MANITOBA PUBLIC INSURANCE

2021 GENERAL RATE APPLICATION

Round 1 Information Requests

August 5, 2020

Consumers' Association of Canada (Manitoba) (CAC)

MANITOBA
PUBLIC INSURANCE

CAC (MPI) 1-1

Part and Chapter:	CI.2.11	Page No.:	p.16
PUB Approved Issue No:	18.d)		
Topic:	Claims Incurred Impact of COVID-19 and other risks and opportunities of COVID-19		
Sub Topic:			

Preamble to IR:

The public health measures put in place due to the COVID-19 pandemic have had marked impact on claims activity.

Question:

a) Notwithstanding the assumptions made at the time the GRA forecast was produced, what lasting effects does MPI now expect or assume that the COVID-19 Pandemic will have on the claims forecast in the current year and its test year?

b) Does MPI have a view, at this time, as to when or if the reduction in claims counts and incurred will return to 'normal'?

c) How many months of below budget incurred and claims counts would have to be observed in 2020/21 for MPI to predict that the impacts may carry forward to 2021/22?

d) Referencing the June 17th, 2020 Monthly Update, please explain, if possible, the increased severity observed from March 16, 2020 to April 15, 2020.

e) Referencing the June 17th, 2020 Monthly Update of claims costs, please provide table, in similar format to CI-8 (i.e. please include claims counts, and severity) for each of April, May, June, and if available July 2020.

f) Has MPI's assumption of perfect correlation between Collision, PD and PIPP claims been realized in the claims data to date? If not, please provide supporting analysis for how actual claims data is different from the assumption, and also please describe any implications for forecasting the current and future impact of COVID-19.

g) Referencing Figure CI-10, has MPI's assumed allocation of additional savings across coverages reflected the observed experience to date? If so, please provide supporting analysis.

h) Does MPI agree that potential impacts of COVID-19 beyond the immediate rate year may include:

   i. significantly more Manitobans working from home and as a result driving less often or at different times of the day;

   ii. slower economic growth as Manitoba, Canada and North America struggle with disruptions in business, trade and immigration;

   iii. enhanced risk of deflation in the short term;

   iv. enhanced risk of inflation in the medium and long term (3 -5 years).

   If MPI does not agree, please explain why not. Please provide any support for your views on deflation and inflation.

i) To the extent that MPI agrees that any of the factors listed in h) above are potential impacts, please discuss how they are reflected in the current rate application and in the Corporation's assessment of its current risks;

j) Please explain how the short, medium and long-term impacts of COVID-19 will be reflected in the MCT and any other risk analysis (ie the Financial Condition Test or FCT) undertaken by MPI.

k) Please discuss the relative strengths and weaknesses of the MCT and FCT in reflecting the short, medium and long-term impacts of COVID-19.

l) Please provide the views of MPI on the short, medium and long-term impacts, if any, of COVID-19 on its capital management plan.

Rationale for Question:

To understand MPI's approach to the evolving implications of the COVID-19 pandemic

RESPONSE:

a) MPI assumes no lasting impacts from the COVID-19 pandemic in its claims forecast, apart from the impact on claims outlined in *Claims Incurred CI.2.11* for the 2020/21 accident year. MPI will provide an updated forecast based on its experience through August 31, 2020.

b) As of June 30, 2020, Collision frequency is currently 0.067 per Highway Traffic Act (HTA) Earned Unit or 36.04% below budget, for June accidents. MPI remains agnostic as to the return of claims counts to their pre-COVID-19 levels. MPI will provide an updated forecast based on its experience through August 31, 2020.

c) The number of months claims incurred and claims counts were below budget as a result of COVID-19 is not an adequate measure upon which to modify the claims forecast. As the COVID-19 pandemic remains ongoing, the current claims experience does not accurately identify a 'normal' claims experience. While MPI anticipates that budget reductions will gradually decrease and eventually return to 'normal' levels; MPI cannot accurately predict the situation more than 1-2 months into the future. At present, the best estimate of the claims experience continues to be the 'non pandemic' experience (i.e. prior to March 2020).

d) Collision severity increased markedly during the COVID-19 pandemic. This increase is partly a result of the types of claims made during this time (i.e. those with significantly more damage represent a larger percentage of the total repairs). While MPI is currently investigating this trend, it may ultimately be that, with the number of people working from home, there are fewer 'low severity' claims, resulting in an increase in the average severity of all claims.

e) Please see the figure below. Collision claims costs are gradually rebounding, following a large decrease observed in March 2020. The severity of these claims is higher than budgeted, largely because of the distribution of the types of claims.

Figure 1 Basic Collision Claims Experience – as of June 30, 2020

Line No.	Loss Month		Actual	Budget	Difference	% Difference
1	**April 2020**	**Incurred**	$14,645,801	$28,784,459	($14,138,658)	-49.12%
2		**Claim Counts**	3,391	7,215	(3,824)	-53.00%
3		**Severity**	$4,319	$3,990	$329	8.26%
4	**May 2020**	**Incurred**	$17,805,383	$31,498,066	($13,692,684)	-43.47%
5		**Claim Counts**	4,225	7,560	(3,335)	-44.11%
6		**Severity**	$4,214.06	$4,166	$48	1.15%
7	**June 2020**	**Incurred**	$21,756,432	$33,517,663	($11,761,231)	-35.09%
8		**Claim Counts**	4,953	7,817	(2,864)	-36.64%
9		**Severity**	$4,393	$4,288	$105	2.44%

f) The figure below shows the changes relative to budget for claim counts. As indicated, Property Damage and PIPP claims are below budget at approximately the same percentage as Collision claims while comprehensive claims are up slightly since March 2020.

