indicated**
Extend benefits / allow me to receive benefits longer	36.4%
Improve communication / quicker responses to my questions / faster follow-up	34.8%
Be more helpful (in general)	21.2%
Explain benefits clearer / provide more information on benefits	16.7%
Streamline the process / less steps involved	13.6%
Be more sympathetic	9.1%
Faster reimbursements / pay me sooner	7.6%
Provide a person to contact (for questions, support)	3.0%

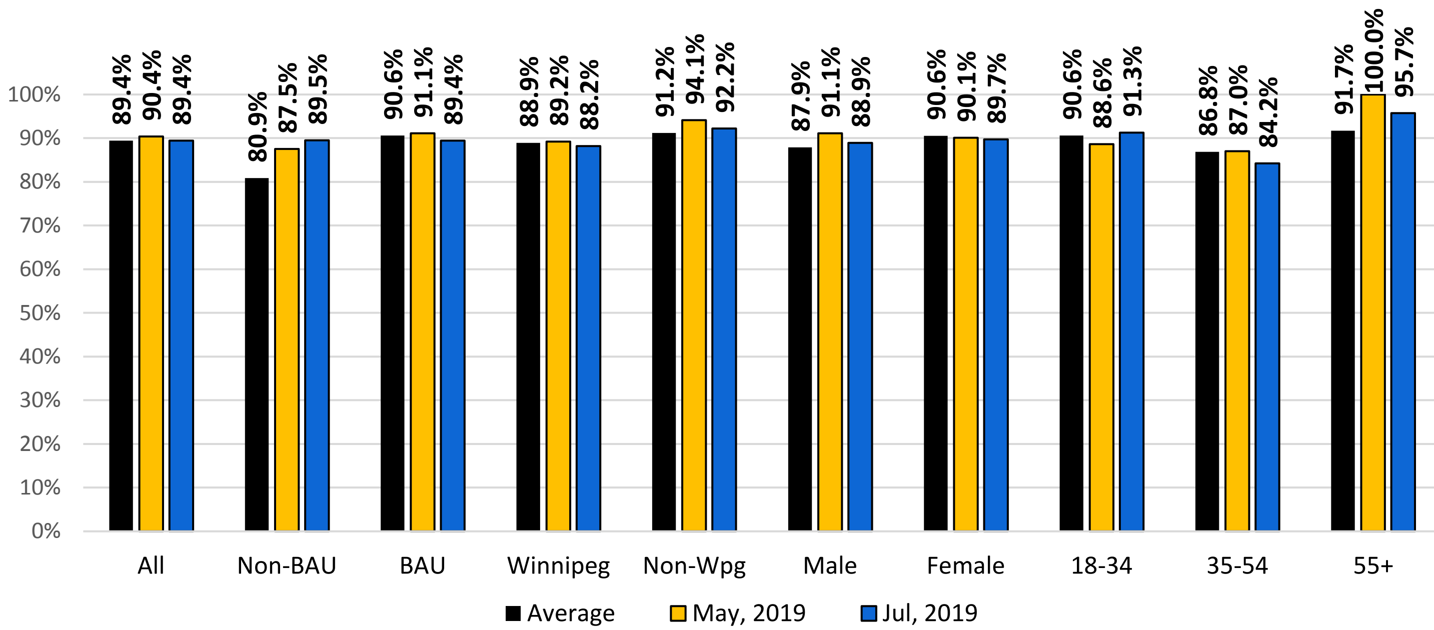
**Due to small numbers, only those categories where at least two claimants (i.e., 3.0%) who indicated an improvement are included. May sum to over 100% due to some claimants providing multiple suggestions.

[13] Questions on Return to Work Plan asked only to claimants who indicated they had such a plan developed at the time of the survey. Exercise additional caution due to a small sample size.
[14] Near the conclusion of the survey, claimants who were *not satisfied overall* (1-5 rating) were asked what could be done to provide a better experience <u>other than what they had already mentioned</u>.

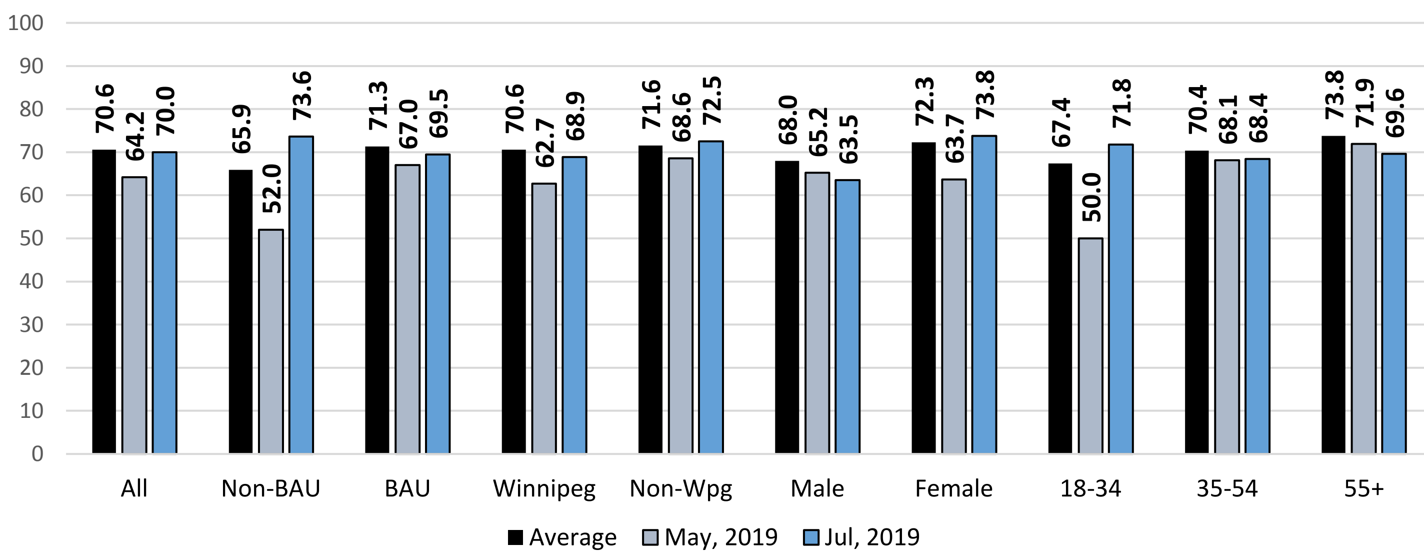
Special Interest Topics

Chiropractic Treatment[15]

Overall Satisfaction: percentage satisfied with *chiropractic treatment visits*



Net Promoter Score: likelihood to *recommend the chiropractic provider if discussing injury treatments with a friend or family*



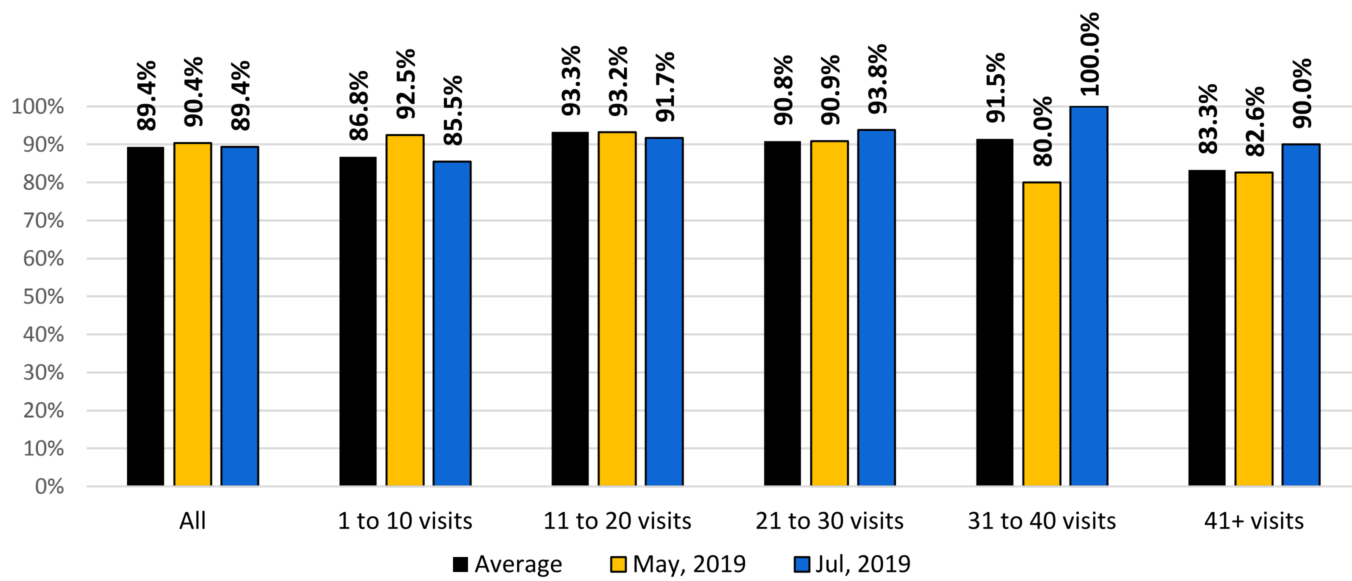
15 Asked only to claimants who indicated they have received at least one chiropractic treatment session covered through PIPP at the time of the survey.

Suggestions for improvement: to provide better chiropractic treatment visits

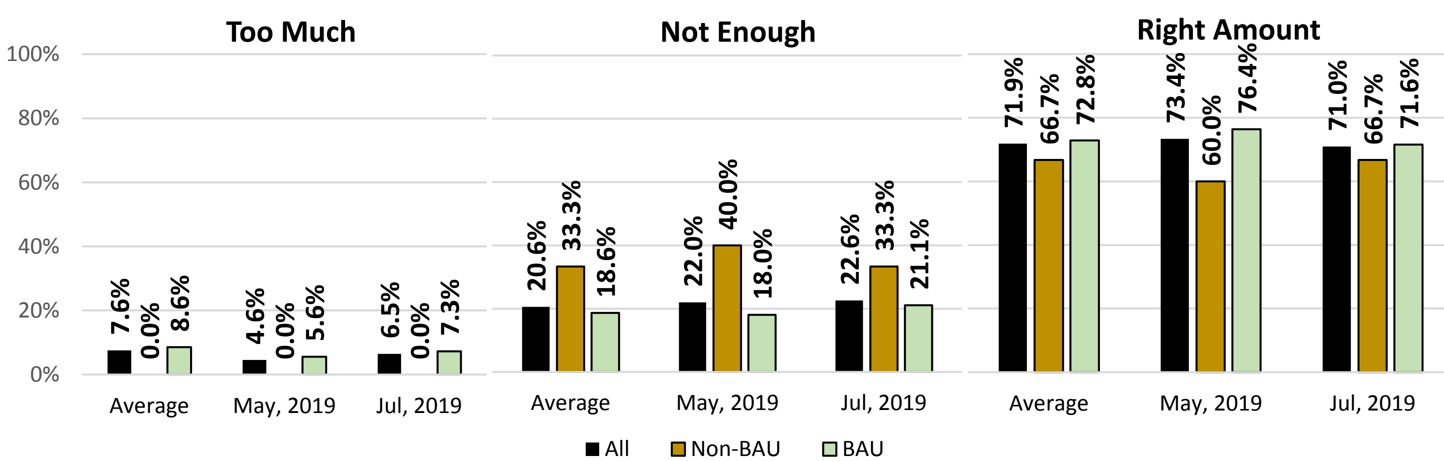
Suggestion	% indicated**
Increase coverage / cover more treatments	34.8%
Incorporate massage as part of the treatment	26.1%
Improve outcomes / more successful recoveries with chiro treatments	21.7%
Allow other treatment options / prefer another form of treatment	17.4%
More availability of chiropractic providers / appointments	8.7%

* Asked to only those who gave a 1-5 rating to the *satisfaction with chiropractic treatment visits* question. May sum to over 100% due to some claimants providing multiple suggestions.
**Due to small numbers, only those categories where at least two claimants (i.e., 8.7%) who indicated an improvement are included.

Satisfaction with Chiropractic Visits by Number of Chiropractic Treatment Visits received thus far

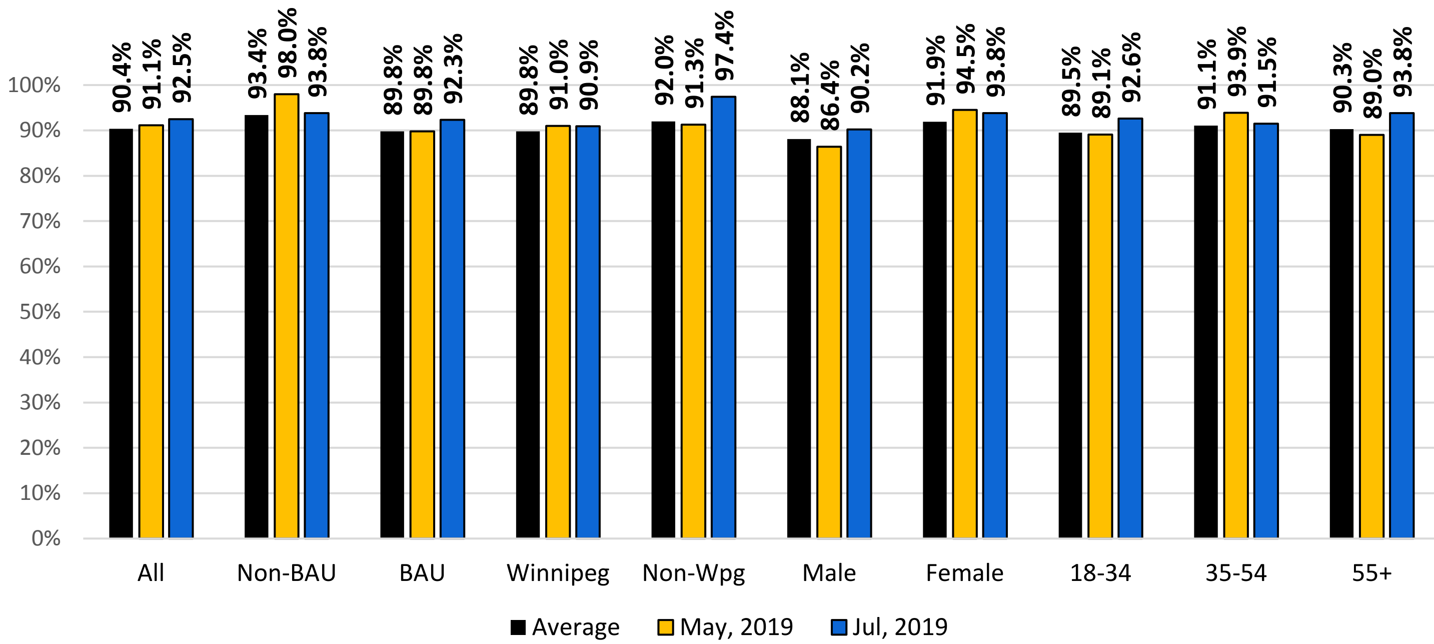


42 Chiropractic Treatment Visits: percentage who indicate 42 visits are *too much, not enough,* or *the right amount for most people*



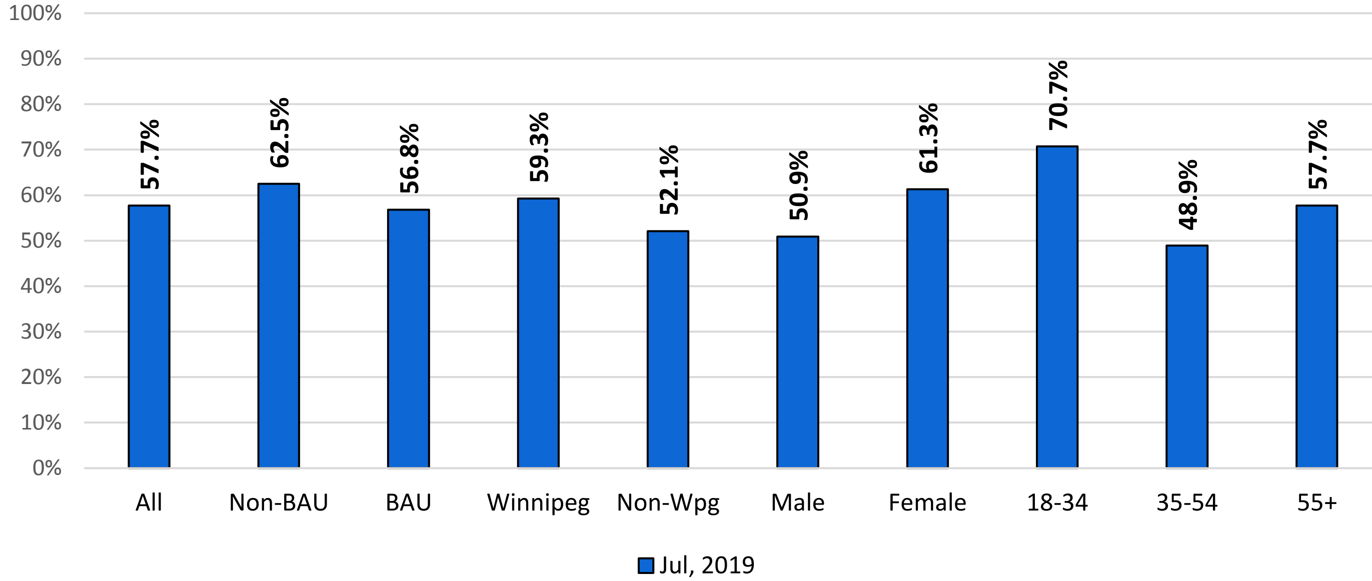
Massage Therapy

Support for Massage Therapy Coverage: percentage who agree that *massage therapy should be covered through the Personal Injury Protection Plan to help recover from injuries*



