**October 18, 2019**                                          **MPI Exhibit #73**

**Revised October 18, 2019      BLACKLINE      2020 GRA Information Requests – Round 1**
**August 12, 2019                                          PUB (MPI) 1-50 - Blackline**

**PUB (MPI) 1-50**

| Part and Chapter: | Part IV(i) - Service Delivery Model | Page No.: | 14 |
|---|---|---|---|
| PUB Approved Issue No: | 9. Cost of Operations and Cost Containment Measures | | |
| Topic: | Direct Repair Program | | |
| Sub Topic: | | | |

**Preamble to IR:**

**Question:**

Please elaborate on what lessons have been learned from the direct repair program, and how MPI is addressing those lessons and the cost consequences related to each.

**Rationale for Question:**

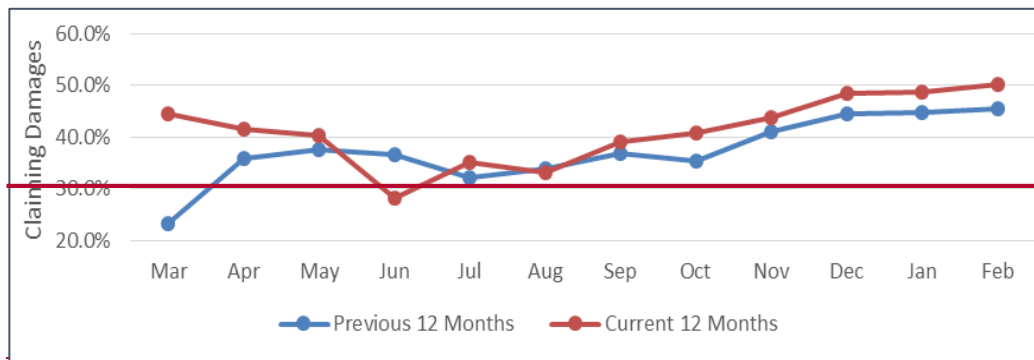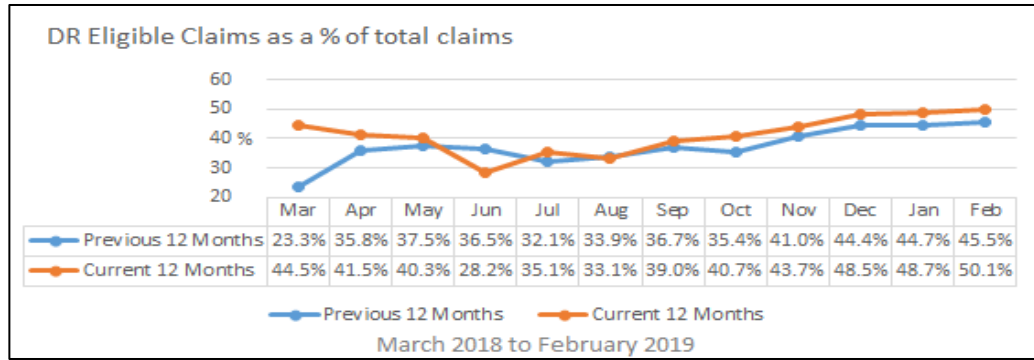To understand changes in Direct Repair Program evaluation.

**RESPONSE:**

Lessons Learned:

- Lesson: the geographic restrictions on Direct Repair (DR) limited Customer uptake on eligible claims.

    o MPI Acton: removed geographic restrictions. ~~without adding further risk, resulting in greater selection for and improved customer service.~~