Figure 2 Claim Counts Relative to Budget

Line No.		Collision	Comprehensive	Third Party Loss of Use	Third Party Deductible Transfer	Property Damage All Other	Weekly Indemnity	ABO-Indexed	ABO-Non Indexed
1	**Mar-20**	-41.09%	-16.88%	-40.56%	-33.47%	-33.02	-11.77	-26.99	-11.99
2	**Apr-20**	-53.00%	-12.62%	-59.75%	-59.74%	-49.29	-57.48	-63.71	-44.78
3	**May-20**	-44.11%	-10.62%	-39.73%	-49.56%	-62.23	-43.22	-52.05	-48.71
4	**Jun-20**	-36.64%	-18.63%	-19.16%	-36.23%	-57.47	-16.83	-29.44	-38.14

g) MPI will file updated monthly results during the COVID-19 period as outlined in *PUB Order 67/20*. Below is the latest year-to-date results through June 2020.

Figure 3 March 2020 through June 2020 Basic Claims - Budget vs Actual

		Direct Claims Incurred			
Line No.		Actual $	Budget $	Variance Fav. (Unfav.) $	%
1	**PIPP**	63,910,351	74,632,353	10,722,002	14.4
2	**Basic Collision**	80,210,487	133,907,281	53,696,494	40.1
3	**Basic Property Damage**	31,351,845	44,304,883	12,953,038	29.2
4	**Basic Total**	**175,472,683**	**252,844,517**	**77,371,534**	**30.6**

h) In regards to the listed impacts, more Manitobans may work from home more and drive less, in total or at different times of the day. That said, MPI has no evidence to suggest that will be the case for the 2021 rating year and beyond.

i) MPI forecasts are based on best estimates. As of the time of it submitted the 2021 GRA, MPI had no strong evidence to suggest any of these impacts would occur in the 2021 rating years.

j) The Financial Condition Test (FCT) simulates 1-in-100 year impacts for adverse loss ratios, economic environments, and interest rates over a period of 1 through 4 years. The simulations are based on historical experience and would therefore include the impacts of COVID-19.

k) The capital requirements indicated from the Minimum Capital Test (MCT) and the FCT exist specifically to ensure that MPI can withstand many different adverse scenarios, including pandemics. The FCT, this test is more informative in terms of how MPI would need to respond to various adverse scenarios because it allows for the design of specific scenarios. The MCT provides a standardized industry-wide perspective of capital requirements.

l) MPI does not anticipate any impacts by COVID-19 on its Capital Management Plan unless significant COVID-19 related claims savings persist much longer than anticipated or unless a second wave of COVID-19 prompts a mass shutdown. If either of these hypothetical scenarios materialize MPI will have to determine next steps based upon facts known at that time.

The 100% MCT methodology outlined in the CMP recognizes that the COVID-19 pandemic will ultimately impact the capital position of MPI in both a negative and positive way. This methodology *gradually* moves Basic capital toward the requirement of 100% MCT, ensuring ratepayers an additional measure of rate stability. MPI prefers the approach to building or releasing capital outlined in the CMP.

CAC (MPI) 1-2

Part and Chapter:	**OV.5, PUB Order 67-20, July 08 report**	**Page No.:**	**P.9, lines 5-7, P. 2**
PUB Approved Issue No:	**18**		
Topic:	**Impact of COVID-19**		
Sub Topic:			

Preamble to IR:

The July 08, 2020 report on COVID 19 and Claims Costs indicates a $11.4 M or 17.2% positive variance in direct claims incurred including a $5.6 M or 18.8% favourable variance in the collision coverage.

MPI states:

> *Also, due to the pressures of the pandemic, MPI does not presently have the capacity to prepare these materials.*

Question:

a) Please confirm that the June 2020 direct claims incurred evidence continues to demonstrate a material change in the claims incurred experience of MPI related to COVID19. Please identify the factors MPI sees as contributing to the material change in the claims incurred experience.

b) Please provide the current MPI view of whether it considers many Manitobans to be experiencing hardship as a result of COVID19 including fewer working hours, unemployment and reduced income.

c) Please describe what specific pressures, as a result of COVID-19, limited the ability of MPI to prepare the Service Delivery Model chapter.

d) Please also describe any other pressures on MPI staff and systems that are limiting productivity or increasing costs, and please provide supporting schedules, or reconcile with reference to the Proformas, Expense, Claims Incurred, or other material within the GRA.

Rationale for Question:

MPI has provided evidence that COVID-19 has improved financial status (reflected in the rebate application), reduced claims, and reduced some operating and road safety programming expenses. This reduced operational activity needs to be reconciled with the claim that the pandemic is placing pressure on the corporate operations.