Corporate Mission Statement[16]

Contributes to Safer Roads: percentage who agree that *Manitoba Public Insurance contributes to safer roads for Manitobans*



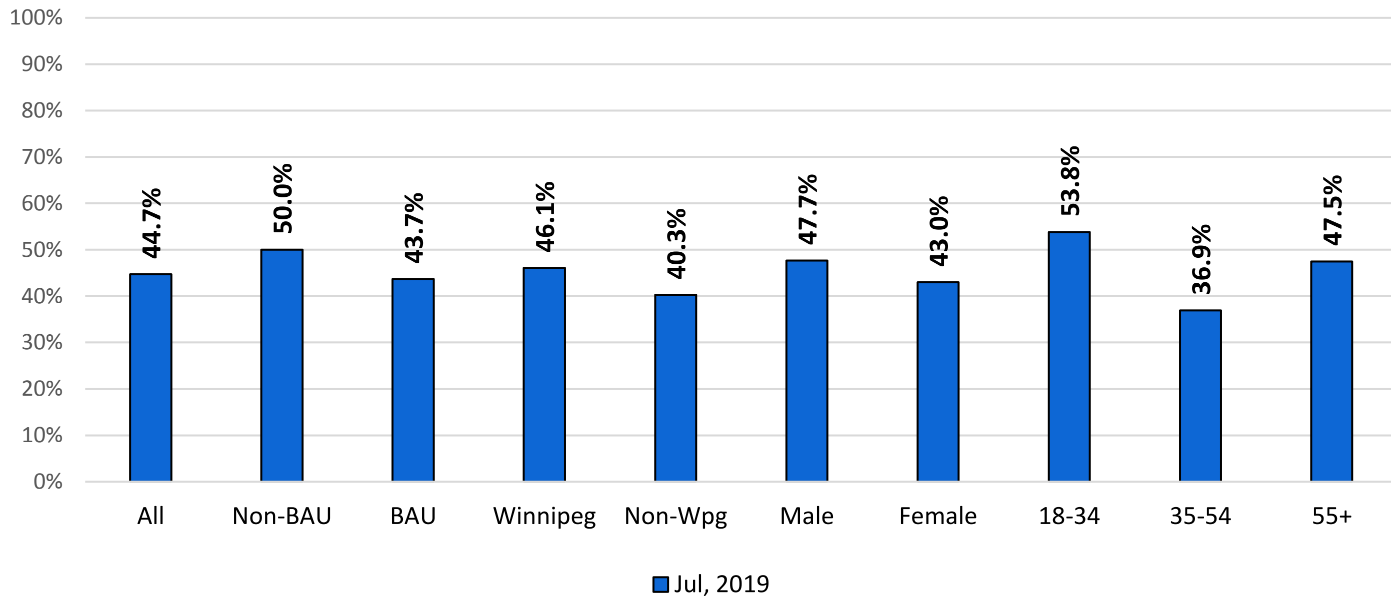
Suggestions for Safer Roads: what MPI could do to improve its contribution to safer roads for Manitobans

Suggestion	% indicated**
Support/fund road repairs and maintenance (including snow clearing, snow bank removal, potholes) / make roads safer for driving (including lighting, rumble strips)	37.0%
Have more ads trying to raise awareness / educate the public about safe driving	20.5%
Fix the roads (in general)	9.6%
Harsher penalties / increased fines for bad drivers	6.8%
Have better training for new drivers / improve driver education	6.8%
Improve road signs (easier to see, understand)	6.8%
Lower rates for good drivers / should get better discounts if low risk driver / do not cap DSR discount	6.8%
Improve road design (merging lanes, yields, intersection layouts)	5.5%
Focus on improving vehicle safety standards	4.1%

* Asked to only those who gave a 1-5 rating (out of 7) to the *agreement MPI contributes to safer roads* question.
**Due to small numbers, only those categories where at least three customers (4.1%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

[16] As the four Mission Statement questions were added for the July 2019/20 reporting period, averages and past data are yet to be established.

Autopac Rates are Affordable: percentage who agree that *Autopac rates are affordable*

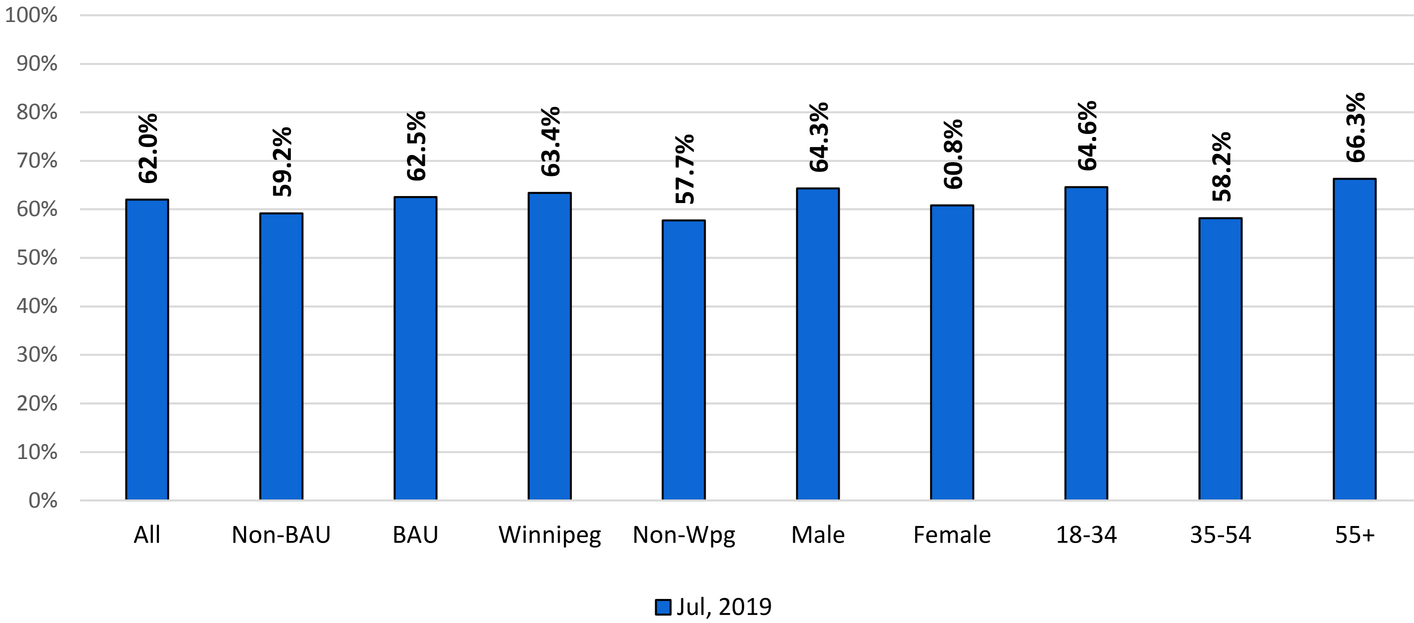


Suggestions for more Affordable Rates: what MPI could do to make Autopac rates more affordable

Suggestion	% indicated**
Lower rates/too expensive/I pay too much/always increasing (in general)	36.7%
Lower rates for good drivers / should get better discounts if low risk driver / do not cap DSR discount	17.4%
Improve DSR system / properly reflect risk	12.8%
Reduce rates for older vehicles / still goes up every year despite vehicle's age	6.5%
Penalize high risk drivers with higher rates / make poor drivers pay a larger share	5.5%
End monopoly / have choice via private sector competition for insurer	4.6%
More efficient operation / properly run / less bureaucracy	3.7%

* Asked to only those who gave a 1-5 rating (out of 7) to the *agreement Autopac rates are affordable* question.
**Due to small numbers, only those categories where at least four customers (3.7%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

Provides Exceptional Service: percentage who agree that *Manitoba Public Insurance provides exceptional service*

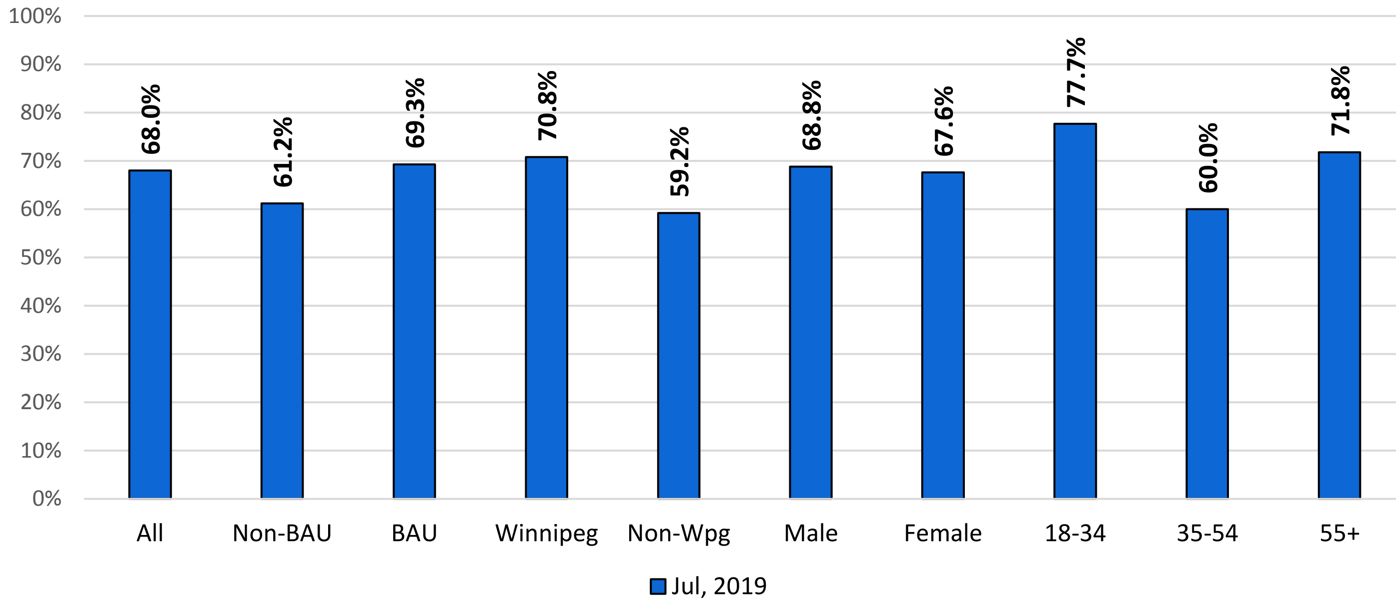


Suggestions for Exceptional Service: what MPI could do to improve the service it provides

Suggestion	% indicated**
Improve communication / faster follow-up / easier to contact	29.2%
Better trained staff / more knowledgeable / better explanations	25.8%
No fault insurance is not fair / deductible not fair / merit (DSR) system is not fair	25.8%
Faster processes / faster claims / faster transactions	19.1%
Have personalized service / tailor services and communications to me	15.7%
Be more professional / trusting / caring / respectful	14.6%
Longer hours / open on weekends / open later into evenings / open on Sunday	9.0%
Allow online transactions / online claim reporting	3.4%

* Asked to only those who gave a 1-5 rating (out of 7) to the *agreement MPI provides exceptional service* question.
**Due to small numbers, only those categories where at least three customers (3.4%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

Provides Exceptional Coverage: percentage who agree that *Manitoba Public Insurance provides exceptional coverage*



Suggestions for Exceptional Coverage: what MPI could do to improve the coverage it provides

Suggestion	% indicated**
Have better / more comprehensive coverage (in general)	42.9%
No fault insurance is not fair / deductible not fair / merit (DSR) system is not fair	21.4%
Better investigations / more accurate determination of who is at-fault	14.3%
Clearer explanations of coverage provided	14.3%
Cover massage therapy for injury claims	14.3%
Increase settlement amounts for vehicles written off	5.4%

* Asked to only those who gave a 1-5 rating (out of 7) to the *agreement MPI provides exceptional coverage* question.
**Due to small numbers, only those categories where at least three customers (5.4%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

Physical Damage Claimant Satisfaction Report

Transitional CX Report[1]: Quarter 1, 2019/20 Survey Period

This report provides an update of physical damage claimant insight based on a sample of customers who were surveyed shortly after their claim closed throughout Q1, 2019/20[2]. The **Core Dimensions** section of this report summarizes the key touchpoints and suggestions for improvement within the claims process. The **Special Topics** section summarizes results pertaining to Direct Repair (DR)[3]. **Corporate Mission Statement** questions were added in Q1, 2019/20.

In this survey period, 751 claimants were interviewed: 376 were from Winnipeg, 375 from non-Winnipeg; 76 had a total loss claim, 675 had a non-total loss (the vehicle was deemed repairable); 436 had their estimate at an MPI location, 315 used the Direct Repair Program; 248 were assigned to the Claims Processing Unit (CPU)[4], 503 were non-CPU.

Results in charts display the current quarter (Q1), the previous quarter (Q4), and the rolling average of the past four quarters. Suggestions for improvements pertain to responses provided in the current quarter. Response scales used were based on Forrester Research methodology[5].

Contents

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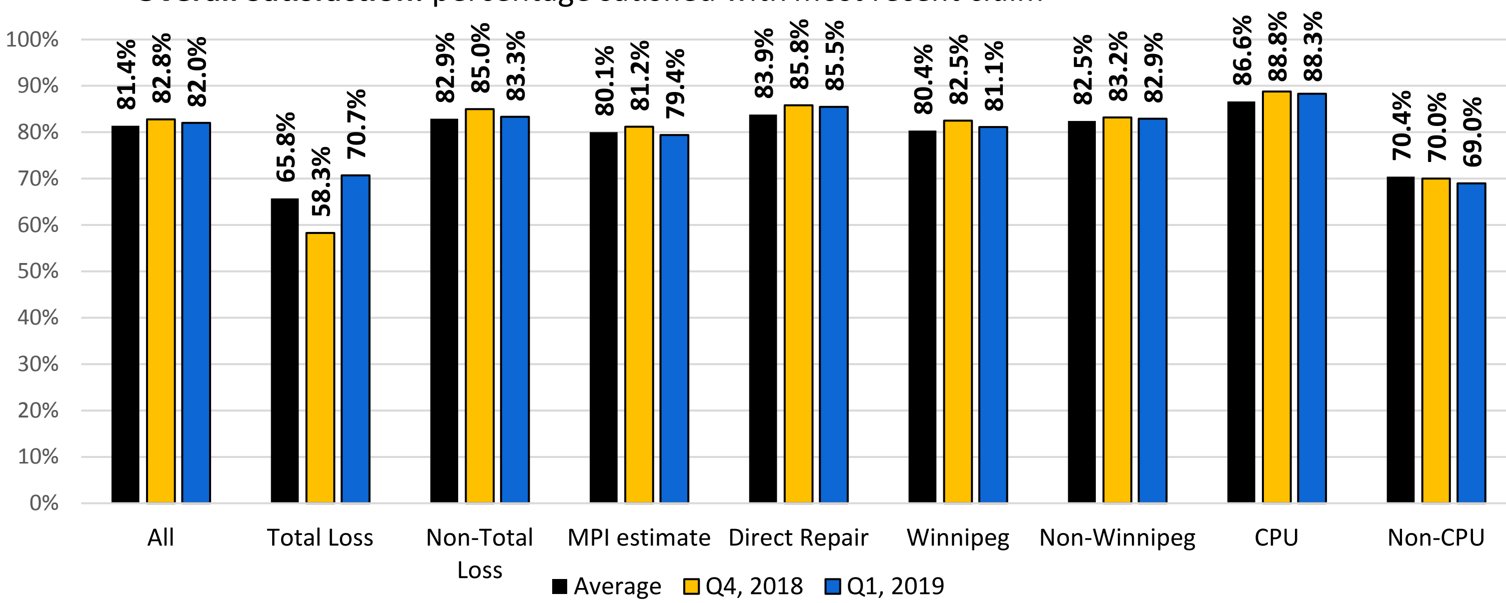
[1] Transitionary from the former Customer Service Standards-based survey to a Customer Experience survey.
[2] Claims initially reported in Q4, 2018/19. A lag is required between the claim being reported and the survey to ensure claimants have experienced the claims process and have closed claims.
[3] All Direct Repair questions are *special topic* at present. Eventually key touchpoint DR questions will integrate into *core dimensions* as questions pertaining to development and uptake are phased out.
[4] Claims Processing Unit based on CARS data, participants were not asked if their claim was assigned to the unit.
[5] The standard Forrester Research scales and groupings (i.e., 1 to 7, or 0 to 10 for Net Promoter Score questions) are used. Those who are deemed to be *satisfied*, or in *agreement* with a statement provided a 6 or 7 response (out of 7).