- Lesson: the limited number of shops in the DR program impacted customer choice and created a competitive advantage for some larger repair shops.
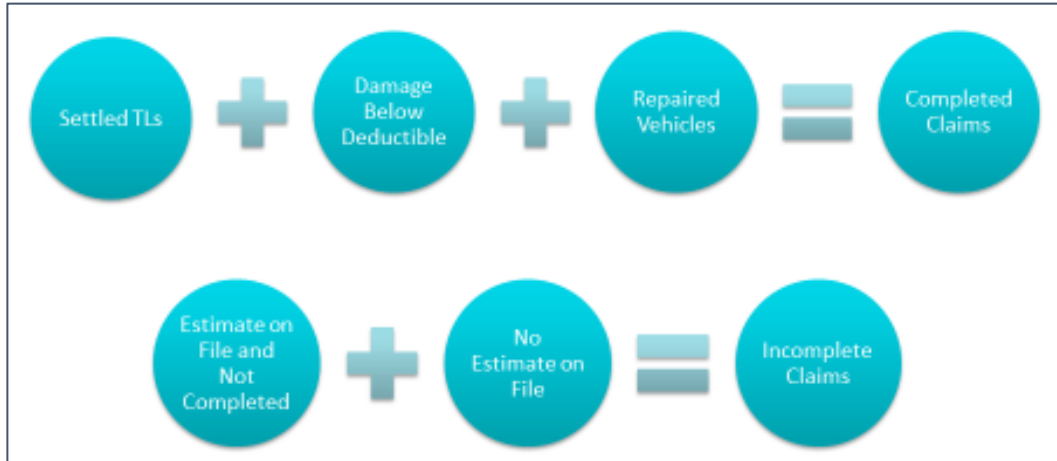
**October 18, 2019**                                                    **MPI Exhibit #73**

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- o   MPI Action: removed the DR under Volume restriction (minimum of 5 jobs/week) which increased the number of eligible repair shops and the number of options available to customers.
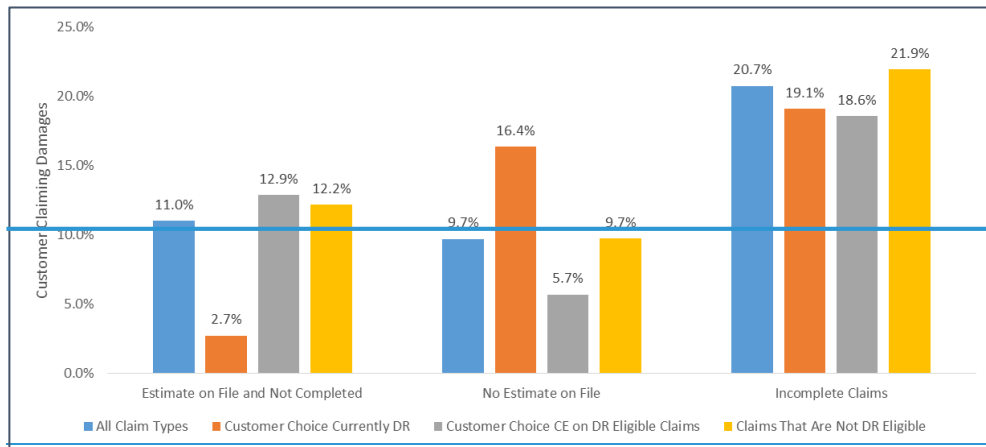
**Figure 1    DR Eligible Claims**



| | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Previous 12 Months | 23.3% | 35.8% | 37.5% | 36.5% | 32.1% | 33.9% | 36.7% | 35.4% | 41.0% | 44.4% | 44.7% | 45.5% |
| Current 12 Months | 44.5% | 41.5% | 40.3% | 28.2% | 35.1% | 33.1% | 39.0% | 40.7% | 43.7% | 48.5% | 48.7% | 50.1% |

March 2018 to February 2019



- Lesson: limited administrative savings once the minimum level of required estimator effort at MPI's service center locations was reached.

  - o   MPI Action: determine the optimum number of MPI Estimator FTEs and adjust the scope of DR accordingly.

  - o   MPI Action: find efficiencies in Estimating by implementing alternative work methods such as virtual work queues, exploring photo-based estimating and expanding the scope of Estimating work to include auditing.