RESPONSE:

a) The proportion of the reduction in claims incurred and downward trend in collision frequency directly or indirectly attributable to COVID-19 remains unclear. However, MPI agrees that the number of claims incurred in June 2020 did decrease as a result of the ongoing COVID-19 pandemic.

b) Please refer to the response to *CAC (MPI) 1-5*.

c) Preparing and presenting the annual GRA is a substantial undertaking that requires the use of MPI resources throughout each year. In order to file the Application by the prescribed date, MPI must ensure that specific materials are prepared by specific times, many of which are months before the filing date. MPI initially planned to file its GRA on May 6, 2020 and expected to devote a significant amount of work in preparing and editing it in March and April.

   However, the onset of the COVID-19 pandemic in March required MPI to shift its focus and resources away from preparing the GRA and on maintaining services while at the same time transitioning the majority of its workforce to a home-based work environment. In addition, MPI took the extraordinary step in April 2020 of applying to the PUB for approval of a $110 million special rebate to Manitobans. This Special Rebate Application, though not as robust as the GRA, still required thousands of hours of preparation time. As a consequence of the above, MPI lost a number of weeks of time that it would have otherwise devoted to the GRA.

When MPI determined that it could not meet the planned May 6, 2020 filing date and would therefore aim for a filing date of mid-June, it also determined that it would base its Application on now available year-end actuals, (as opposed to budgeted amounts). This change required important portions of the Application already in the process of being prepared, to be re-drafted. The Application also required significant amendments when the changes related to CERP were approved by Cabinet. Facing a time crunch, MPI decided to focus its limited resources on preparing a GRA that would not only support the proposed overall 10.5% rate reduction but would also ensure its ability to file it by mid-June.

d) MPI based the 2021 GRA on fiscal year-end data to March 31, 2020. The World Health Organization declared the COVID-19 outbreak a pandemic on March 11, 2020. As a result, the impact on the 2019/20 results is relatively minor (excluding the impact on financial markets).

The first analysis of COVID-19’s impact in 2019/20 was relatively small, around $230,000. The Q1 2020/21 financial reports will be filed in this GRA and will provide the parties an opportunity to assess in greater detail the monetary impact of COVID-19 on the operation costs of MPI.

CAC (MPI) 1-3

Part and Chapter:	**REV**	**Page No.:**	**p.11**
PUB Approved Issue No:	**4.b) and 18**		
Topic:	**Revenue forecast and COVID-19**		
Sub Topic:	**Vehicle upgrade forecast**		

Preamble to IR:

At Page 11, MPI states:

> *After experiencing lower than expected vehicle upgrade in the past several years, the vehicle upgrade factor increased to 2.57% in 2019/20, relative to the forecast of the prior year, being 2.45%.*

Question:

a) Please explain to what MPI attributes the reversal in trend on vehicle upgrade in 2019/20?

b) Does MPI have any expectation that the economic impacts of COVID-19 may impact the vehicle upgrade forecast? In particular, that increased unemployment, decreased disposable income, and higher household debt levels may result in the average age of the Manitoba fleet increasing, this year or next?

Rationale for Question:

To understand MPI's perspectives on the impact of COVID-19 on economic factors relevant to the revenue forecast.

RESPONSE:

a) Please see *Appendix 1* for the Historical Vehicle Upgrade Factor by Major Class. As shown, the 2019/20 vehicle upgrade by Major Class remains consistent with the 2018/19 year, with the exception of the Public Major Class. Within the Public Class, the newly introduced Vehicle for Hire uses have impacted the upgrade factors in recent years. For Major Class 1 (Private Passenger), despite the increase in the average vehicle age, there has been a shift in vehicle population from rural to Winnipeg/Commuter territories, which have a higher premium. There was also a higher than average upgrade for pleasure passenger vehicles (2.8%), pleasure trucks (3.7%), and all-purpose trucks (3.3%). These vehicle uses experienced an increase in their average rate group in the 2019/20 year.

b) MPI used the historical indication to forecast the vehicle upgrade. Due to the uncertainty surrounding the impact of COVID-19, the forecast did not include this consideration.

Rate Model - Historical Vehicle Upgrade Factor by Major Class

Major Class Code	Major Class	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	3-Yr Avg	5-Yr Avg	10-Yr Avg
1	Private Passenger	2.71%	2.66%	2.71%	2.63%	2.65%	2.33%	2.34%	2.67%	2.70%	2.57%	2.54%	2.63%
2	Commercial	1.94%	1.70%	1.15%	2.34%	1.88%	1.90%	1.92%	1.89%	1.69%	1.84%	1.86%	1.83%
3	Public	1.09%	0.71%	0.17%	0.31%	0.00%	0.41%	2.96%	-3.10%	0.82%	0.23%	0.22%	0.26%
4	Motorcycle	-0.87%	0.41%	1.44%	0.65%	0.27%	0.21%	0.13%	-0.43%	-0.40%	-0.23%	-0.04%	0.14%
5	Trailer	1.80%	1.60%	3.08%	2.08%	1.03%	1.22%	1.87%	2.24%	2.35%	2.15%	1.74%	1.97%
7	Off Road Vehicle	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Vehicles Insured		**2.13%**	**1.39%**	**2.10%**	**2.36%**	**2.19%**	**1.89%**	**2.15%**	**2.23%**	**2.34%**	**2.24%**	**2.16%**	**2.05%**

CAC (MPI) 1-4

Part and Chapter:	**CI.12.1.1**	**Page No.:**	
PUB Approved Issue No:	**11**		
Topic:	**Claims Forecast**		
Sub Topic:	**Total Basic Ultimate Incurred**		

Preamble to IR:

Referencing Figure CI-72

Question:

a) Does the ultimate for 2020/21 of $750,109 include the impact of COVID-19? If so, please highlight identify the impact with an additional column.

b) Alternatively, please include the impact of COVID-19, and provide a narrative explanation, with supporting tables, for why the 2020/21 forecast is ~$89 million less than prior year's forecast.