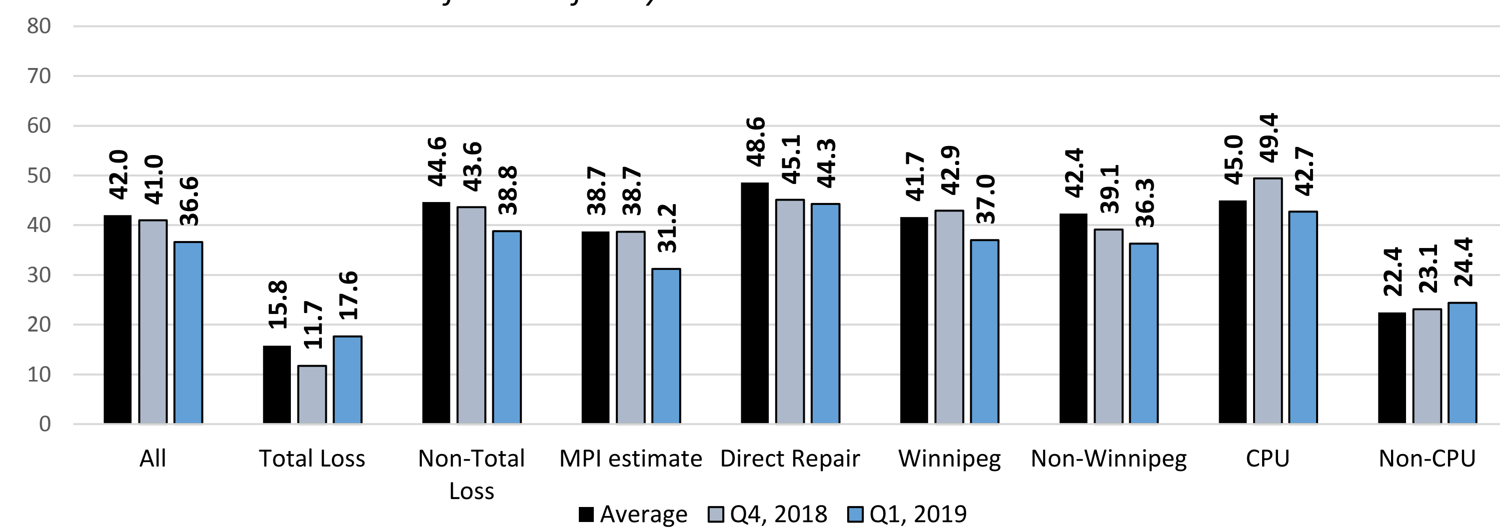
Core Dimensions

Overall Claim Experience

Overall Satisfaction: percentage satisfied with *most recent claim*[6]

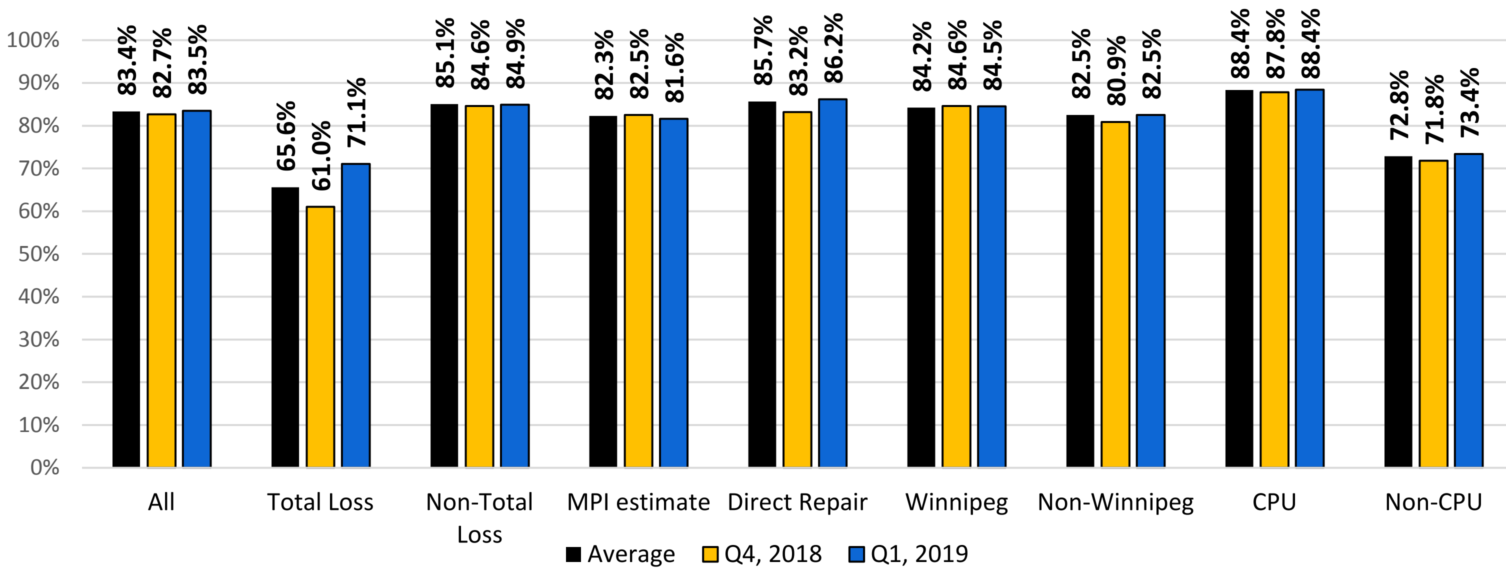


Net Promoter Score[7]: likeliness to *speak highly of services provided by MPI if discussing auto insurance with a friend or family*[8]

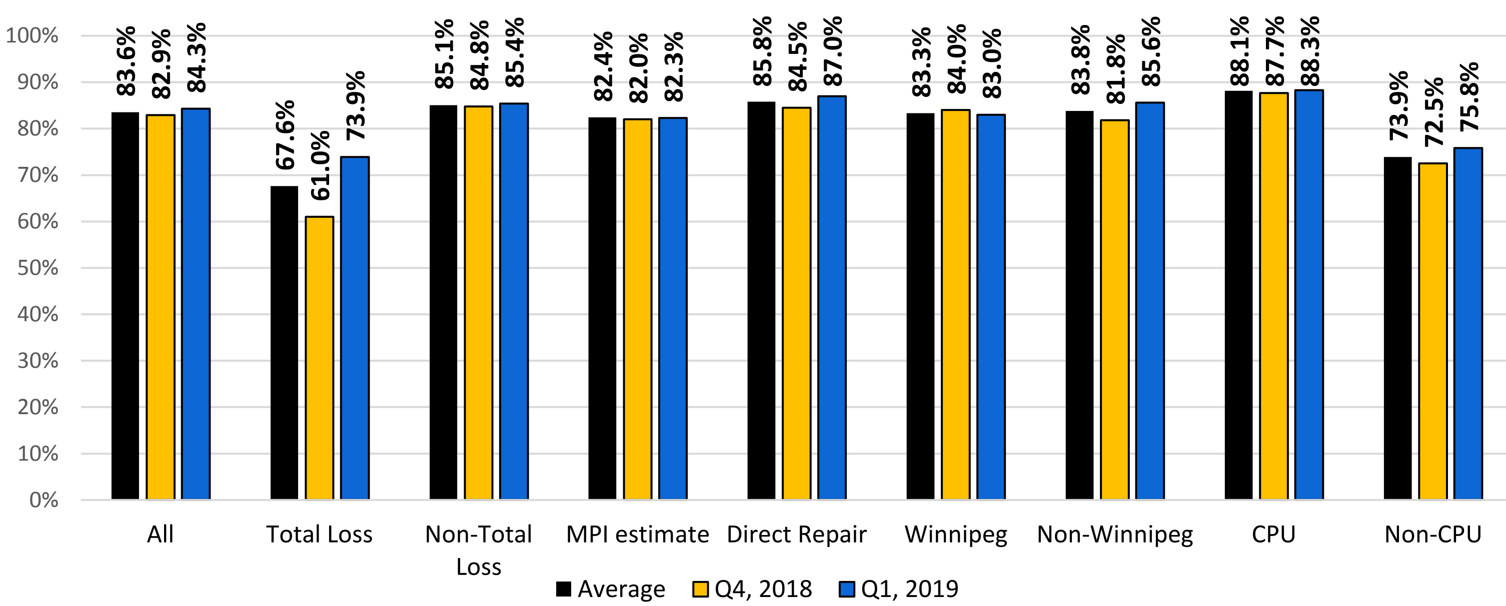


[6] Throughout this report, percentages may not sum to 100% within a category due to rounding. Region (Winnipeg and non-Winnipeg) is based on the location of the estimate or the where the file was assigned.
[7] The Net Promoter calculation differs from 'agreement' and 'satisfied' questions. The Net Promoter Scores (NPS) are calculated by subtracting the *detractors* (0-6 ratings) from the *promoters* (9-10 ratings). The NPS is an index score.
[8] Throughout this report, interpret Total Loss with caution due to a smaller sample size (n=76). As the sample size for total loss is small, its results are subject to more quarterly variation than other categories.

Needs Met: percentage who agree that *MPI met (customers') needs related to the claim*

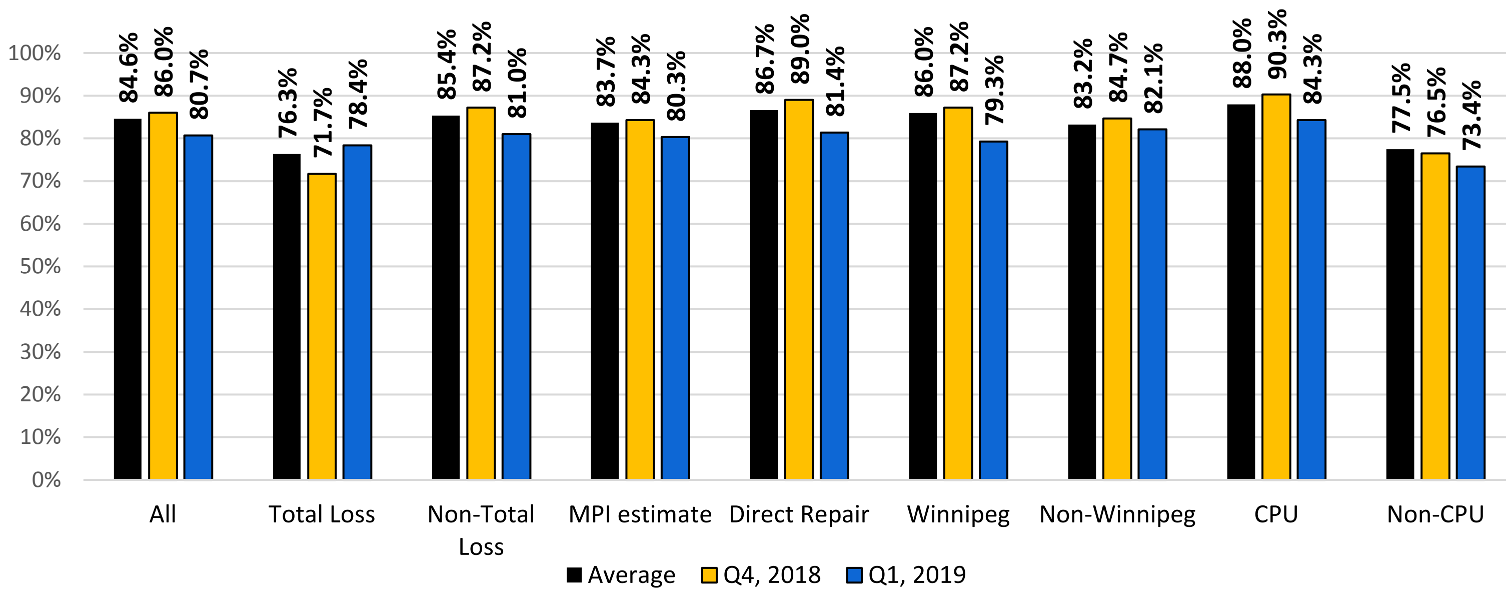


Ease: percentage who agree that *going through the claims process was done with ease*



First Notice of Loss

Overall Satisfaction: percentage satisfied with *service received with call to report claim*



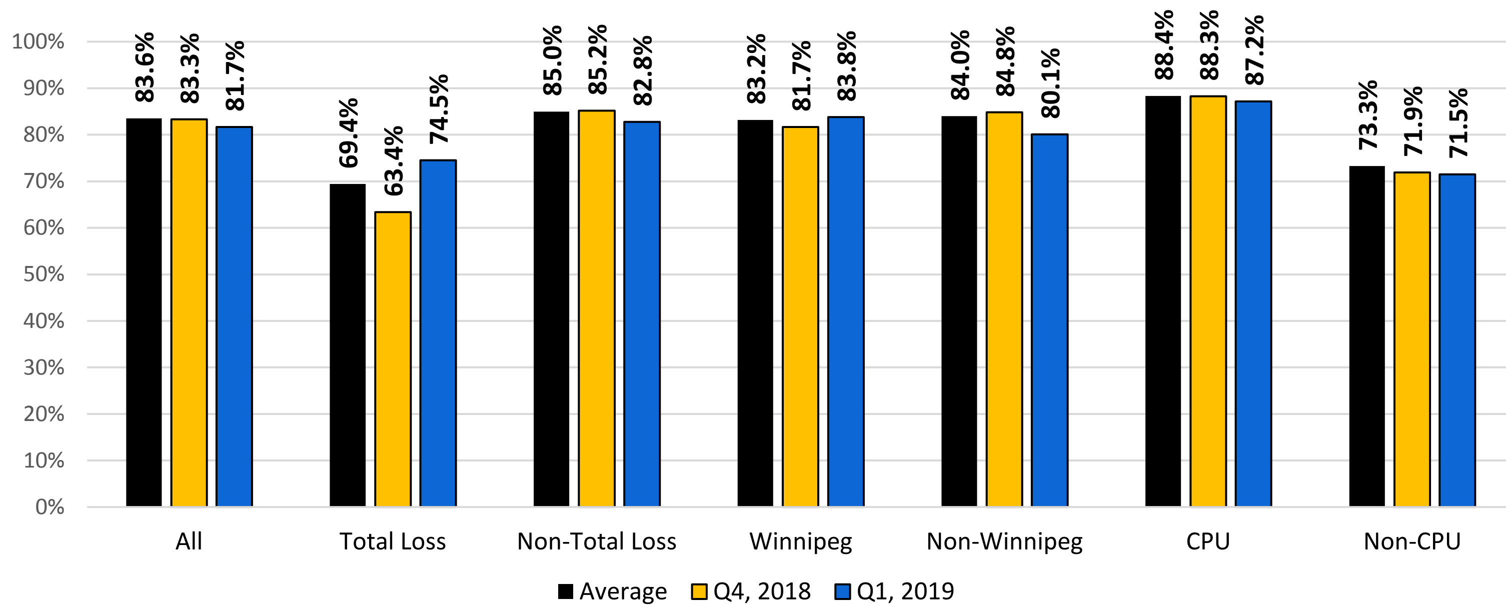
Suggestions for improvement: to process of reporting claim*

Suggestion	% indicated**
Answer calls faster / less time waiting on hold	33.7%
Be more knowledgeable / answer questions better	15.7%
Have better communication / improve follow-up (in general)	9.6%
Speed up the process of reporting the claim (in general)	9.6%
Be more sympathetic	7.2%
Be more polite / courteous / friendly	6.0%
Explain the process of the claim better and what will happen better (including implications to increased premium(s) if at-fault)	6.0%
Offer appointment dates sooner to present time	4.8%

