

# 2020 General Rate Application CEO's Opening Remarks

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# Agenda

## 1. MPI Today

- › Solidifying our financials – promises kept
- › Refocus on the Customer
- › Project NOVA (LSM)

## 2. 2020 GRA Key Issues

- › Financial Performance Reflects MPI's Refocusing
- › Capital Management Plan

## 3. Key Requests

## 4. Summary



# MPI Today

## Assessing Our Progress



# Reflecting on MPI's History

- MPI is approaching its 50<sup>th</sup> anniversary
- We have earned a regrettable reputation:
  - Slow, inefficient, bloated, bureaucratic
  - Secretive with our customers and our regulator
- Industry evolved at a faster pace than MPI
  - MPI (and our customers) were often left behind



# A Monopoly is No Excuse for Mediocrity

- We act with integrity and transparency in everything we do
- We are empowering our employees to provide exceptional customer service
- We are a company that speaks in facts, not emotions

*“In God We Trust, All Others Must Bring Data” - W.E. Deming*



# Promises Kept

## 2019 GRA's Four *Enablers* to Achieve MPI's Mission: Achieved

1. Optimize Re-insurance
2. 100% MCT Target and Capital Management Plan

## Significant Progress Made

1. Prudent partnerships
2. Modernize Products and Services



# Refocus on the Customer

- MPI's focus is must be squarely on our customers
- MPI's Vision Statement:

*The trusted auto insurance and driver services  
provider for every Manitoban*

- We know we have to make changes to achieve that vision



# Customer Trust through Transparency

## Where do your premium dollars go?

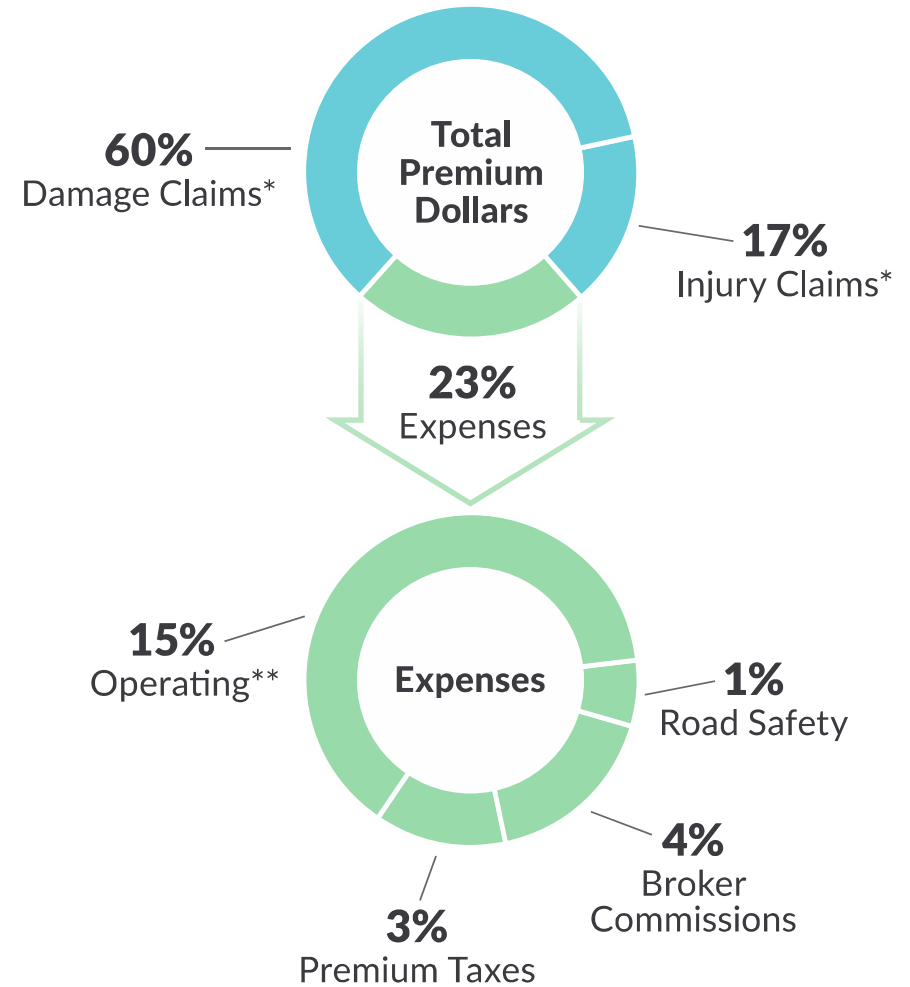
(Based on the average passenger vehicle policy)

\* Injury Claims: Personal Injury Protection Plan (PIPP)

\* Damage Claims: Vehicle collision, Comprehensive (vandalism, theft, hail, etc.), Third-Party Liability

\*\* Operating costs are offset by service fees and investment income.