Rationale for Question:

To understand the trends in Basic Ultimate Incurred.

RESPONSE:

a) and b)

The ultimate for 2020/21 included the impact from COVID-19. Below is the table with the impact highlighted.

Figure 1 Total Basic Ultimate Incurred

Line No.	Accident Year	CERP Impact ($000)	COVID-19 Impact ($000)	Ultimate ($000)	Annual % Change	Last Year's Forecast ($000)	Variance to Forecast ($000)
1	**2015/16**			$708,154	19.79%	$708,443	($288)
2	**2016/17**			$766,485	8.24%	$764,360	$2,125
3	**2017/18**			$741,938	-3.20%	$734,503	$7,434
4	**2018/19**			$777,029	4.73%	$774,460	$2,569
5	**2019/20***		($14,536)	$793,357	2.10%	$805,662	($12,305)
6	**2020/21**	$0	($43,608)	$750,109	-5.45%	$838,786	($88,677)
7	**2021/22**	($15,076)	$0	$822,206	9.61%	$875,249	($53,043)
8	**2022/23**	($30,402)	$0	$836,649	1.76%	$913,681	($77,031)
9	**2023/24**	($30,651)	$0	$867,539	3.69%	$954,127	($86,588)
10	**2024/25**	($30,896)	$0	$899,870	3.73%		
11	*13 month period ending March 31, 2020						

CAC (MPI) 1-5

Part and Chapter:	**V – REV**	**Page No.:**	**Page 9**
PUB Approved Issue No:	**4.b)**		
Topic:	**Revenue Forecast**		
Sub Topic:	**Volume Forecast**		

Preamble to IR:

At page 9, MPI states:

> *"This adjustment results in a lower growth rate for 2020/21 and subsequent higher growth rate for 2021/22. This is because policy cancellations and non-renewals in 2020/21 are not expected to affect the volume for 2021/22."*

Question:

a) What, if any, persistent economic effects from COVID-19 has MPI assumed to impact the volume forecast? Stated differently, has MPI considered increased unemployment, decreased disposable income, increased household debt levels, or other relevant factors on the volume forecast?

b) Does MPI have a view on the near term and long term (persistent) economic impact on Manitobans' spending patterns, new household formation, net migration, commuting patterns, or other factors that may be impacted by COVID-19, and that in turn impact the volume forecast? If so, please provide it.

Rationale for Question:

To understand MPI's perspectives on the impact of COVID-19 on economic factors relevant to the revenue forecast.

RESPONSE:

a) and b)

The downward adjustment for 2020/21 is based only on data available for earned units up to April 30, 2020. MPI made the adjustment based on the reductions observed, especially in the earned units for April 2020, as a result of both non-renewals and policy cancellations. The effect of COVID-19 on the volume forecast is assumed to persist until August 2020, gradually returning to normal as the year progresses. MPI did not consider the economic factors mentioned, and decided to rely solely on the data available since it is the best indicator of any changes in customers' behaviour.

In respect of the volume forecast filed in the GRA, MPI did not assume a long term impact as a result of COVID-19. The long term impact of COVID-19 on the driving (and therefore insuring) behaviour of Manitobans is unknown, and the forecast must reflect best estimates based on available data. Notwithstanding, MPI will continue to monitor changes in earned units as the situation progresses.

CAC (MPI) 1-6

Part and Chapter:	**Part I, Overview**	**Page No.:**	**4**
PUB Approved Issue No:	**11. Claims Forecasting (including PIPP)**		
Topic:	**Reduce volatility from the rate setting process**		
Sub Topic:	**Improving its core business operations**		

Preamble to IR:

On page 4 of the Overview it states:

> *"The financial position of MPI has made a dramatic shift since the 2018 GRA, an application that described the corporation as 'financially vulnerable' and required an initial 7.7% AAP rate indication. Over the past three years, MPI has taken significant steps to remove volatility from the rate setting process and has focused its activities on improving its core business operations."*

Three of the benefits enjoyed by Manitobans listed state:

> *"• single aggregate stop loss reinsurance program;*
> *• improvements in claims management; and*
> *• improvements in collision severity forecasting."*

Question:

For greater clarity please explain the "single aggregate stop loss reinsurance program" and how it operates to mitigate large catastrophic losses. Please provide an example to illustrate the ceded claims incurred recovery process.

Please elaborate on the improvements made in claims management and collision severity forecasting comparing the management activities and forecasting methodologies in previous years to those of the current year to illustrate the impact to actual and forecasted claims incurred.

Please elaborate whether improvements to PIPP coverages severity forecasting has also been undertaken. If not please explain in detail why not.

Rationale for Question:

To better understand the financial impacts of improved claims management and improved collision severity forecasting on overall claims forecasting and the resulting financial impacts on current and future rates.