* Asked to only those who gave a 1-5 rating (out of 7) to the *satisfaction with FNOL* question.
**Due to small numbers, only those categories where at least four claimants (i.e., 4.8%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%

Estimating (MPI)

Overall Satisfaction: percentage satisfied with *service received when vehicle was estimated at Service Centre*



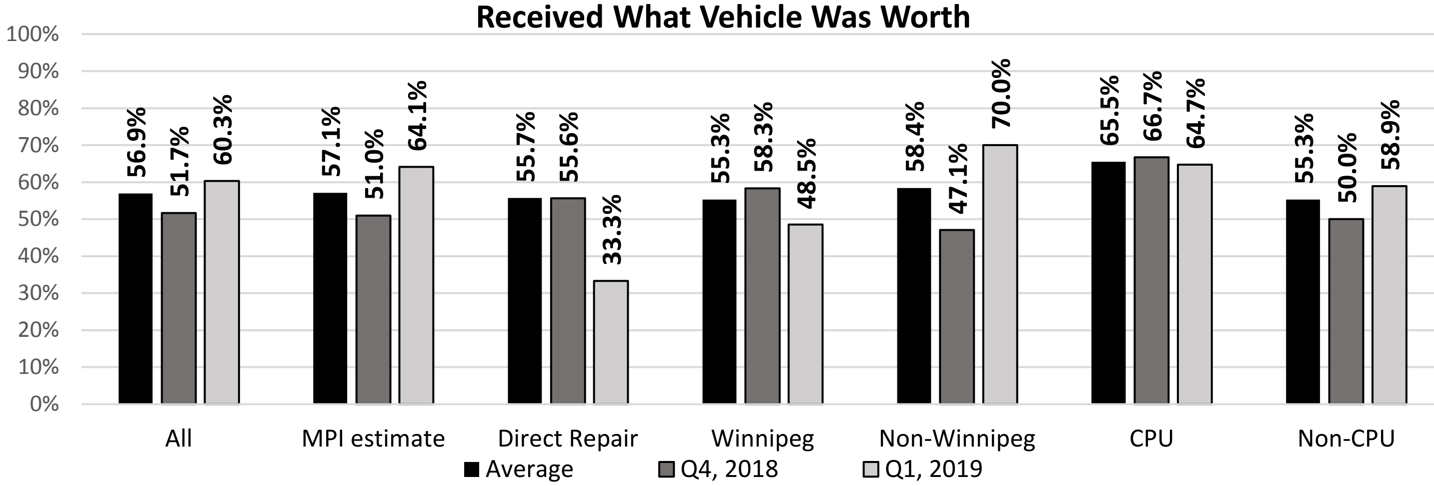
Suggestions for improvement: to provide better estimating service

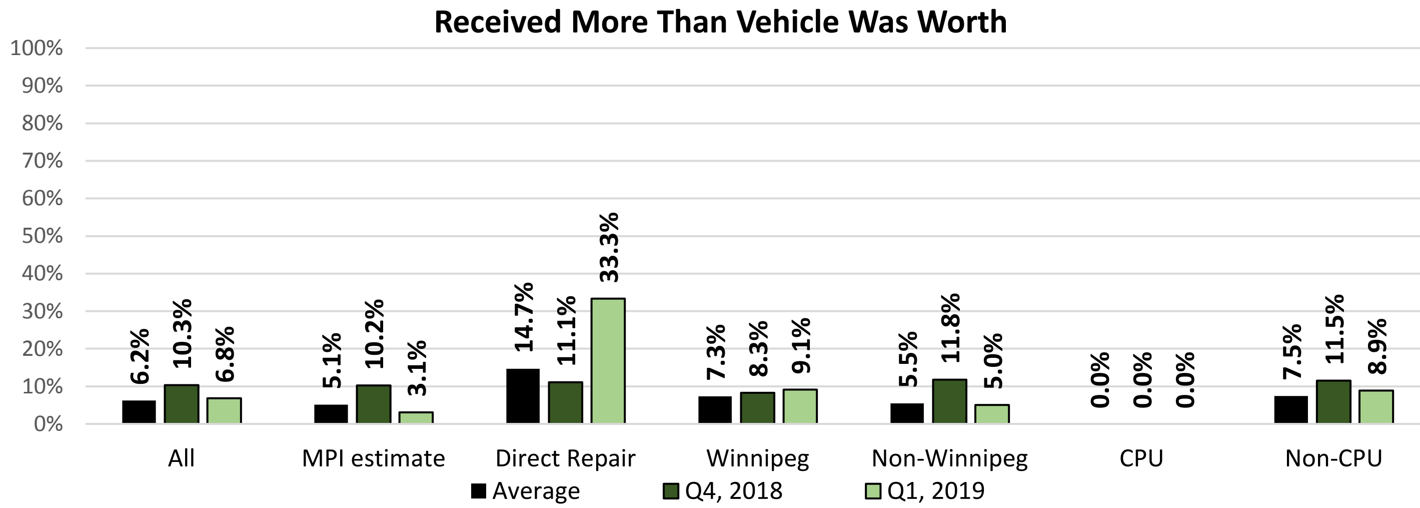
Suggestion	% indicated**
Provide a closer inspection / be more thorough / look underneath vehicle	28.3%
Be more polite / courteous / friendly	19.6%
Explain estimate in an easy to understand manner	17.4%
Disagree with estimate findings (in general)	10.9%
Shorten time spent at Service Centre / speed up estimate	10.9%
Explain estimate with more detail (including repair needed, damage)	8.7%
Provide better communication about the process	8.7%

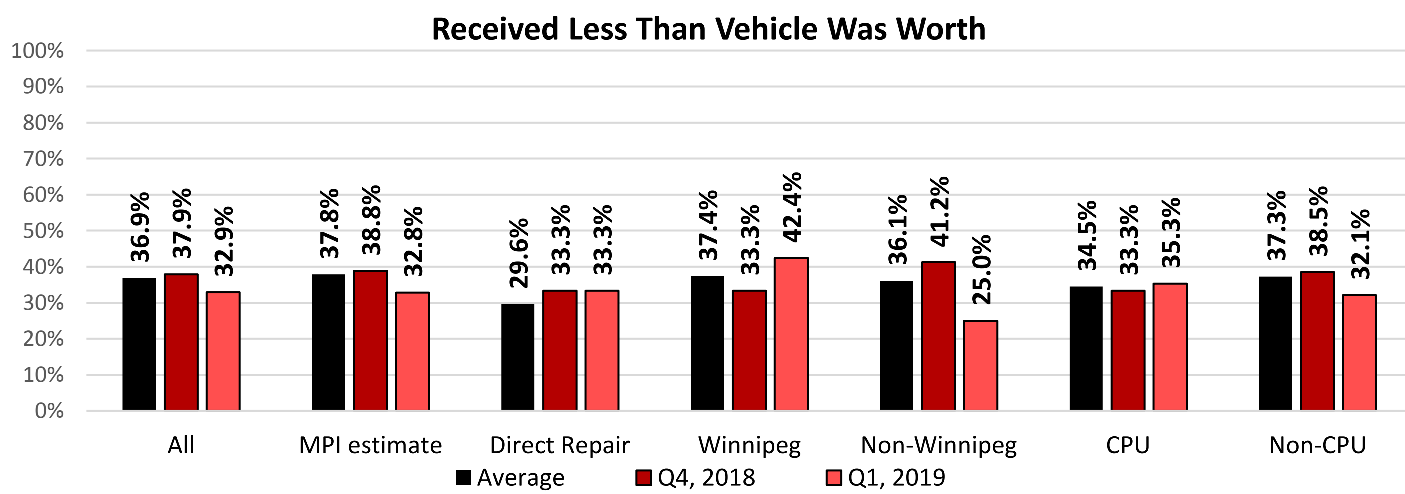
* Asked to only those who gave a 1-5 rating (out of 7) to the *satisfaction with estimator* question.
**Due to small numbers, only those categories where at least four claimants (i.e., 8.7%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%

Total Loss

Value MPI placed on vehicle[9]: perception of amount of total loss settlement relative to vehicle's value

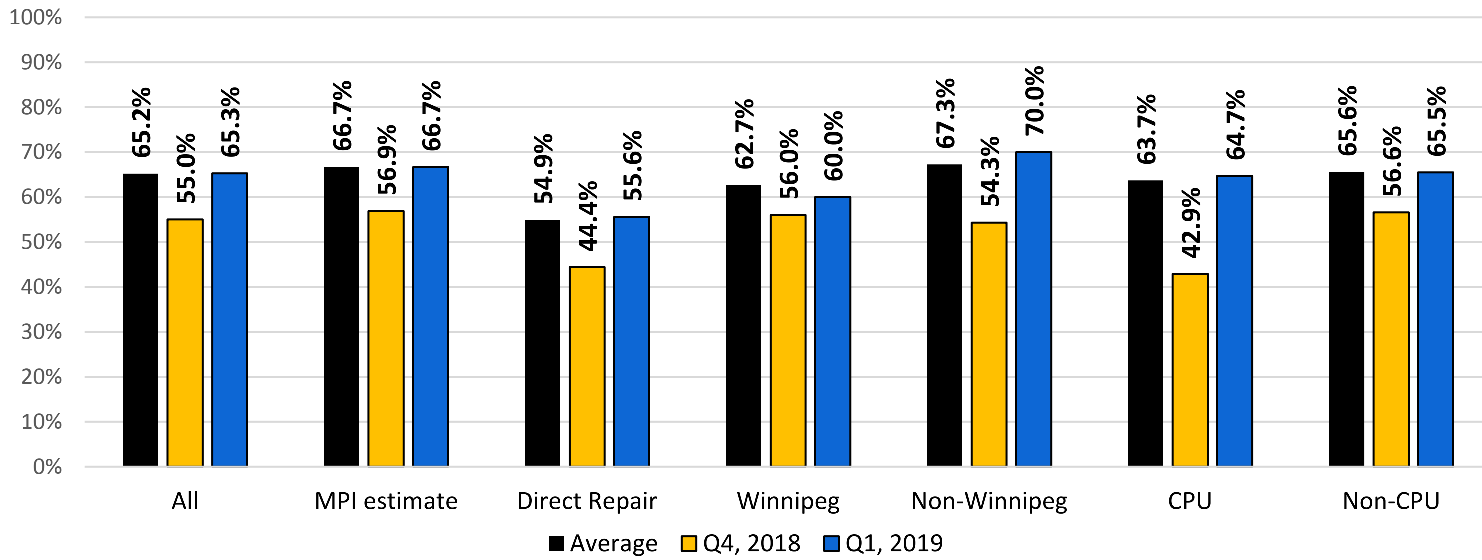






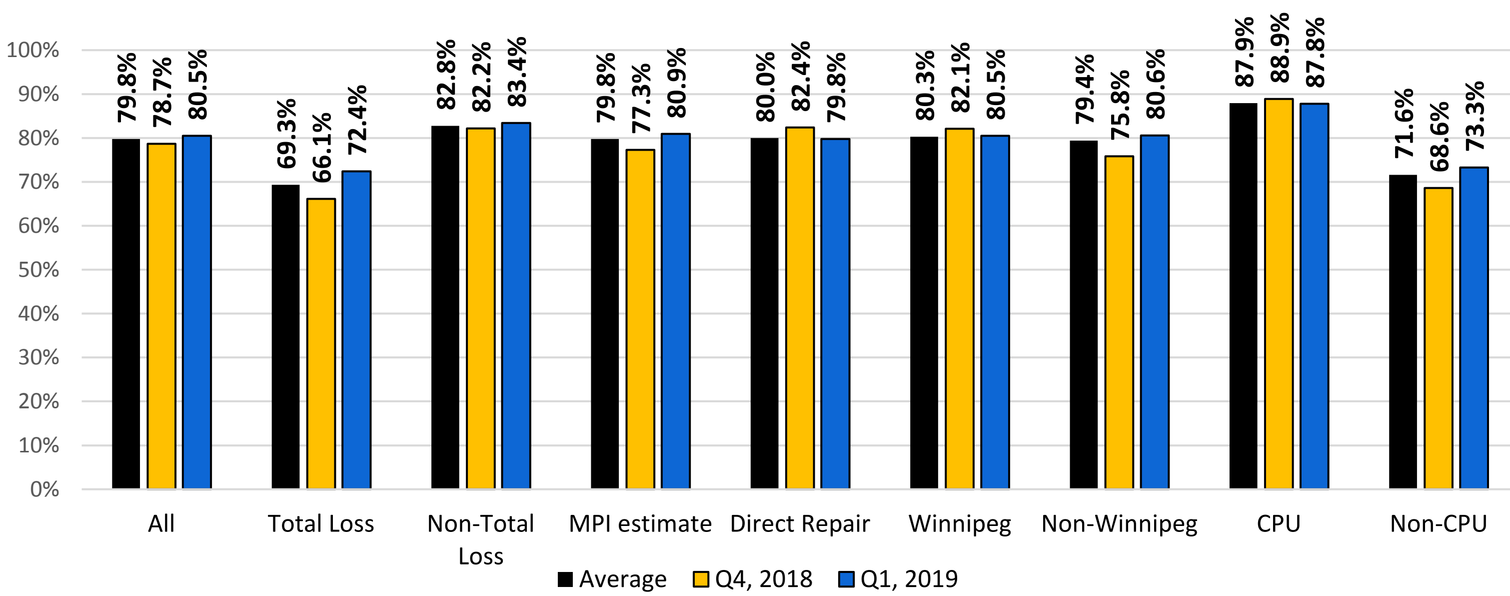
[9] Interpret Direct Repair and CPU total loss claims with additional caution due to small sample sizes (n=9 and n=17 respectively).

Timeliness[10]: percentage who agree that *the time it took from opening the claim until payment was received was reasonable*



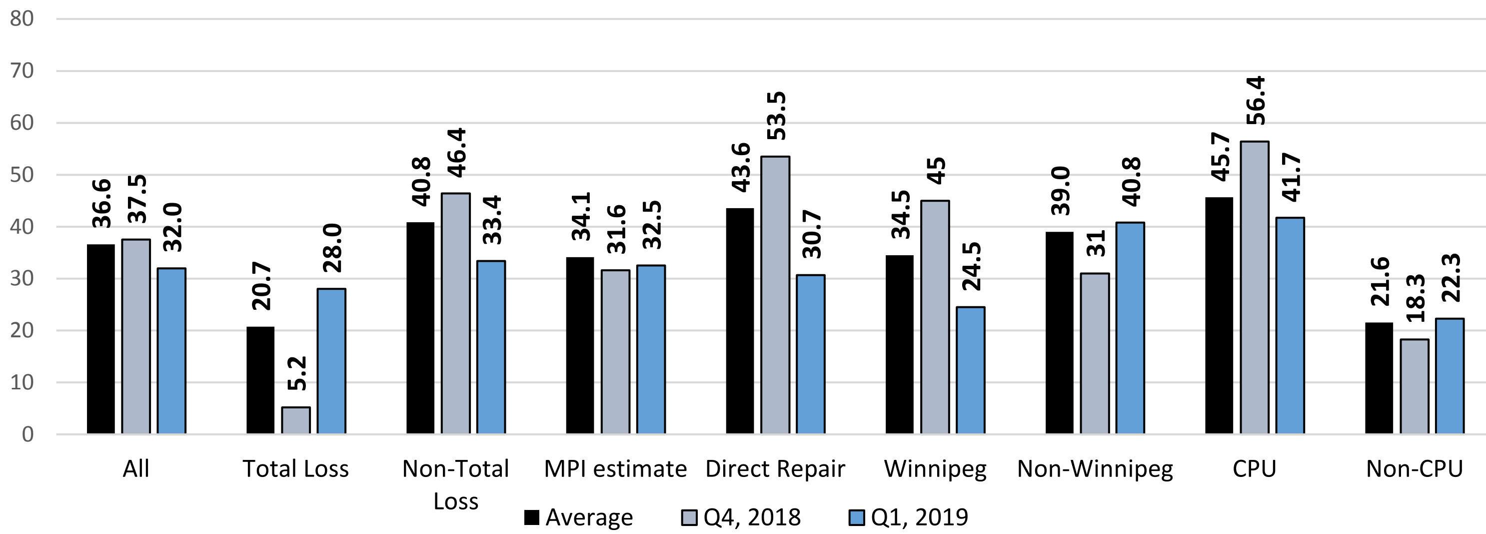
Adjusting

Overall Satisfaction: percentage satisfied with *service received from the adjuster*



[10] Interpret Direct Repair and CPU total loss claims with additional caution due to small sample sizes (n=9 and n=17 respectively).