- Lesson: potential concern that DR was decreasing the claims abandonment rate.  A percentage of claims are opened but are left incomplete by customers

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at various stages. The diagram below explains the difference between a complete vs incomplete (abandoned) claim.
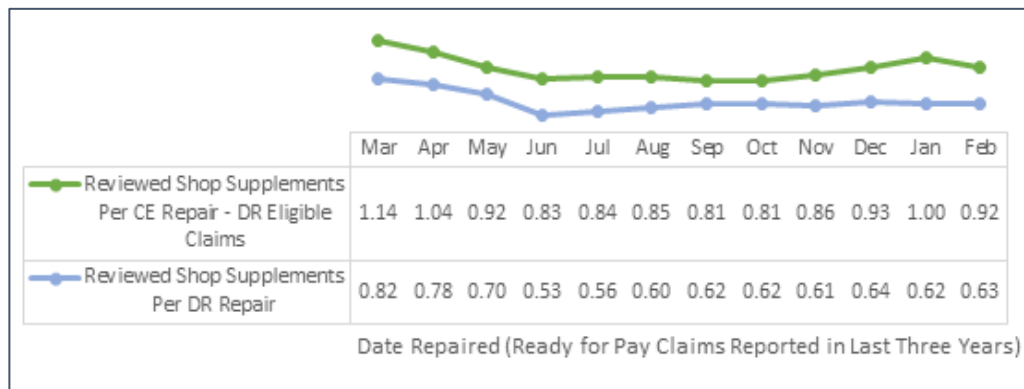


- MPI Action: ~~analyzed the explanations provided for~~began analysis on the abandonment rates for both DR and Collaborative Estimating (CE) claims (wherein a MPI Estimator writes the first estimate). ~~The explanations provided for each claim were the same, suggesting little to no correlation between DR and abandonment rates and limited financial risk from an increase in the scope of DR. See below.~~
- ~~Figure 2    Claims Reported in the Twelve Months Ending February 2018 First Fiscal Year of DR~~More analysis is required on this topic as the estimates are written and remain incomplete over time.

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- Lesson: DR claims have 0.29 fewer supplements than CE claims. See figure below.

  - MPI Action (possible): MPI expects that requring customers to have first estimates prepared a DR repair facility (as opposed to an MPI Service Centre) will decrease the number of estimates by MPI Estimators and therefore further reduce the total number of supplements per claim.

**Figure 2    DR Claims Results – Monthly Trend**

| | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Reviewed Shop Supplements Per CE Repair - DR Eligible Claims | 1.14 | 1.04 | 0.92 | 0.83 | 0.84 | 0.85 | 0.81 | 0.81 | 0.86 | 0.93 | 1.00 | 0.92 |
| Reviewed Shop Supplements Per DR Repair | 0.82 | 0.78 | 0.70 | 0.53 | 0.56 | 0.60 | 0.62 | 0.62 | 0.61 | 0.64 | 0.62 | 0.63 |

Date Repaired (Ready for Pay Claims Reported in Last Three Years)

- Lesson: MPI knows more about shop performance, as a result of analyzing Key Performance Indicator (KPI) results and regular meeting with shops.

  - MPI Action: capitalized on the opportunity to build relationships shops which recieved positive response from the repair trade.

- Lesson: disappointing administrative savings as increased review time and the DR premimum mean that shop-written estimates cost more than MPI-written estimates.

  - MPI Action: Removed the DR premium in May 2019.

- Lesson: the DR Plus program was confusing and offered no differential offer to the larger shops which were given "plus" status on size alonelimited customer choice by preferring select shops based on size.

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- o   MPI Action: MPI combined the DR and DR Plus into a single program.

- Lesson: claim severity remained under control despite an increase in shop performance.

  - o   MPI Action: MPI increased earned approval limits by $250 per tier.