RESPONSE:

The single aggregate stop loss reinsurance program takes the cumulative losses from all catastrophic events in a single year and provides coverage for the cumulative amount in excess of $35 million. Each catastrophic event is subject to a $1 million deductible in order to exclude very minor hail events from the calculation. For example, if there were three hail events with $20 million of losses per event, then the total cumulative losses minus the $1 million per event deductible would be $57 million, and MPI would recover $22 million from reinsurers (i.e. $57 million less the $35 million retention). Please see *Revenues REV.3* in the 2020 and 2021 General Rate Application for further detail on the Corporate reinsurance program.

As outlined in CI.9.2, the Collision severity forecast is based on the historical average. In the case of Collision repair severity, a 4.25% average severity growth was applied to the most recent severity. The selected severity growth follows more recent trends excluding the one-time increases from the 2019 LVAA. Similarly, 4.50% was selected for Collision total loss severity. For a list of collision severity initiatives, please refer to CAC (MPI) 1-29(c).

In regards to PIPP, a strategic review was completed in 2017 that resulted in a series of changes that are making a positive impact. Additional employees were added to enable best practice return to work activities, the training of case managers, more concentration on fraudulent PIPP claims, implementation of metrics on case management capacity and productivity, operational audit functions on aging claims, improved occupational therapy support on mental health claims, and improved vehicle modification work processes have been put in place. However, it takes some time for the benefits of these improvements to materialize in the valuation results. MPI case reserving guidelines assume that a weekly indemnity claim is reserved for life once reaching 60 months of development. As a result, it will take up to 60 months to determine if MPI's claims management initiatives have actually impacted the percentage of PIPP claims that remain open at this stage of development.

The PIPP severity forecast is determined by selecting a long term average severity growth rate, and applying it to a 5-year average severity. Improvements in severity in these years will be reflected through the use of the selected severity. For details on the PIPP severity forecast, see *Claims Incurred CI.4 through CI.7*.

CAC (MPI) 1-7

Part and Chapter:	**Part I -- Overview**	**Page No.:**	**7**
PUB Approved Issue No:	**11. Claims Forecasting**		
Topic:	**Financial Condition Test vs Dynamic Capital Adequacy Testing (FCT vs DCAT)**		
Sub Topic:			

Preamble to IR:

"Financial Condition Test (FCT) & FCT External Peer Review – Completion of the policy liability valuation and the year-end financial reports for Basic are essential pieces for the FCT and were concluded in mid-May. MPI expects to file this section of the GRA in July."

The Actuarial Standards Board issued an Exposure Draft in January 2019 making revisions to the Standards of Practice to incorporate changes to Section 2500 Dynamic Capital Adequacy Testing. One of the changes was to rename Dynamic Capital Adequacy Testing to Financial Condition Testing.

Question:

a) Please file a copy of the Standard of Practice (SOP) which incorporates the changes from DCAT to FCT.

b) Please explain how the changes made to the SOP better describes and/or values the financial condition of MPIC to assist in its financial position mitigating strategies.

Rationale for Question:

To better understand the changes made to the Actuarial Standards Board SOP changes as it relates to MPI's use of DCAT (and now FCT) in setting/valuing its RSR target requirements and MCT scores.

RESPONSE:

a) See *Attachment A*, section of the Canadian Institute of Actuaries (CIA) Standards of Practice, as it relates to Financial Condition Testing.

b) Financial Condition Testing (FCT) serves the same purpose as Dynamic Capital Adequacy Testing in that is used to identify plausible threats to satisfactory financial condition, actions that would lessen the likelihood of those threats, and actions that would mitigate a threat if materialized. The test examines the effects of selected adverse scenarios on the adequacy of the forecasted capital of MPI.

2500 Financial Condition Testing

2510 Scope

.01 Part 1000 applies to work within the scope of this section 2500.

.02 This section 2500 applies to the appointed actuary of an insurer when reporting on the insurer's financial condition pursuant to law.

2520 Analysis

.01 The appointed actuary should make an investigation at least once during each financial year of the insurer's recent and current financial position and financial condition, as revealed by financial condition testing for selected scenarios. [Effective January 1, 2020]

.02 The appointed actuary should make a report of each investigation in writing to the insurer's board of directors (or to the appropriate committee of the board such as audit committee, risk committee, etc., if they so delegate) or its chief agent for Canada. The report should identify possible actions, and reasons for those actions, for dealing with any threats to satisfactory financial condition that the investigation reveals. The actuary should also comment on the consistency of the results of the investigation and possible actions with the own risk and solvency assessment (ORSA). [Effective January 1, 2020]

.03 The appointed actuary should ensure that the investigation is current. The investigation should take into consideration recent events and recent financial operating results of the insurer. [Effective April 15, 2017]

.04 The timing and frequency of the appointed actuary's investigations would be sufficient to support timely corrective actions by management and the board of directors or chief agent for Canada.

Recent and current financial position

.05 The investigation would review operations of recent years and the financial position at the end of each of those years.

Financial condition testing

.06 Financial condition testing examines the effect of selected adverse scenarios on the insurer's forecasted capital adequacy. The actuary can supplement the financial condition testing with the use of other means, such as the ORSA and the business plan.

.07 The purpose of financial condition testing is to identify plausible threats to satisfactory financial condition, actions that would lessen the likelihood of those threats, and actions that would mitigate a threat if it materialized.

.08 Financial condition testing is defensive, i.e., it addresses threats to financial condition rather than the exploitation of opportunity.