Net Promoter Score: likeliness to *speak highly of services provided by the adjuster if discussing the vehicle damage claim with a friend or family*



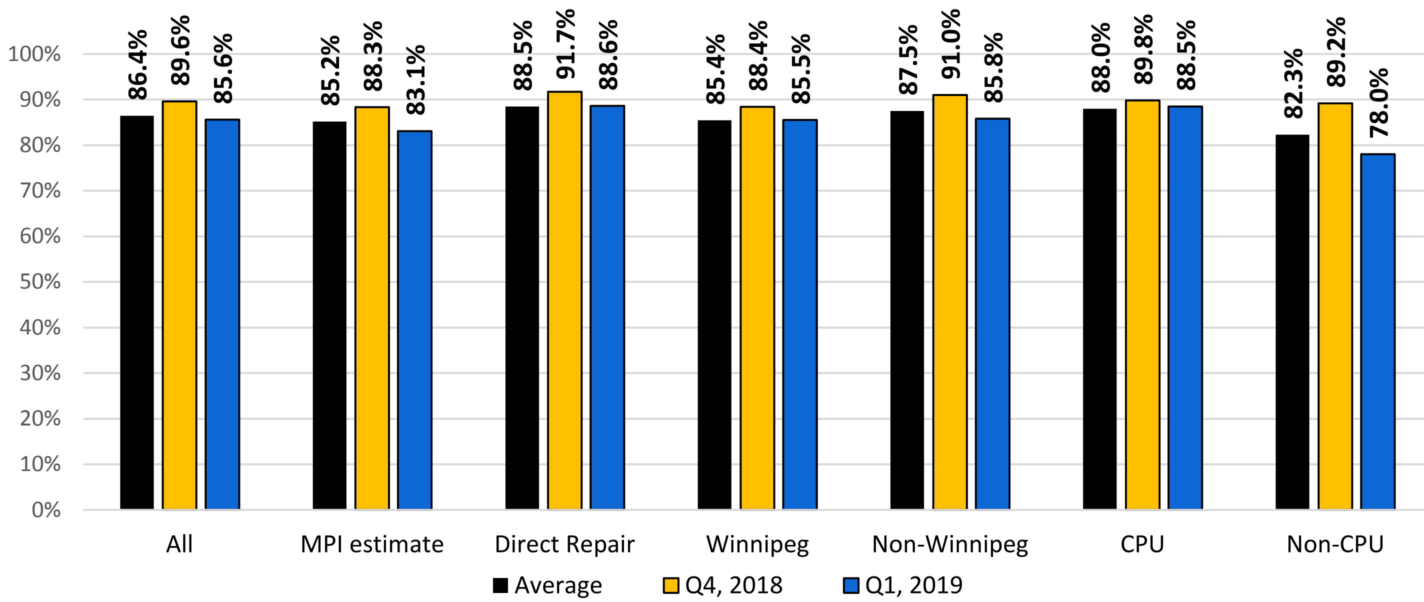
Suggestions for improvement: to provide better adjusting service

Suggestion	% indicated**
Return calls and emails faster	23.1%
Have better communication / keep me informed (in general)	20.5%
Be fair in total loss settlement / offer the proper value for vehicle	15.4%
Listen better / be more interested	10.3%
Be more knowledgeable / answer my questions better	7.7%
Be on my side / don't say incident was my fault	7.7%
Improve explanation of the reasons for settlement / fault / damage to vehicle	7.7%
Look into collision details more thoroughly / check notes from police and RCMP	7.7%

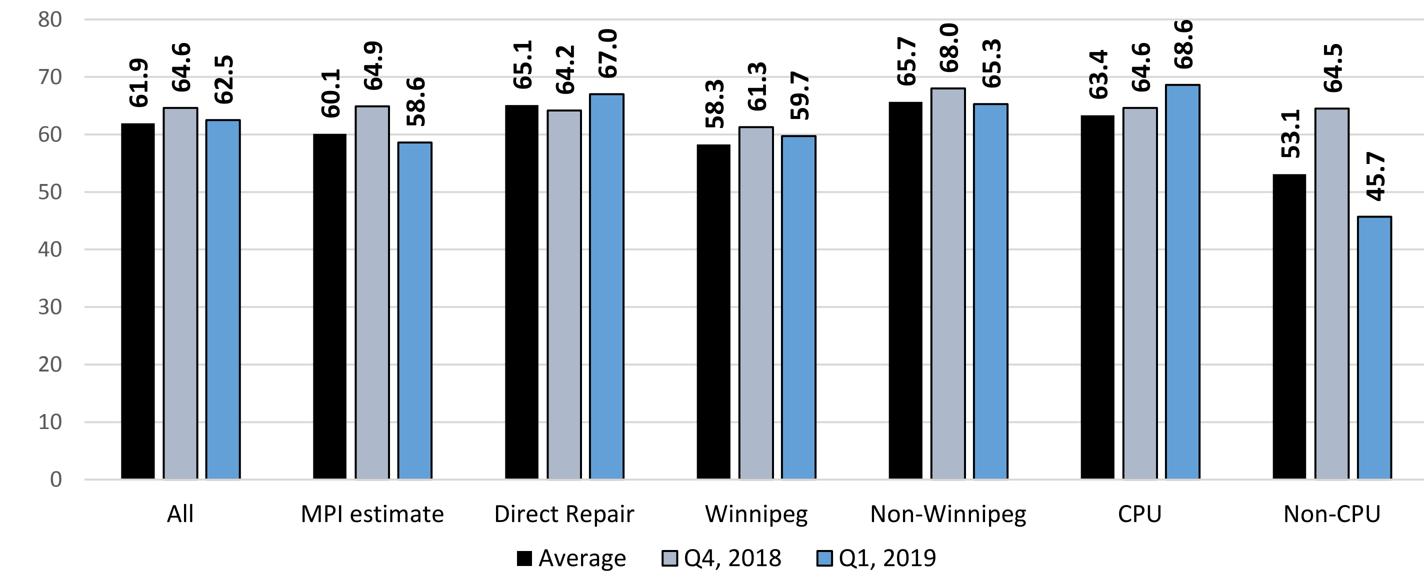
* Asked to only those who gave a 1-5 rating (out of 7) to the *satisfaction with adjuster* question.
**Due to small numbers, only those categories where at least three claimants (i.e., 7.7%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%

Vehicle Repairs

Overall Satisfaction: percentage satisfied with *service received from the repair shop*



Net Promoter Score: likelihood to *recommend the repair shop to family and friends*



Suggestions for improvement[11]: to provide better service at the repair shop

Suggestion	% indicated**
Reduce errors / order proper parts / provide thorough review	28.9%
Have better quality of work / needed to return as repair not good enough	27.6%
Speed up the process / have a shorter wait for parts to arrive	22.4%
Be more professional / friendly / polite	18.4%
Keep me informed / have better communication / return calls	13.2%
Clean the vehicle following repair	9.2%
Offer courtesy cars	7.9%
Be more honest (in general)	5.3%

* Asked to only those who gave a 1-5 rating (out of 7) to the *satisfaction with repair shop service* question.
**Due to small numbers, only those categories where at least four claimants (i.e., 5.3%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%

Other Suggestions for Improvement to Claim Experience[12]

Suggestion	% indicated**
Have better communication / improve follow-up (in general)	30.2%
Disagree with having to pay deductible / assessment of liability	28.6%
Speed up processes / faster total loss settlements / quicker assessment of liability	27.0%
Improve customer service / more professional / more helpful	14.3%
Be more fair (including for total loss settlement, covering all damage)	9.5%
Supervise or coordinate with repair shop(s) better	6.3%
Better quality of repairs needed	4.8%

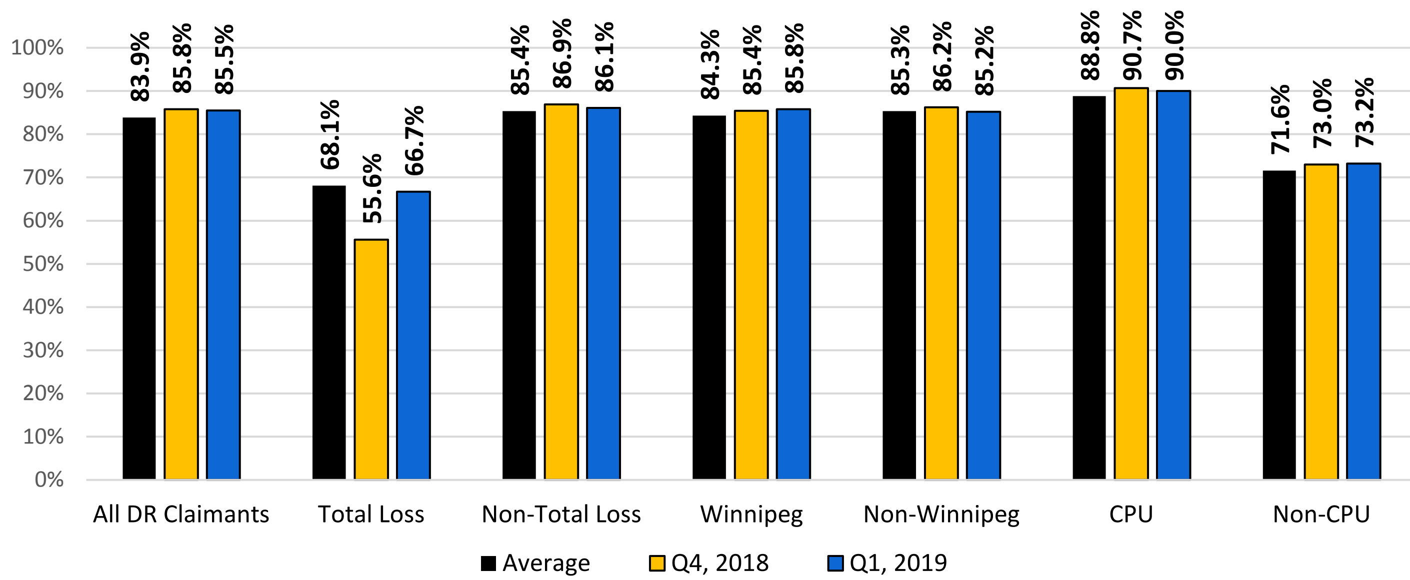
**Due to small numbers, only those categories where at least three claimants (i.e., 4.8%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%

[11] See Direct Repair section for suggestions to improve estimates at repair shops.
[12] Near the conclusion of the survey, claimants who were *not satisfied overall* (1-5 rating) were asked what could be done to provide a better experience <u>other than what they had already mentioned</u>.

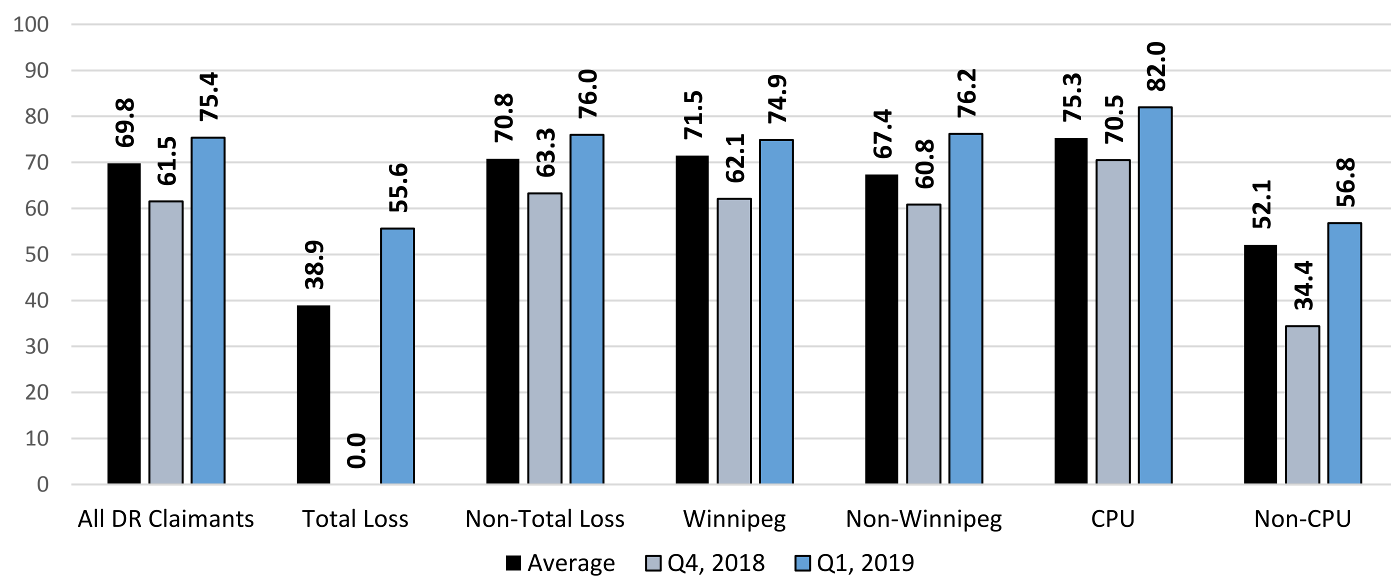
Special Topic: Direct Repair[13]

Overall Direct Repair Experience

Overall Satisfaction: percentage satisfied with *claim (Direct Repair only)*[14]

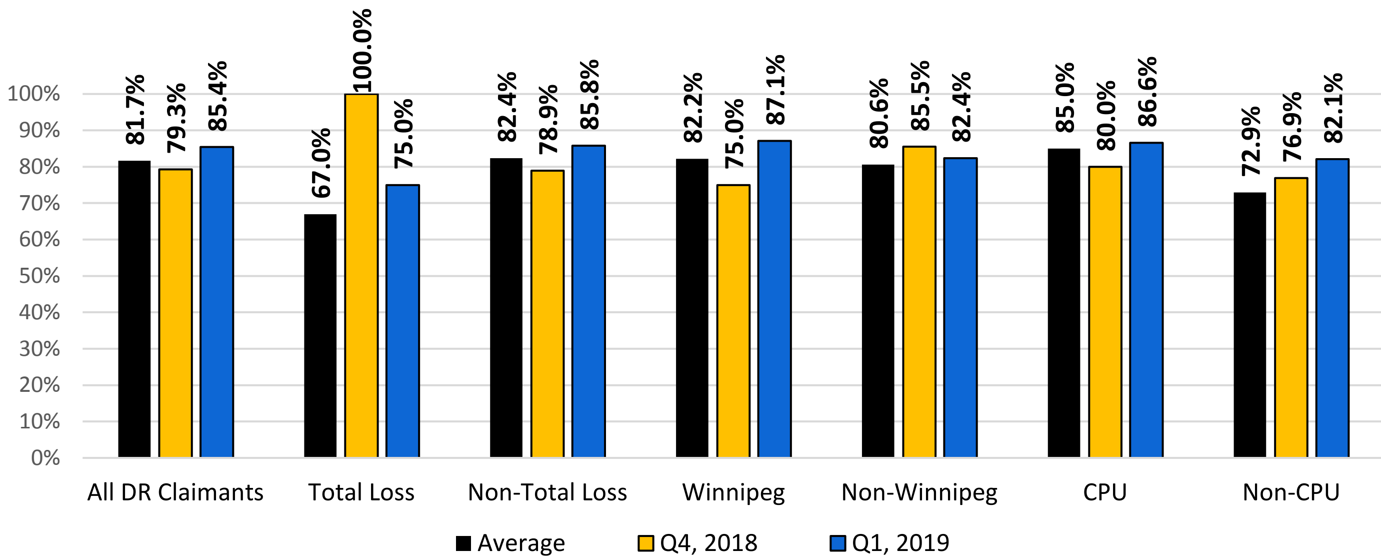


Net Promoter Score: likelihood to *recommend using the Direct Repair Program to family and friends if discussing vehicle damage claims in Manitoba*



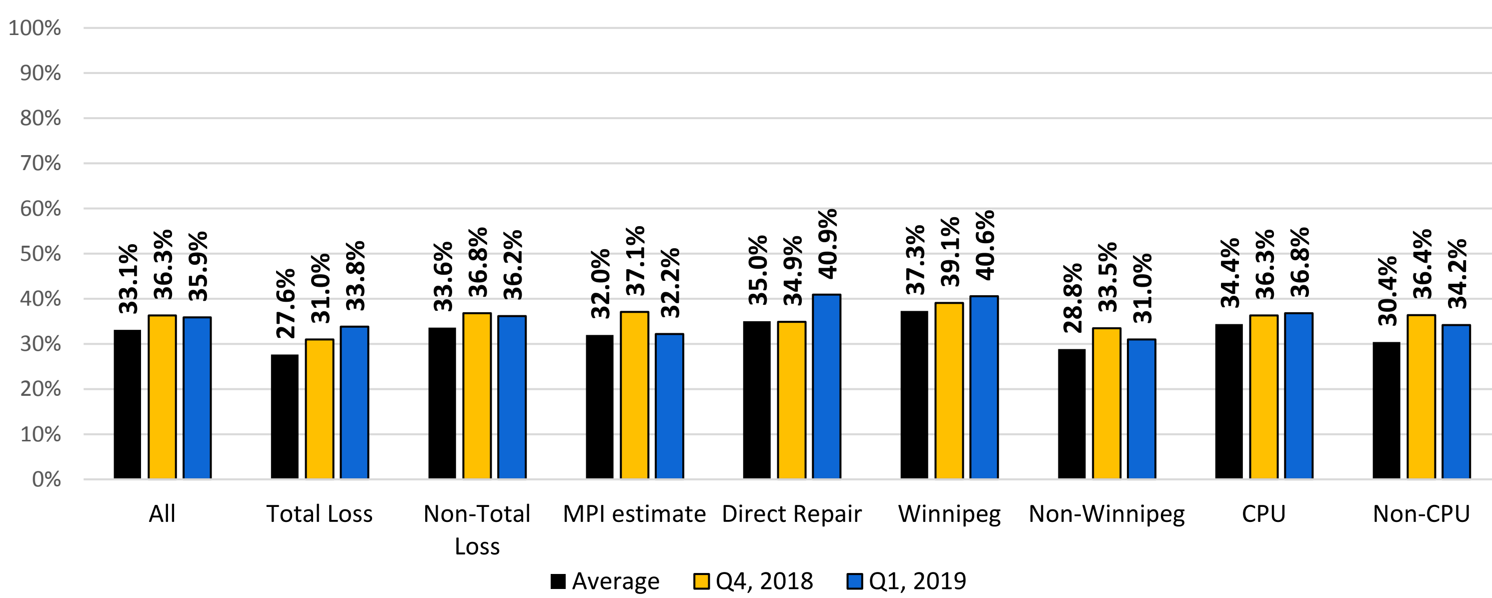
[13] Throughout this section, extreme caution should be used when interpreting Total Loss claims within the Direct Repair Program, due to a small sample size (n=9).
[14] Pertains to Direct Repair claimants only; numbers may differ from earlier sections of this report where DR and non-DR claimants are combined in a category (e.g., region, total loss).