## Basic Autopac





# 'Catching Up' with Project NOVA

- Single largest initiative in MPI's history
  - Solid business case, clear governance and accountability
  - Transparent, up-to-date information sharing with PUB
- A business driven initiative that will:
  - Reduce technology risk
  - Enhance information security
  - Improve business agility
  - Deliver efficiencies and cost savings
  - Support online services



# Project NOVA Expands Customer Choice

## Key Outcomes:

- Improved customer experience
- Agility to introduce new products
- Expanded choice for our customers to access products and services

## Achieved through:

- Modern online services to meet routine customer needs
- Existing bricks and mortar based Broker presence
  - Provide advice and support our customers' complex needs

Manitobans will have universal access to our products and services, regardless of geographic location



# 2020 General Rate Application

## Key Issues for PUB's Review

1. Financial Performance Reflects MPI's Refocusing
2. Capital Management Plan



# Q1 Results Better than Budget

- MPI is seeing the benefits of focusing on core insurance operations:
  - Physical Damage, PIPP, Operating expenses are under budget
  - Favorable hail results, and better than expected investment results
- Basic is making swift progress towards 100% MCT
  - Q1 Basic MCT - 87%
  - Q2 Basic MCT – Near 100% (Expected)



# YTD Results Justify Reduced Rate Request

Update for Sept 30<sup>th</sup> GoC 10 Yr. Bond Rate (Naïve) : 1.36%

Basic Rate Indication w/ updated Interest Rates: 1.5%

Remove 'Net Capital Maintenance Provision': (less) 2.1%

**Amended Rate Request: -0.6%**

## Amended Rate Request with Sept 30<sup>th</sup> Naïve Interest Rates

Major Class	Vehicle Count	Current Average Rate	Proposed Average Rate	Proposed Rate Change
Passenger	807,724	\$1,164	\$1,154	-0.9%
Commercial	46,360	\$809	\$814	0.7%
Public	12,785	\$1,928	\$2,128	10.4%
Motorcycles	17,585	\$810	\$851	5.1%
Trailers	205,299	\$79	\$75	-5.2%
Vehicles	71,406	\$8	\$7	-12.5%
<b>Overall</b>	<b>1,161,159</b>	<b>\$890</b>	<b>\$885</b>	<b>-0.6%</b>



# Capital Management Plan is Transparent

- Unprecedented Transparency and Accountability between Basic and Extension Lines of business

*“The Board has, in past Orders, expressed the view that the Corporation’s non-compulsory Extension line of business should be regulated. One of the reasons for this is the Board’s concern that the level of Basic Total Equity could be depleted at a time when the Extension line of business contains significant reserves” – Order 159/18*

- Reserves Regulation gives known and stable anchor points
  - 100% MCT Basic Capital Target
  - 200% MCT Extension Capital Target
- Basic’s Capital Position will:
  - Comply with minimum industry best practice
  - Withstand adverse events
  - Ensure rate stability for our Customers



# Capital Management Plan Benefits Customers

- **Excess** Extension Reserves move directly to Basic
  - Capital Transfer at Feb 28, 2019 – \$60.0 M
  - Forecast Capital Transfer at Feb 28, 2020 – \$75.1 M

(\$ millions)	2019A	2020P	2021F	2022F	2023F	2024F
Transfer of Excess Extension Reserves	60.0	75.1	42.5	44.5	48.9	48.4

- **Excess** Basic Reserves move directly to Basic Customer

(% MCT at FYE)	2019A	2020P	2021F	2022F	2023F	2024F
Basic MCT	51.5	96.4	98.7	98.9	95.2	103.6



# Key Requests

1. -0.6% Overall Rate Change, based on:
  - Break even rates in accordance with Accepted Actuarial Practice
  - September 30<sup>th</sup> Naïve Interest Rate Forecast
  - Remove 2.1% Net Capital Maintenance Provision
2. Capital Management Plan
  - No Capital Build/Release in this year's rates
  - Reliance on excess Extension reserves
  - Progress to 100% MCT is ahead of schedule
3. Dialogue on additional avenues for transparency
  - Dashboards, Briefings, other?
  - Explore means to supplement the GRA process





# Closing - MPI has Kept its Promises

- Prudent Fiscal Management
  - Capital Management Plan built around 100% MCT Target
  - Ensuring prudent partnerships
  - Fact-based decision making, supported by value management
- Focusing on the Core
  - Modernizing services for the benefit of our customers
- Transparency and Accountability
  - Insight into Extension, through Capital Management Plan
  - Oversight of major capital projects



# Questions