Satisfactory financial condition

.09 The insurer's financial condition would be satisfactory if throughout the forecast period,

- Under the solvency scenarios, the statement value of the insurer's assets is greater than the statement value of its liabilities;
- Under going concern scenarios, the insurer meets the regulatory minimum capital ratio(s); and
- Under the base scenario, the insurer meets its internal target capital ratio(s) as determined by the ORSA.

Data, methods, and assumptions

.10 The actuary would start the forecast period using the data as of the most recent available fiscal year-end statement of financial position date.

.11 The assumptions and methods would reflect up-to-date studies and analysis available to the actuary.

.12 The policy liabilities would be revalued at the end of the first financial year of the forecast period if a change in assumption or method that is expected to be made by the insurer would result in a material change to the financial position of the insurer.

.13 The actuary would consider recent events and recent operating results of the insurer up to the date of the report.

.14 If an adverse event occurs between the date of the report and the date of its presentation to the insurer's board of directors (or its chief agent for Canada), then the actuary would, at a minimum in the presentation to the insurer's board of directors (or its chief agent for Canada), address the event and its potential implications on the results of the investigation. If appropriate, the actuary would redo the investigation.

Forecast period

.15 The forecast period for a scenario would be sufficiently long to be aligned with the risk emergence and the recognition of impacts through the accounting and solvency results, and to capture the effect of management actions.

Scenarios

.16 The scenarios would consist of a base scenario and adverse scenarios. Each scenario takes into account not only in-force policies but also the policies assumed to be sold or acquired during the forecast period, and both insurance and non-insurance operations (e.g., asset management, banking, or trust company subsidiaries).

Base scenario

.17 The base scenario would be a realistic set of assumptions used to forecast the insurer's financial position over the forecast period. Normally, the base scenario would be consistent with the insurer's business plan. The actuary would accept the business plan's assumptions for use in the base scenario unless these assumptions are so inconsistent or unrealistic that the resulting report would be misleading. The actuary would report any material inconsistency between the base scenario and the business plan.

Adverse scenarios

.18 An adverse scenario is developed by stress testing the assumptions used in forecasting the business plan, including the determination of insurance contract liabilities, with regard to risk factors that may trigger potential threats to the insurer's financial condition. The number and types of adverse scenarios may vary among insurers and over time for a particular insurer.

Solvency scenario

.18.1 A solvency scenario is a plausible adverse scenario if it is credible and has a non-trivial probability of occurring. The actuary may use percentile rankings of outcomes to determine whether a solvency scenario is both plausible and adverse.

.19 The actuary would consider material, plausible risks or events to the insurer. Reverse stress testing can help assess whether certain risk factors need to be tested, on the grounds that certain risk factors could never deteriorate to the point where they would be a threat to the insurer's financial condition. The actuary can thereby determine whether a material, plausible risk or event exists for the insurer over the forecast period.

Going concern scenario

.19.1 A going concern scenario is an adverse scenario that is more likely to occur and/or less severe than a solvency scenario, and could include risks not considered in solvency scenarios.

Risk categories

.20 The actuary would assess various risk categories and identify those that are relevant to the insurer's circumstances when considering threats to capital adequacy under adverse scenarios.

.21 Repealed

Integrated scenarios

.22 The actuary would construct integrated scenarios by combining two or more risk factors whose combination gives rise to an adverse scenario.

.23 In developing integrated scenarios, the actuary would consider how risk factors interact. For example, the impact of combining adverse scenarios for two or more risk factors, where each is associated with a relatively high probability, may give rise to an integrated adverse scenario to which the insurer's financial condition is sensitive. In such cases, an integrated scenario would be constructed by combining stress tests related to two or more risk factors. An integrated scenario would be designed so as to itself constitute an adverse scenario.

.24 Repealed

Ripple effects

.25 In assuring consistency within each scenario, the actuary would consider ripple effects, including policy owner action, management's routine action, and regulatory action. Although most of the other assumptions used in the base scenario may remain appropriate under the adverse scenario, some may require adjustment to reflect the interdependence of assumptions in the adverse scenario.

.26 Selection of the assumptions for management's routine action would, where appropriate, take into account

- Effectiveness of the insurer's management information systems and adjustment mechanisms;
- Insurer's historical record of promptness and willingness, to respond to adversity;
- Policy owner action; and
- External environment assumed in the scenario.

.27 The actuary would report management's routine action, so that users may consider its practicality and adequacy. The actuary may also report the results assuming that the insurer does not respond to the adversity.

.28 Ripple effects also include regulatory action, which would vary depending on the regulatory capital ratio requirement breached by the adverse scenario. The actuary would consider action that could be taken by the Canadian regulator(s) as well as action taken by regulators in foreign jurisdictions. Such regulatory action and associated management action would consider the local assessment of solvency regardless of the insurer's worldwide solvency position as measured by Canadian regulatory standards. The actuary could also review the regulatory actions included in the ORSA's scenario testing, including internal target-setting exercise, and consider their applicability to the financial condition testing's adverse scenarios.

Corrective management actions

.29 For each of the adverse scenarios that would result in a threat to satisfactory financial condition, the actuary would identify possible corrective management actions that would lessen the likelihood of that threat, or that would mitigate that threat, if it materialized.

.29.1 Consideration would also be given to the effectiveness of possible corrective management actions in a volatile or stressed environment.