  - o   MPI Action: DR claims Earned Approval Limit (EAL) Reporting (see below):
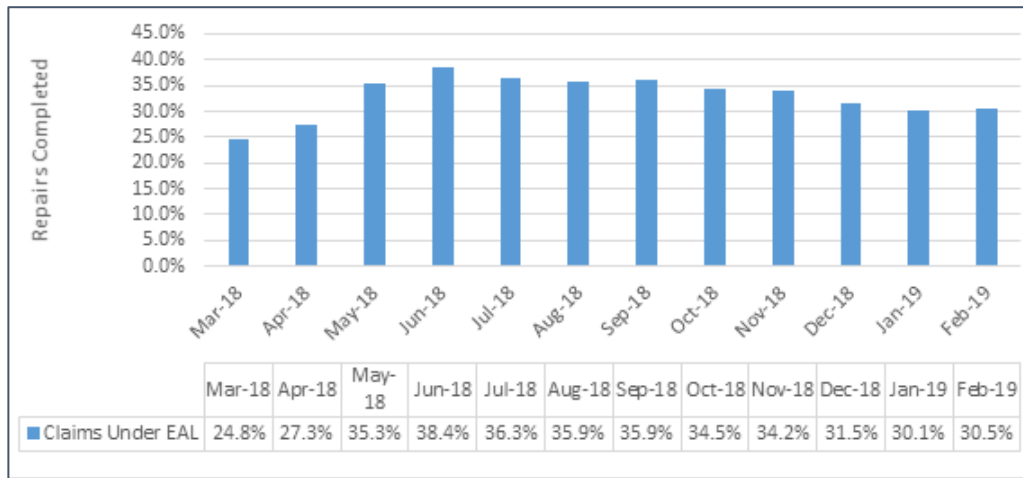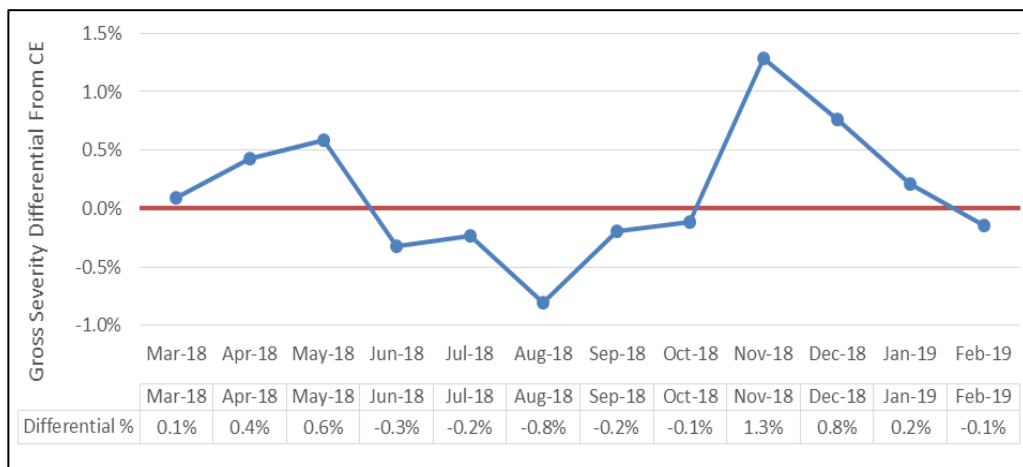
**Figure 3     DR Claims EAL Program**



| | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Claims Under EAL | 24.8% | 27.3% | 35.3% | 38.4% | 36.3% | 35.9% | 35.9% | 34.5% | 34.2% | 31.5% | 30.1% | 30.5% |

**Figure 4     DR Program Incremental Severity**



| | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Differential % | 0.1% | 0.4% | 0.6% | -0.3% | -0.2% | -0.8% | -0.2% | -0.1% | 1.3% | 0.8% | 0.2% | -0.1% |

- Lesson: less than 50% customer uptake on DR-eligible claims.

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o   MPI action: MPI removed repair shop location and size restrictions to improve the convenience of DR and promote additional customer uptake.

o   MPI Action: conducted customer research surveys to better understand the rationale behind a customer's decision not to select DR.

o   ~~MPI Action (possible): considering removing MPI Service Centre option on DR-eligible claims to further reduce MPI estimating costs.~~