Direct Repair vs. traditional MPI estimating process [if had previous claim with estimate at MPI location]:[15] percentage who agree that they *preferred Direct Repair process compared to receiving an estimate at a Service/Claim Centre*



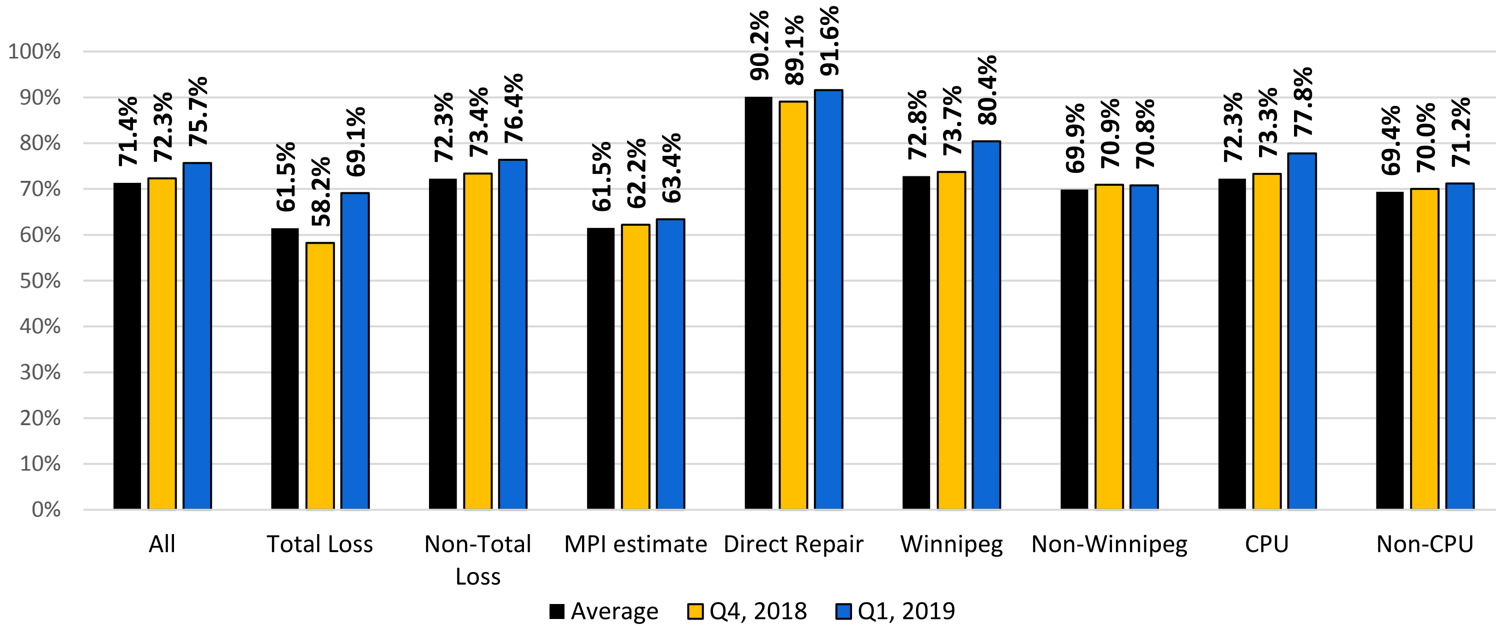
<u>Program Awareness and Future Uptake</u>

Awareness [all claimants]: percentage *aware of Direct Repair prior to reporting claim*



[15] Interpret Direct Repair total loss (with previous SC claim) with extreme caution due to small sample (n=8).

Future Use of Direct Repair [all claimants]:[16] percentage who are likely to *use Direct Repair for future vehicle damage claims if given the option*



Why claimants* <u>would use</u> Direct Repair: for future claims if given the option

Reason	% indicated**
Quicker / saves me time	36.2%
Easier / simpler (in general)	28.1%
Repair shop I visit does excellent work	22.7%
More convenient (in general)	17.2%
One less step / only need to visit one location	14.2%
Removes 'middle man' / streamlined process	3.7%
Seems like a good idea / willing to try it	3.3%
Personal cost savings by not having to visit multiple locations	2.2%
Would rather not deal with MPI / dislike MPI	1.5%

* Asked of all claimants; non-DR claimants were read a brief overview explaining DR.
** Only categories where at least five claimants (i.e., 1.1%) are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%

[16] Claimants who did not use Direct Repair were read a brief overview of the program and asked their potential to use DR rather than visit an MPI location for a future estimate if given the option.

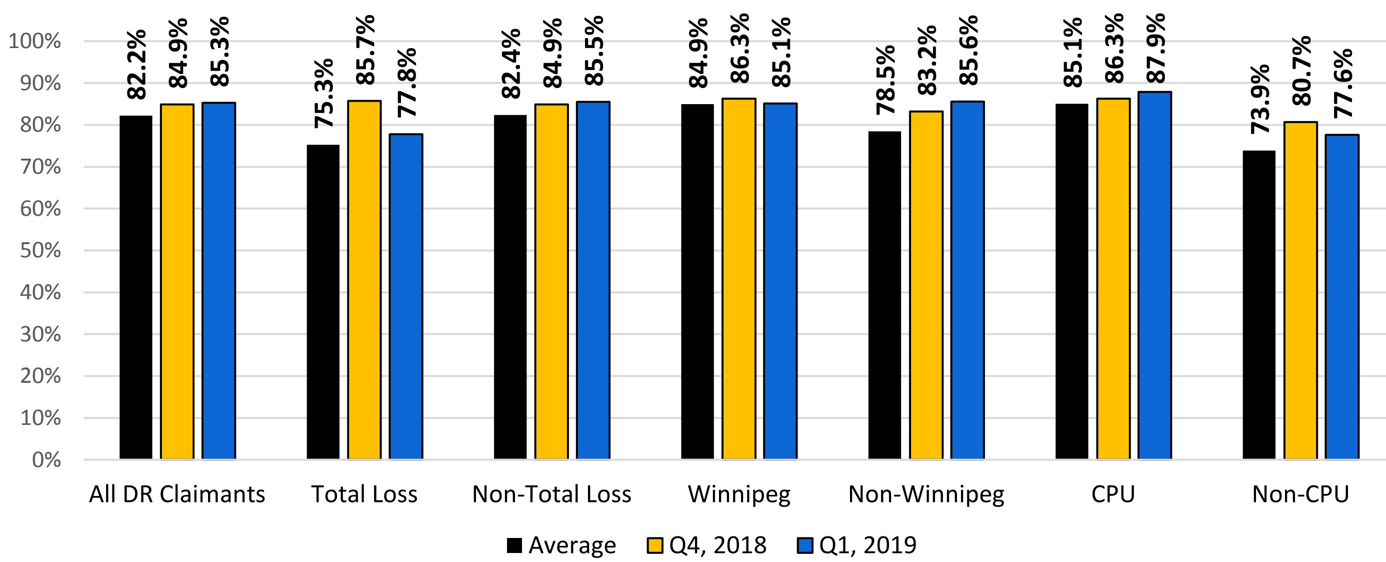
Why claimants* would not use or are unsure about using Direct Repair: for repairs in future damage claims if given the option

Reason	% indicated**
Would rather deal with MPI directly / trust MPI / comfortable with MPI	34.8%
Don't know enough about Direct Repair	12.1%
Repair shop I prefer is not accredited / not on the list	10.6%
Depends on damage	7.8%
Dissatisfied with my Direct Repair experience (in general)	7.8%
MPI provides honest estimates / don't trust repair shops	7.8%
MPI is faster / my Direct Repair experience was slower than expected	4.3%
MPI location is closer to my home / work	4.3%

* Asked of all claimants; non-DR claimants were read a brief overview explaining DR.
** Only categories where at least six claimants (i.e., 4.3 %) are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%

First Notice of Loss and Direct Repair

Explanation of the Direct Repair Program: percentage who agree that *the initial explanation matched the experience with the program*



Explanation of DR program[17]: how it was not accurate*

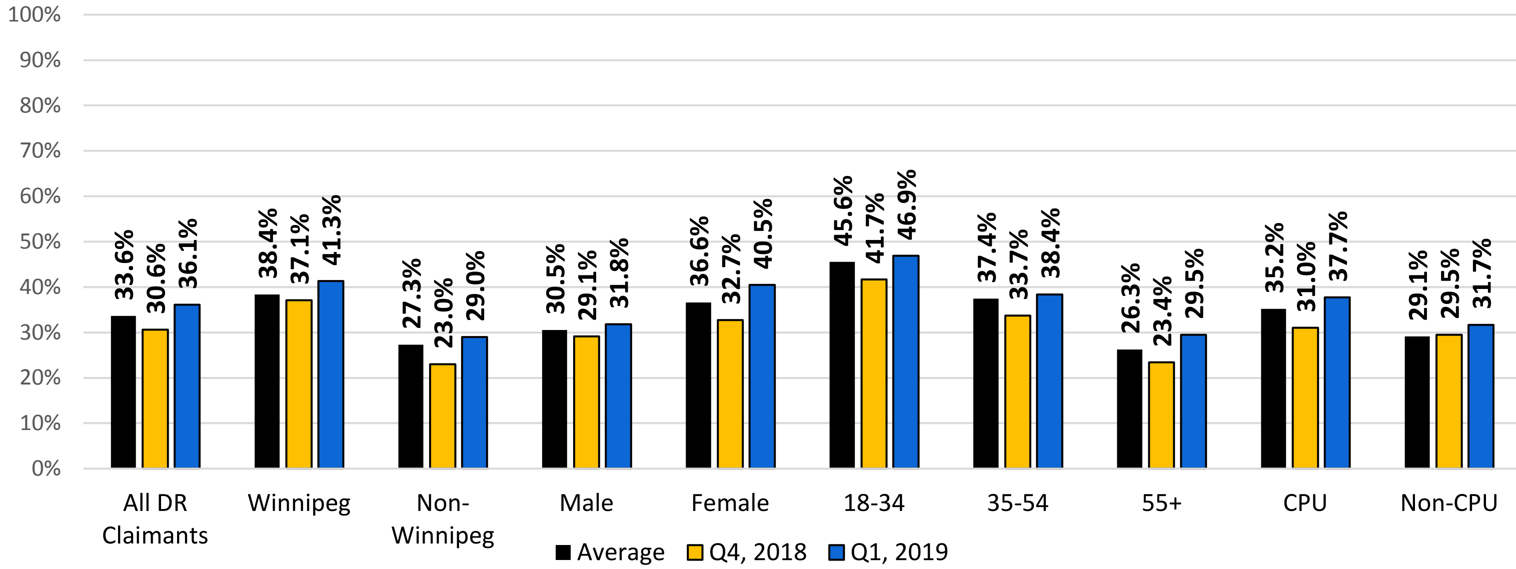
Reason	% indicated**
Explanation was confusing / I did not understand process	35.7%
Lack of explanation given / more information on Direct Repair needed	35.7%
Dissatisfied with service from repair shop / expected better service for DR at shop	21.4%

* Asked to only those who gave a 1-5 rating (out of 7) to the *initial explanation matched experience with the program* question.
**Due to small numbers, only those categories where at least three claimants (i.e., 21.4%) who indicated a reason are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%

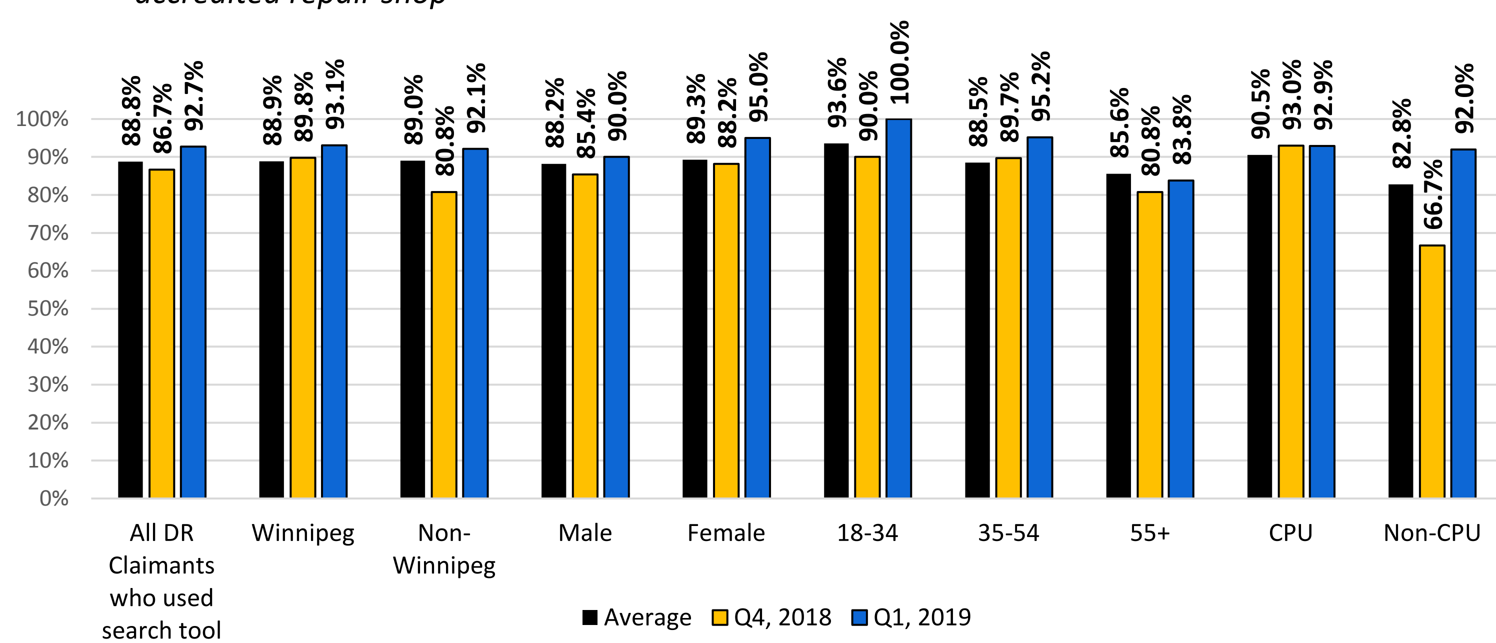
[17] Interpret with caution due to a small sample size (n=15).