Management actions

.29.2 Management actions may include but are not limited to

- Repricing of insurance products;
- Policyholder dividend scale updates;
- Adjustments to non-guaranteed product elements;
- Suspending dividend payments, capital reductions, and transfers to the parent or home office, where applicable;
- Raising additional capital or adopting an approved plan to raise additional capital if and when needed within a reasonable time frame, or, in the case of a branch, requesting transfer of adequate funds from the parent company;
- Strengthening risk management practices;
- Mitigating the risk causing the capital shortfall; and
- An increased level of monitoring and reporting with respect to the insurer's capital position.

.30 Whether a management action is considered a ripple effect, a corrective management action, or a combination of both, would depend on the scenario analyzed and circumstances of the insurer.

Scope of the investigation and report

.31 The report would contain the key assumptions of the base scenario and the adverse scenarios posing risks to the satisfactory financial condition of the insurer.

.32 The report would disclose each of the risks considered in undertaking the financial condition testing analysis. It is expected that the actuary would scenario test and report at least once during each financial year on the base scenario, and adverse scenarios posing significant risk for the insurer.

.33 The report would also contain the adverse scenarios examined that cause the insurer to fall below its internal target capital ratio(s) as determined by the ORSA. The report would make it clear whether under these scenarios the regulators may impose restrictions on the operations of the insurer, including its ability to write new business.

.34 If the investigation identifies any plausible threat to satisfactory financial condition, then the actuary would identify possible corrective management action that would lessen the likelihood of that threat, or that would mitigate that threat, if it materialized. For each such adverse scenario reported upon, the actuary would report the results both with and without the effect of corrective management action. The actuary would ensure that the disclosure of the corrective management action is sufficiently clear so that users may consider its practicality and adequacy.

.35 The report would present the financial position of the insurer at each fiscal year-end throughout the forecast period.

Revaluation of the policy liabilities

.36 Ideally, for the base and each adverse scenario, the insurance contract liabilities and, if applicable, other policy liabilities or reinsurance assets, would be revalued throughout the forecast period.

Frequency and/or timing

.37 The frequency and/or timing of the report would depend on the urgency of the matters being reported and on the desirability of aligning financial condition testing into the insurer's financial planning cycle and the ORSA process.

.38 The frequency and/or timing of the actuary's investigation would be adjusted where an adverse change in the insurer's circumstances since the last investigation may be so significant that to delay reporting to the time of the next scheduled investigation would be imprudent. For example, failure to meet the internal target capital ratio(s), or adoption of a radically different business plan, may necessitate the preparation of an immediate report.

2530 Reporting

.01 In the case of a Canadian insurer, the appointed actuary should report to the board of directors or to an appropriate committee of the board (audit committee, risk committee, etc.) if they so delegate. In the case of a Canadian branch of a foreign insurer, the appointed actuary should report to the chief agent for Canada and may also report to the responsible senior executive in the parent head office. [Effective February 22, 2018]

.02 In order to give the insurer's senior management an opportunity to react to the results of the investigation, the actuary would discuss the report with the insurer's senior management in advance of its submission to the board of directors or chief agent for Canada.

.03 The report would be in writing, but an additional oral report that permits questions and discussions is desirable. An interpretative report would be more useful than a statistical report. The actuary would also consider other reporting such as the ORSA report to ensure, where appropriate, the consistency of messages and/or delivery of consolidated ORSA and financial condition testing results.

.04 The report would be submitted within 12 months following each fiscal year-end.

2540 Opinion by the actuary

.01 The report should contain an opinion signed by the appointed actuary. [Effective April 15, 2017]

.02 In this opinion, "future financial condition" has the same meaning as "financial condition." The actuary may use the words "future financial condition" in order to comply with legislation or regulation in some jurisdictions.

.03 The wording of the opinion follows: [insert appropriate wording where indicated by square brackets]

> "I have completed my investigation of the [future] financial condition of [insurer name] as at [date] in accordance with accepted actuarial practice in Canada.
>
> I have analyzed its forecasted financial positions over an appropriate forecast period under a series of scenarios. As part of my investigation, I have used [the ORSA and its determination of] or [insurer name] internal target capital ratio(s).
>
> [My report includes the identification of corrective management actions that could be taken to mitigate the effect of adverse scenarios threatening [[insurer name] [solvency]] or/and [its ability to operate on a going concern basis]].
>
> In my opinion, the [future] financial condition of the insurer [is satisfactory] or [is satisfactory subject to…] or [is not satisfactory for the following reason(s)...]."
>
> [Montréal, Québec] [Mary F. Roe]
> [Report date] Fellow, Canadian Institute of Actuaries

.04 A satisfactory opinion would disclose the action(s) it is subject to for any of the following situations:

- The base scenario projected regulatory capital ratios are maintained or brought back above internal target capital ratios as a result of an existing plan consistent with regulatory expectations.
- For the base scenario:
  - Regulatory capital ratios are projected to decrease below internal target capital ratio(s) at a period beyond the regulator's monitoring horizon;
  - The insurer has a plan to bring the ratios back above internal targets within a time frame consistent with regulatory expectations; and
  - The appointed actuary is satisfied that such plan is realistic.
- For going concern scenarios, the appointed actuary is satisfied that corrective management actions can restore the insurer's regulatory capital ratio(s) to above regulatory minimum capital ratio(s) in a manner consistent with regulator's expectations.
- For solvency scenarios, the appointed actuary is satisfied that corrective management actions under the control of the insurer can restore the insurer's assets to be sufficient to meet its obligations.