**Figure 5    Customer Chose DR**
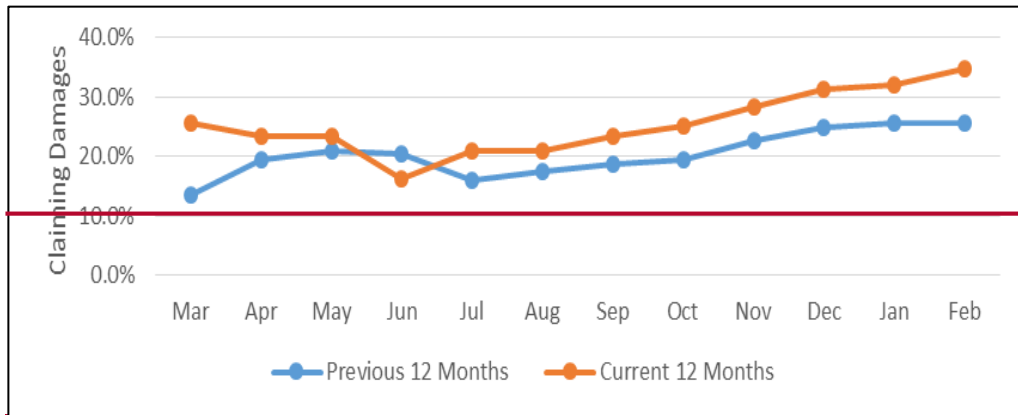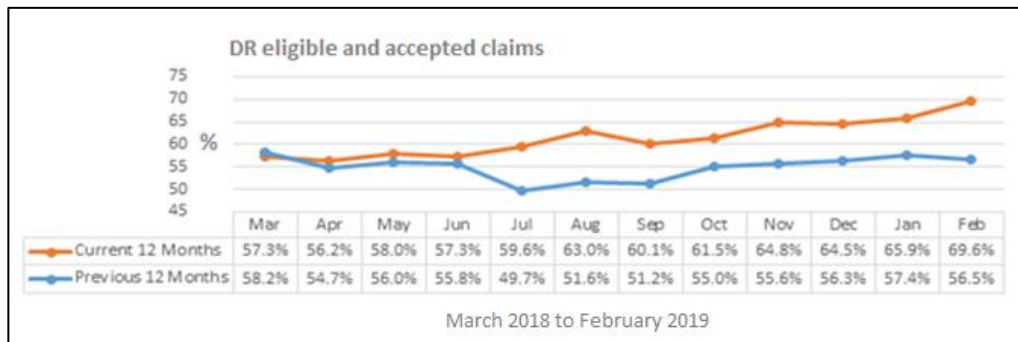


DR eligible and accepted claims

| | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Current 12 Months | 57.3% | 56.2% | 58.0% | 57.3% | 59.6% | 63.0% | 60.1% | 61.5% | 64.8% | 64.5% | 65.9% | 69.6% |
| Previous 12 Months | 58.2% | 54.7% | 56.0% | 55.8% | 49.7% | 51.6% | 51.2% | 55.0% | 55.6% | 56.3% | 57.4% | 56.5% |

March 2018 to February 2019



- Lesson: a DR claim that falls under a repair shop's EAL requires no effort on the part of MPI and therefore potentially affords an additional avenue for savings.

o   MPI action: increase the EAL dollar levels to get more straight through processing with EAL.

**PUB (MPI) 1-50**

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Please elaborate on what lessons have been learned from the direct repair program, and how MPI is addressing those lessons and the cost consequences related to each.