Find an Accredited Repair Shop Search Tool

Use of the search tool: percentage who *visited the MPI website to access the 'Find an Accredited Repair Shop' search tool*



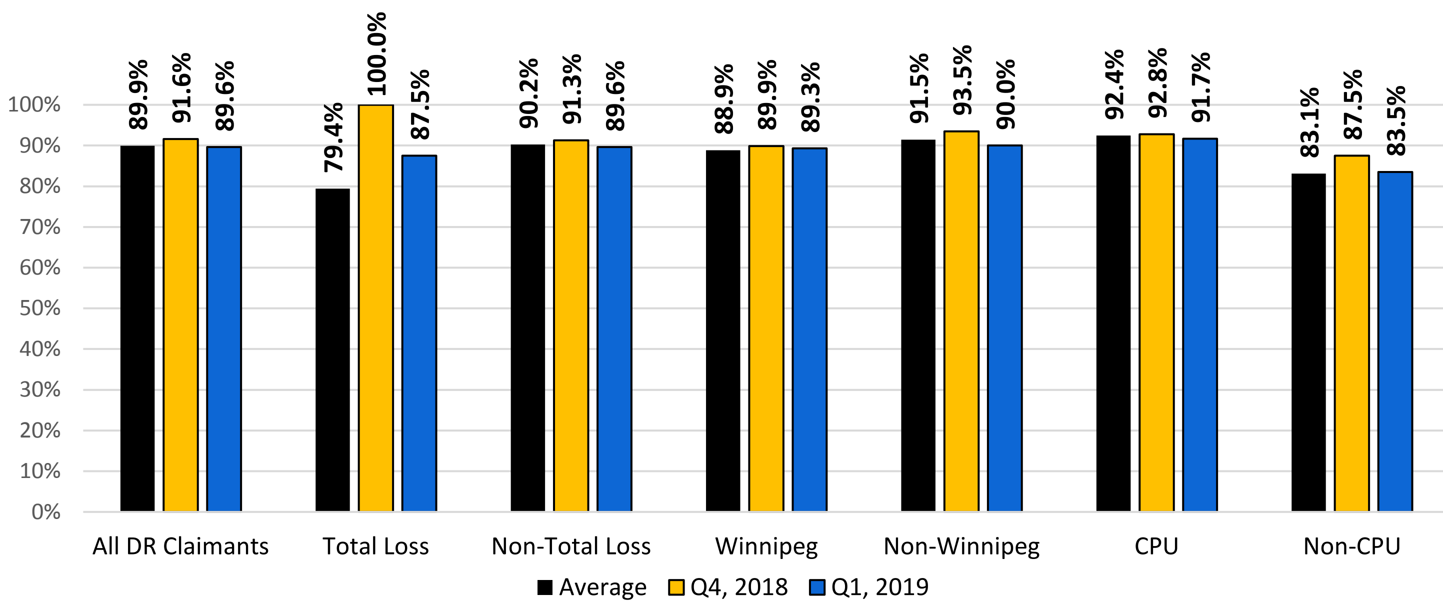
Needs Met[18]**:** percentage who agree that *the search tool met all needs to locate an accredited repair shop*



[18] Only DR claimants who used the search tool were asked the question.

Direct Repair Estimating

Overall Satisfaction: percentage satisfied with *service received when vehicle was estimated at the repair shop*



Suggestions for improvement[19]: to provide better estimating service at the repair shop*

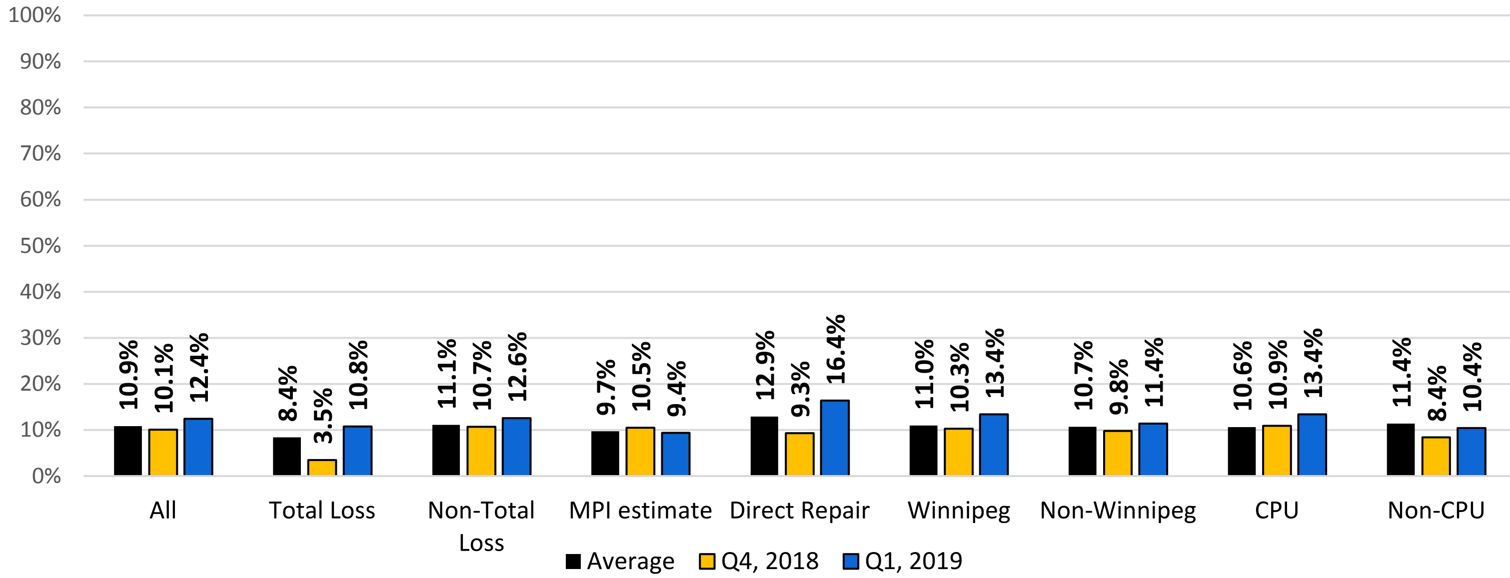
Suggestion	% indicated**
Explain estimate with more detail (including repair needed, damage)	52.6%
Better estimate needed / be more thorough / concerned about attention to detail	31.6%
Provide a faster estimate / took too long	15.8%

* Asked to only those who gave a 1-5 rating (out of 7) to the *satisfaction with Direct Repair estimating* question.
**Due to small numbers, only those categories where at least three claimants (i.e., 15.8%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%

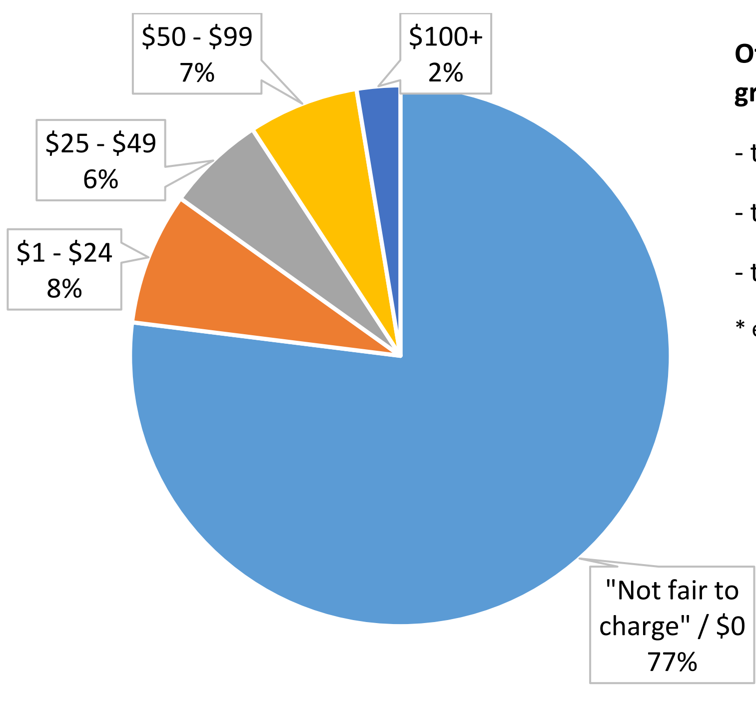
[19] Interpret with caution due to a small sample size (n=21).

Administrative Fee

Willingness to pay an administrative fee [all claimants]: percentage who agree they are *willing to pay an administrative fee to use Direct Repair*[20]



Amount of fee: amount that *would be fair to charge as an administrative fee to access Direct Repair*



Of those who indicated a fee amount* greater than $0:

- the average fee amount is $42.23

- the minimum fee amount is $1.00

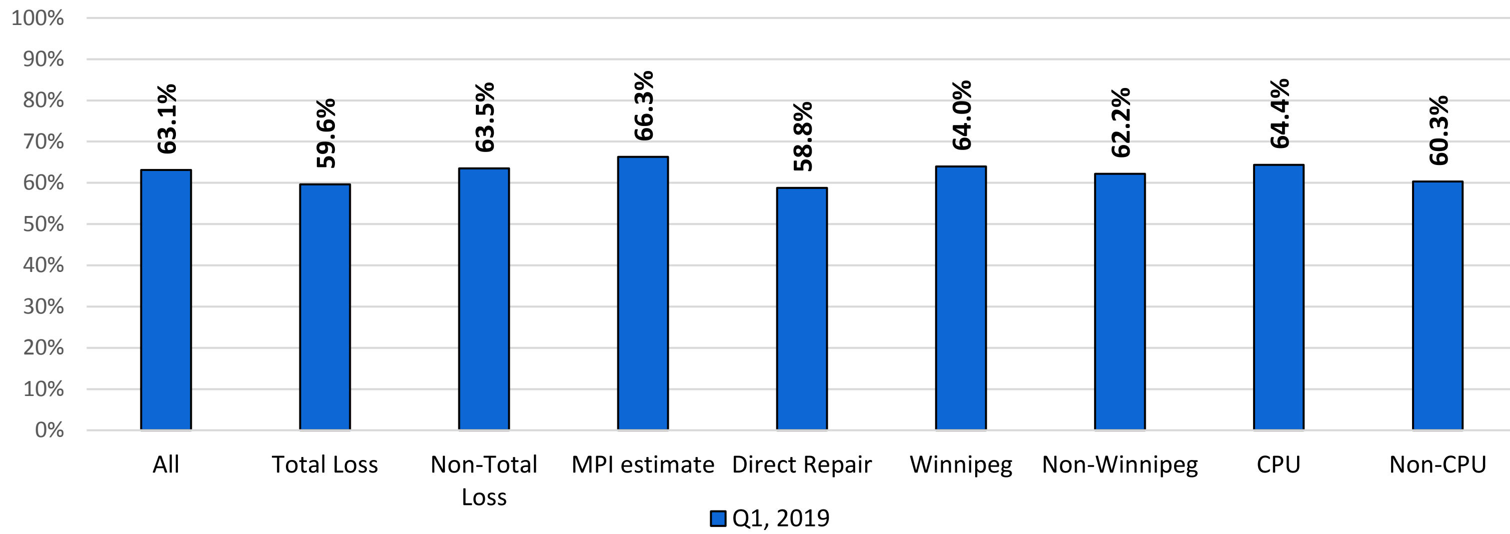
- the maximum fee amount is $200.00

* excluding outliers

[20] Claimants who did not use Direct Repair were read a brief overview of the program.

Corporate Mission Statement[21]

Contributes to Safer Roads: percentage who agree that *Manitoba Public Insurance contributes to safer roads for Manitobans*



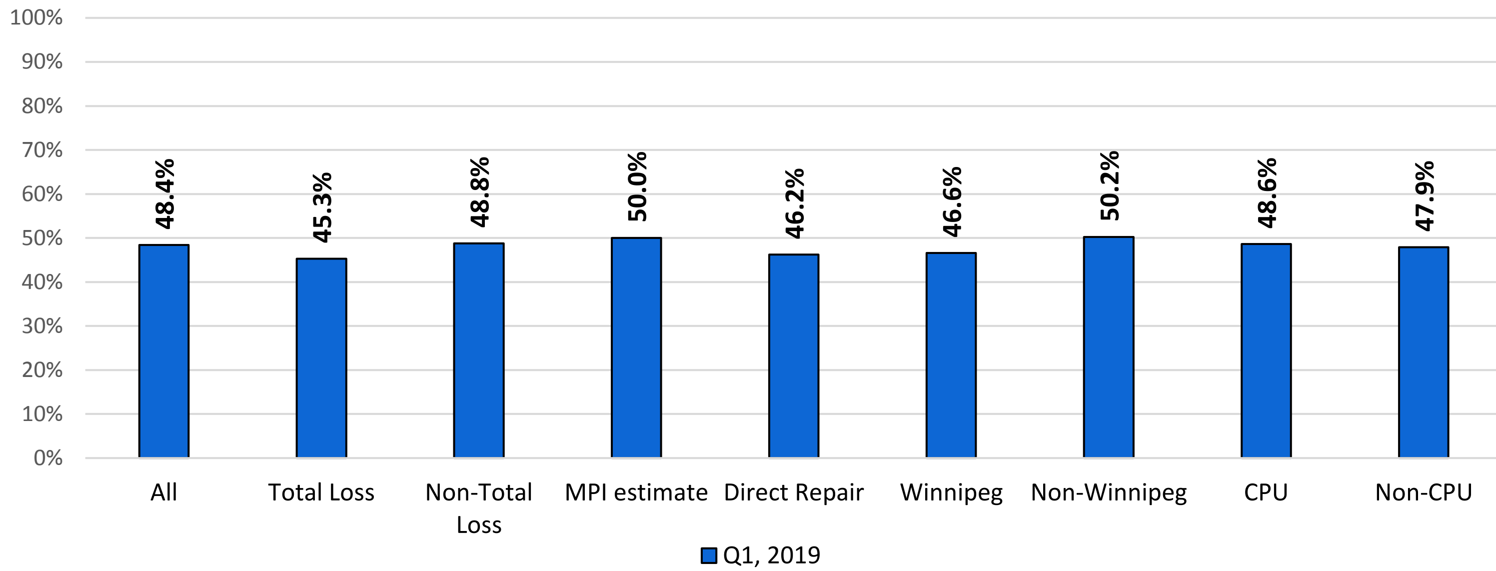
Suggestions for Safer Roads: what MPI could do to improve its contribution to safer roads for Manitobans

Suggestion	% indicated**
Support/fund road repairs and maintenance (including snow clearing, snow bank removal, potholes) / make roads safer for driving (including lighting, rumble strips)	48.8%
Have more ads trying to raise awareness / educate the public about safe driving	11.9%
Harsher penalties / increased fines for bad drivers	8.3%
Focus on improving vehicle safety standards	4.8%
Have better training for new drivers / improve driver education	4.8%
Improve road design (merging lanes, yields, intersection layouts)	3.6%
Improve road signs (easier to see, understand)	3.6%

* Asked to only those who gave a 1-5 rating (out of 7) to the *agreement MPI contributes to safer roads* question.
**Due to small numbers, only those categories where at least three customers (3.6%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

[21] As the four Mission Statement questions were added for Q1, 2019/20, averages and past data are yet to be established.