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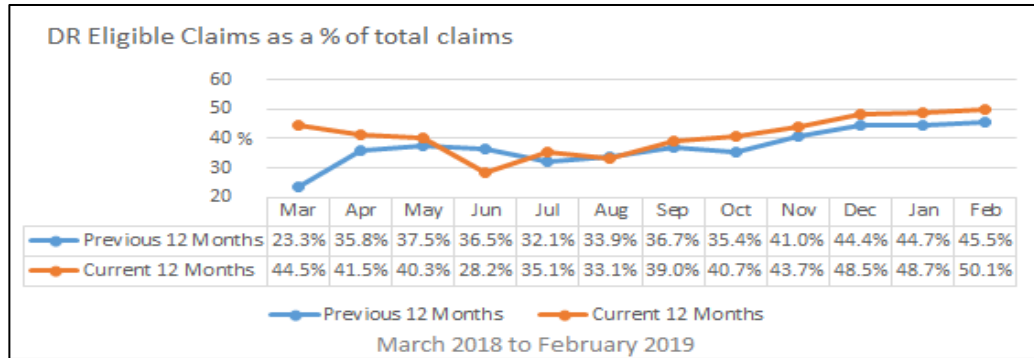
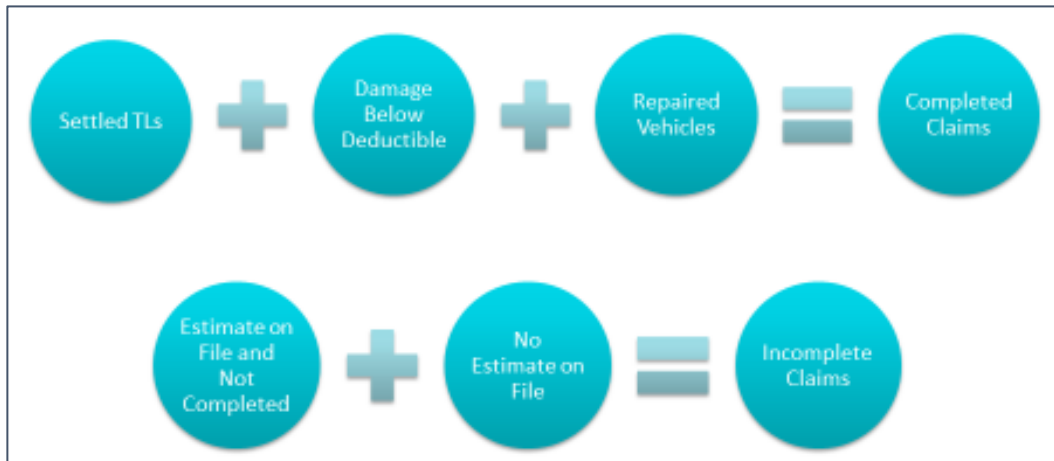**RESPONSE:**

Lessons Learned:

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o   MPI Action: removed the DR under Volume restriction (minimum of 5 jobs/week) which increased the number of eligible repair shops and the number of options available to customers.