Autopac Rates are Affordable: percentage who agree that *Autopac rates are affordable*

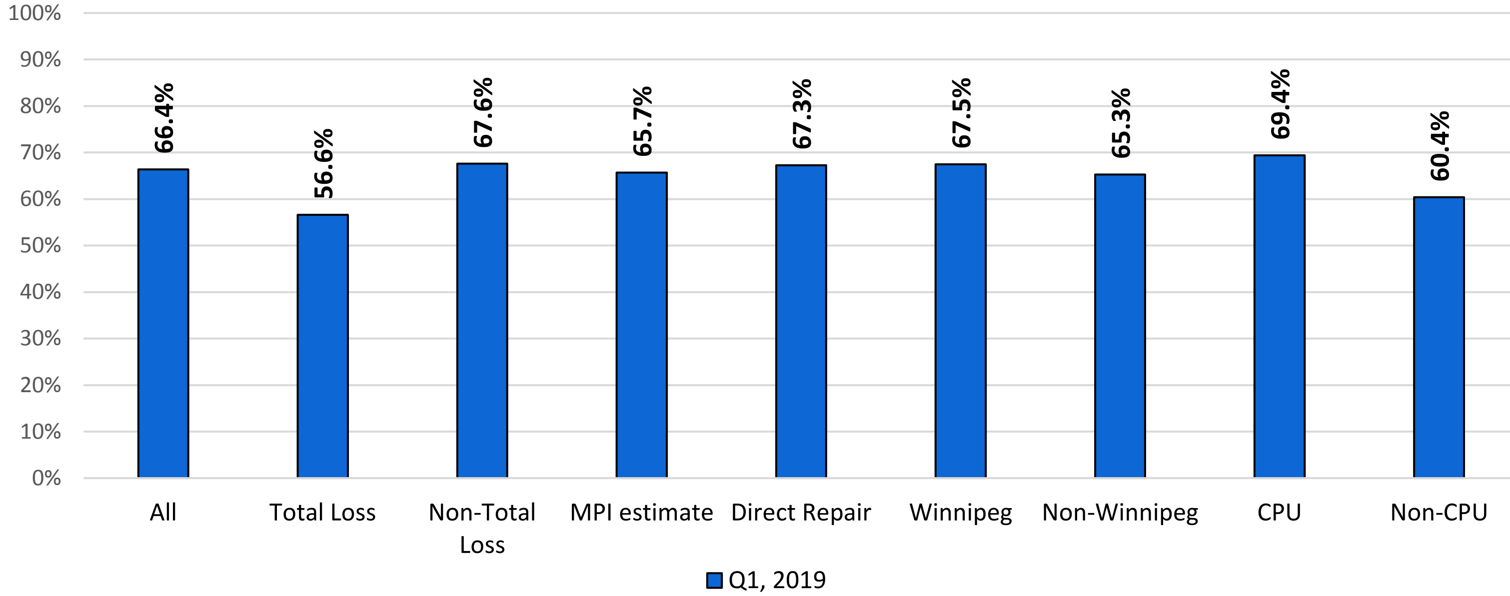


Suggestions for more Affordable Rates: what MPI could do to make Autopac rates more affordable

Suggestion	% indicated**
Lower rates/too expensive/I pay too much/always increasing (in general)	54.2%
Lower rates for good drivers / should get better discounts if low risk driver / do not cap DSR discount	17.6%
Improve DSR system / properly reflect risk	10.5%
Crack down on fraud	6.5%
Reduce rates for older vehicles / still goes up every year despite vehicle's age	5.2%
End monopoly / have choice via private sector competition for insurer	3.9%

* Asked to only those who gave a 1-5 rating (out of 7) to the *agreement Autopac rates are affordable* question.
**Due to small numbers, only those categories where at least six customers (3.9%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

Provides Exceptional Service: percentage who agree that *Manitoba Public Insurance provides exceptional service*

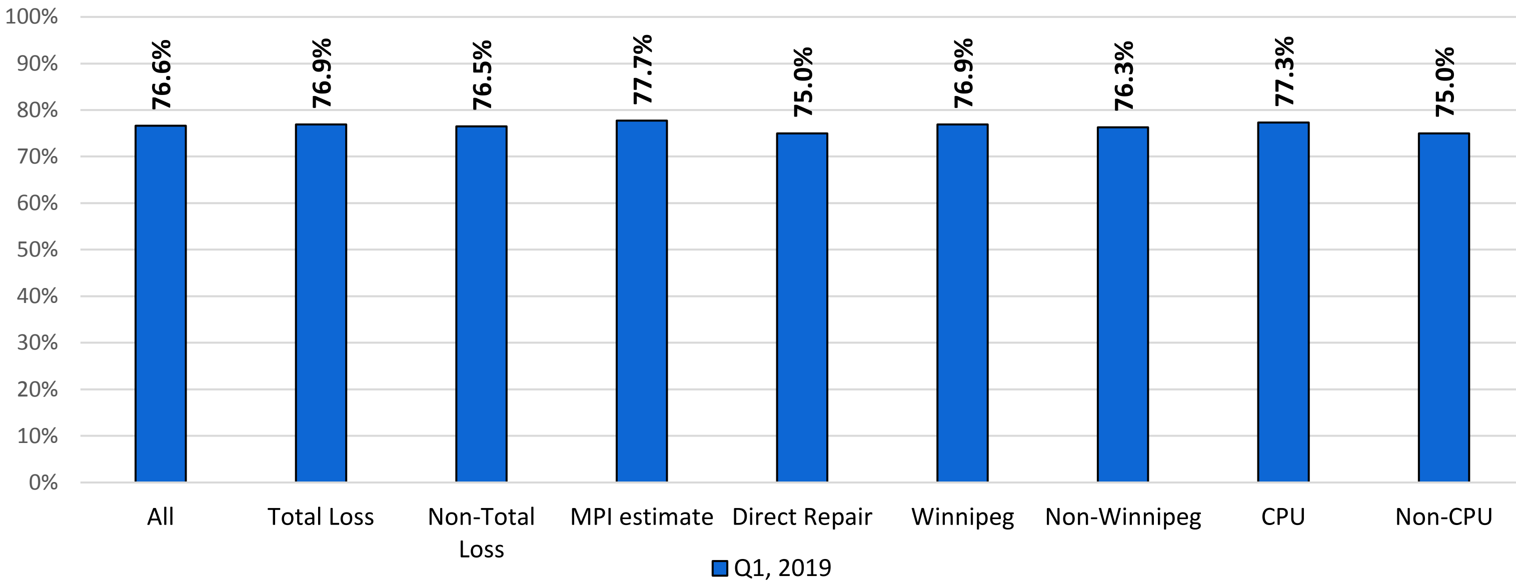


Suggestions for Exceptional Service: what MPI could do to improve the service it provides

Suggestion	% indicated**
Improve communication / faster follow-up / easier to contact	18.2%
Be more professional / trusting / caring / respectful	17.0%
Better trained staff / more knowledgeable / better explanations	17.0%
Faster processes / faster claims / faster transactions	14.8%
Could be less expensive / too costly / offer more for less money	10.2%
Have personalized service / tailor services and communications to me	10.2%
No fault insurance is not fair / deductible not fair / merit (DSR) system is not fair	10.2%
End monopoly / have choice via private sector competition for insurer	8.0%
Longer hours / open on weekends / open later into evenings / open on Sunday	3.4%

* Asked to only those who gave a 1-5 rating (out of 7) to the *agreement MPI provides exceptional service* question.
**Due to small numbers, only those categories where at least three customers (3.4%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

Provides Exceptional Coverage: percentage who agree that *Manitoba Public Insurance provides exceptional coverage*



Suggestions for Exceptional Coverage: what MPI could do to improve the coverage it provides

Suggestion	% indicated**
Have better / more comprehensive coverage (in general)	27.0%
No fault insurance is not fair / deductible not fair / DSR system is not fair	18.9%
Explain coverage better when making claim / inform me what I am entitled to	13.5%
Offer customized policy options / a la carte coverage choices	10.8%

* Asked to only those who gave a 1-5 rating (out of 7) to the *agreement MPI provides exceptional coverage* question.
**Due to small numbers, only those categories where at least four customers (10.8%) who indicated an improvement are included. As a customer may provide more than one response, the sum of percentages may add to more than 100%.

IBAM (MPI) 2-28

Part and Chapter:	Part V(i) - Expenses	Page No.:	56; Figure EXP-40 Basic Capital Expenditures
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Capital Expenditures		
Sub Topic:	Land and Buildings Capital		

Preamble to IR:

Capital Spending on Land & Buildings is forecasted to increase by 453.2% from 2018/2019 to 2019/2020 and is forecasted at over $25 million through 2023/2024.

The document reads (pg. 56),

> *"Land and Buildings capital is expected to increase in 2021/22 to 2022/23 due to a major project."*

Question:

a) Please provide detail on this *"major project"* including a description and total capital spending (if applicable, including beyond 2023/2024) and related operating expense; and

b) Please provide rationale as to why MPI would take on a *"major project"* in addition to the LSM Project (projected to cost $106 million in capital and $21.3 million in recurring operational expense)?

Rationale for Question:

To review the impact of MPI's capital expenditures on MPI / the rates charged to Manitobans.

RESPONSE:

a) Please see *Part IV(ii) Value Management Appendix 1*, filed through the Public Utilities Board's (PUB) Commercially Sensitive Information (CSI) process.

b) To ensure MPI maintains the appropriate level of resources for both land and building to support current and future business needs.

IBAM (MPI) 2-29

Part and Chapter:	Part V(i) - Expenses	Page No.:	51; EXP-38 Basic Normal Operation Expense – Compounded Annual Growth Rates
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Operating Expense		
Sub Topic:	Compensation/Salaries		

Preamble to IR:

The three (3) year (2019/2020-2021/2022) CAGR for compensation/salaries is forecasted at four percent (4.0%).

Question:

a) Please provide an explanation as to why compensation/salaries at MPI would be forecasted to grow at approximately twice the Consumer Price Index?

Rationale for Question:

To review the impact of MPI's compensation/salary expenditures on MPI / the rates charged to Manitobans.

RESPONSE:

There are many drivers attributable to the budgeted/forecasted increase in Compensation/Salaries including Full-time Equivalent (FTE) counts, economic and step in scale increases, overtime and benefits.

The primary driver for the 4.0% growth noted above, is due to the salaries increase anticipated for FTE staffing from 2018/19 actual FTE to 2019/20 budget FTE. Other factors contributing to the increase include the application of mandated economic and step in scale increases.

Please refer to *Part V(i) Expenses Section EXP.3.1.2 Compensation – Salaries* of the 2020 General Rate Application for further details on the key assumption drivers contributing to the Compensation/Salaries forecast.

IBAM (MPI) 2-30

Part and Chapter:		Page No.:	
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Broker Compensation		
Sub Topic:	Unpaid Transactions		

Preamble to IR:

Brokers provide many services to MPI that are uncompensated but result in costs to small businesses. One way of identifying some of these uncompensated transactions is to analyze data and audit reports related to IWS log-ins.

Question:

a) From 2015-2019 what are the total number of annual logins to the IWS system by brokers?;

b) Of these log-ins, what is the total number that result in compensation paid to brokers?; and

c) Please provide related audit reports related to IWS log-ins.

Rationale for Question:

To assist in identifying some of the unpaid transactions in the broker channel.

RESPONSE:

a) Please see rationale for refusal. In the alternative, MPI has provided broker transaction counts for the years requested in Figure 1 below.

Figure 1 Broker Transaction Counts

Line No.	Transaction Counts	2015/16	2016/17	2017/18	2018/19
1	*(000's)*				
2	Brokers	3,531	3,524	3,512	3,655

b) The transactions listed in Figure 2 below resulted in compensation paid to brokers.

Figure 2 Broker Commissionable Transaction Counts

Line No.	Commissionable Counts	2015/16	2016/17	2017/18	2018/19
1	*(000's)*				
2	Brokers	2,310	2,331	2,314	2,397

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:

a) and c)

MPI is not able to provide a response to this question because Autopac Online does not track the number of logins to the system. It is possible (but not certain) that this information could be inferred, but only after developing and testing a query. Further, the information is only stored in active database for a period of 90 days. After that time, records are stored on tape back-up, which would have to be manually retrieved and loaded for all 5 years. Finally, MPI is doubtful that the results of such an effort would provide any further understanding of unpaid transactions, as MPI has no control over, or insight into, how often brokers log into the system (logins may occur once per day with a dedicated terminal, multiple times per day, or with every transaction.)

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Part and Chapter:	CAC (MPI) 1-1, Appendix 17	Page No.:	1-2
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Topic:	Briefing Note		
Sub Topic:	Briefing Note		

Preamble to IR:

Appendix 17 is a Crown Services Briefing Note, subject: MPI On-line Services. MPI claims that *"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."*

Question:

Please provide evidence that *"Brokers are increasingly referring customers with complex business transactions to MPI Service Centres."*

Rationale for Question:

IBAM does not believe this to be the case and would like to be provided with independent evidence that supports this claim.

RESPONSE:

Brokers complete 88% of all customer transactions, while MPI completes the remaining 12%. Figure 1 below provides a list of the complex transactions increasingly completed by MPI, reflected by the % reduction of broker handling compared to 2011 (note: DL means 'drivers license' and ID means 'identity'):

Figure 1 Complex Transactions by MPI

Line No.	Sum of Transactions	2011	2019
1	DL New Application	100%	100%
2	Broker	54%	51%
3	MPI	46%	49%
4	DL Reapplication	100%	100%
5	Broker	88%	84%
6	MPI	12%	16%
7	ID New Application	100%	100%
8	Broker	85%	79%
9	MPI	15%	21%
10	ID Reapplication	100%	100%
11	Broker	89%	72%
12	MPI	11%	28%
13	ID Renewal	100%	100%
14	Broker	96%	87%
15	MPI	4%	13%
16	ID Replacement	100%	100%
17	Broker	80%	70%
18	MPI	20%	30%

Some complex transactions are increasingly completed by brokers. See Figure 2 below:

Figure 2 Complex Transaction by Brokers

Line No.	Sum of Transactions	2011	2019
1	DL Reactivation	100%	100%
2	Broker	76%	77%
3	MPI	24%	23%
4	ID Reactivation	100%	100%
5	Broker	74%	77%
6	MPI	26%	23%
7	Knowledge Test	100%	100%
8	Broker	42%	54%
9	MPI	58%	46%
10	New Customer Setup		100%
11	Broker	76%	81%
12	MPI	24%	19%
13	Road Test	100%	100%
14	Broker	56%	68%
15	MPI	44%	32%

Please note that, for 2019, knowledge and road tests may present as outliers due to the introduction of Mandatory Entry-Level Training (MELT) for Class 1 Licenses.

IBAM (MPI) 2-32

Part and Chapter:	CAC (MPI) 1-1, Appendix 17	Page No.:	1-2
PUB Approved Issue No:	9. Cost of Operations and Cost Containment Measures		
Topic:	Briefing Note		
Sub Topic:	Briefing Note		

Preamble to IR:

Appendix 17 is a Crown Services Briefing Note, subject: MPI On-line Services. MPI claims that *"Other insurers (both private and public) are moving to direct and/or online self-service".*

Question:

Please confirm that no other public insurer in moving to a direct model.

Rationale for Question:

To clarify the statement that, *"Other insurers (both private and public) are moving to direct and/or online self-service".*

RESPONSE:

The question appears to seek clarification of what "direct model" means for the Insurance Brokers Association of Manitoba (IBAM). Every public insurer in Canada utilizes some form of a direct service model and MPI is no different given the large number of transactions completed with its customers at its Service Centers and online. Even if the question were meant to be limited to online transactions, MPI maintains that other public insurers use various models that incorporate an online service delivery component.

Specifically, the Insurance Corporation of British Columbia (ICBC) and Saskatchewan Government Insurance (SGI) conduct more licensing transactions online than MPI. SGI also allows customers to renew their annual insurance online, directly from its website. Customers must select a broker via a pull-down menu which identifies a number of brokers, including some who may not be associated with the online transaction and may not have otherwise consulted with the customer. As a result, SGI reduces the commission payable to the selected broker by 1%.

It is also well known that many crown or public insurance/licensing corporations have an online presence and interact directly with customers by accepting payments, booking driving tests and providing them with general information.

Greater use of direct service models can be seen in the private sector, with some companies bypassing broker channels completely (in the sale and maintenance of customer accounts). Many advertise across Canada, which means a great number of Manitobans will have seen their online service offerings. Based on its research, MPI understands that its customers welcome those types of online service offerings in Manitoba. This view is also consistent with commentary in various media articles on the topic.

In the United States and other countries, the provision of online auto insurance (and licensing) services to a large percentage of drivers through a stable, low risk distribution channel, is far more commonplace. As there are many advantages to the distribution of services online, it is not surprising to see its uptake globally and across all industries.

IBAM (MPI) 2-33

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

Preamble to IR:

Appendix 16 is a Crown Services Briefing Note, subject - Key Issue Overview: February 7 Meeting Briefing. This Briefing Note contains the following statements:

Under Section 5. 12-Pay Credit Card Elimination:

> *"It is believed that IBAM has no concerns related to this change…"*

Under Section 6 Special Risk Extension:

> *"IBAM wishes to hold a veto over this application…"*

Question:

a) Please provide supporting evidence to the statements quoted above.

Rationale for Question:

To clarify: (a) that IBAM expressed concern with regard to the elimination of 12-Pay directly to MPI and in media; and (b) that IBAM has never asked for or expressed a wish to have a veto over Special Risk Extension.

RESPONSE:

a) The entire quote from the Briefing Note, which IBAM has not reproduced above, makes it clear that the "no concern" of IBAM is qualified upon the assumption that "customers can still pay monthly via pre-authorized debit, or quarterly via credit card." Furthermore, the context in which the statement was made is in relation to the impact the proposed changes would have upon IBAM and its members. IBAM advised MPI it was concerned that customers may push back at the changes and as such would not openly support the changes. However, IBAM did confirm that brokers would assist with the transition, and at no time did IBAM express opposition to the proposal to eliminate the 12-Pay Credit Card option.

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:

b) The appointment process for brokers to sell Special Risk Extension (SRE) products is not relevant to the rate application for Basic Insurance.