**Figure 1    DR Eligible Claims**



DR Eligible Claims as a % of total claims

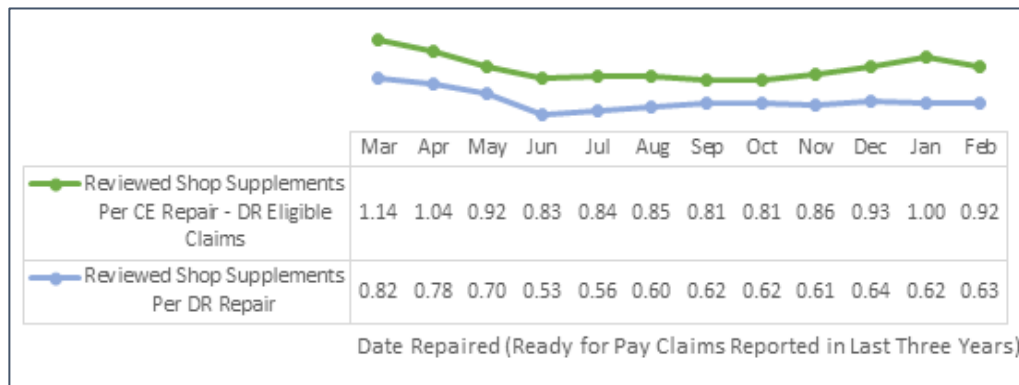| | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
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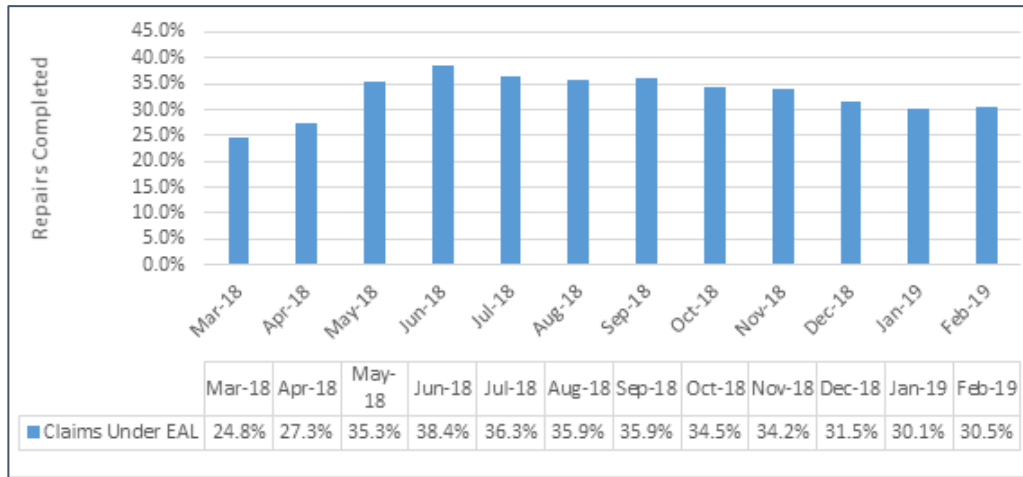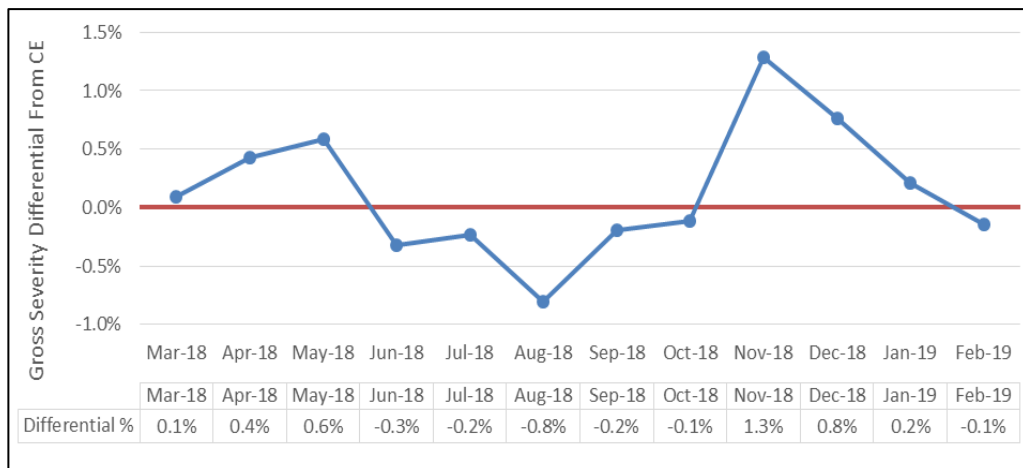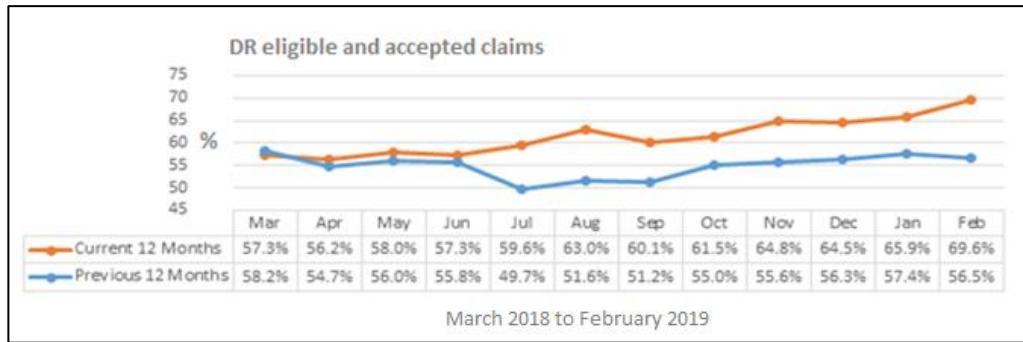**October 18, 2019**                                                  **MPI Exhibit #73**

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**Figure 5    Customer Chose DR**



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