.05 Situations where a satisfactory financial condition is met because of management's routine actions, would not require the opinion to state those actions.

CAC (MPI) 1-8

Part and Chapter:	**Part II—Basic Autopac Coverage**	**Page No.:**	**7**
PUB Approved Issue No:	**9. Cost of operations and cost containment measures**		
Topic:	**Appeal Process Review (PIPP and Physical Damage)**		
Sub Topic:			

Preamble to IR:

"Appeal Process Review (PIPP and Physical Damage)

- In Fall 2019, the Crown Services Minister announced an expedited, independent appeals process – the Claim Dispute Tribunal (CDT)1.
- CDT will bring faster resolution of both physical damage claim issues (i.e., written off vehicles and coverage issues) and liability disputes for MPI customers. The CDT ─ which will consist of independent, government appointed adjudicators, who will make final and binding
- decisions ─ is expected to be fully operational by late 2020. Bodily injury appeals will not be impacted or handled by the CDT.
- A joint PIPP Appeal Process Review was completed that involved MPI, AIM Office, CAO, and AICAC. Process improvements have been implemented including standards and monitoring to promote a timely and efficient appeal process."

Question:

a) Please file a copy of the annual budget of the Claim Dispute Tribunal (CDT), copy of the Terms of Reference for the CDT) and the expected annual cases to be adjudicated by the CDT.

b) Please provide any research or analysis undertaken by MPI over the past three years relating to consumer concerns with the physical damage claims issue including any concerns identified with regard to the fairness of the approach to written off vehicles including written off new vehicles. Please explains how MPI intends to respond to these concerns.

c) Please file a copy of the PIPP Appeal Process Review.

Rationale for Question:

To better understand the updated appeal process for physical damage and PIPP claims.

RESPONSE:

a) The estimated annual number of cases to be adjudicated by the Claims Dispute Tribunal (CDT) is 700.

The estimated budget for the CDT is $205K cost - $52.5K revenue (appeal fee) broken down as follows:

- Admin Support $68K
- Adjudicator Admin Fee $7K; (700@$10/case)
- Quantum adjudicator fee 200 @ $150/case - $30K
- Liability adjudicator fee 500 @ $200/case - $100K
- Revenue is 700 cases @ $75/case ($52.5K)

There are no documented terms of reference yet as the regulations are still being drafted. The CDT is unlikely to be implemented in 2020.

b) MPI has not conducted any research in regards to consumer concerns in the area of disputes related to physical damage claims.

c) Please refer to MPI’s response in *2020 GRA CAC 1-29* when a similar information request was asked. In the response, MPI stated:

> *"The Personal Injury Protection Plan (PIPP) Appeal Process Review was a cooperative effort that included MPI's Injury Claims Management Department, Legal Department and Internal Review Office (IRO), in conjunction with the Automobile Injury Mediation (AIM) office, the Automobile Injury Compensation Appeal Commission (AICAC), and the Claimant Adviser Office (CAO), and was initiated in early 2018. The purpose of this effort was to reduce the duration of the injury appeal process by 10%.*
>
> *There are no direct cost savings calculated for or directly related to this initiative; it was designed purely as an initiative to reduce appeal times, and improve the appeal process for Manitobans.*
>
> *The end result of the cooperative efforts related to process mapping, creative problem solving, and planning, which resulted in process improvements that realized a 19% reduction in appeal times. MPI continues to monitor the early progress of this initiative to ensure the anticipated efficiencies/reductions are maintained being realized."*

Included in this response at *Appendix 1* is the original *Project Charter* and at *Appendix 2* is the *Priority 2 – PIPP Appeal Timeline Review* document that was submitted at the conclusion of the review.

Project Charter for Review and Appeal Process Improvement and Standards

Problem Statement:
MPI wants a review and appeal process that is efficient and provides customers with a streamlined approach to have their appeals heard.

In 2017, the average length of time from the notice of appeal through to the conclusion of either mediation or an AICAC hearing was 615 days, with a median of 404 days, and this is too long. We are looking at finding efficiencies that will result in a 10% reduction.

Leveraging lean management and through process mapping, the goal is to strategize and implement a transparent review and appeal process with benchmarks and a scorecard, which result in a minimum 10% time reduction for the end to end process.

Project Goal:
Develop a review and appeal process that includes the Internal Review Office, Claimant Advisor's Office, Automobile Injury Mediation Office, and the Automobile Injury Compensation Appeal Commission. A defined and transparent process will be developed using set service standards, metrics, and scorecarding of critical touchpoints that improves the timeline, and the customer experience.

Project Objectives:
- Engage the IRO, CAO, AIM, and AICAC in open an honest discussion to reduce the review and appeal timeline
- Develop a process map of the current end to end process
- Determine the key touch points and set service standards
- Develop a work flow process and scorecards to achieve these standards
- Reduce review and appeal timelines and improve the customer experience

Benefits:
An improved and reduced review and appeal process will reduce customer complaints due to delays, improve the customer experience, resolve matters in a timely fashion, and reduce the overall cost associated with the review and appeal process. Each area that is responsible for a portion of this process will have set standards are will be held accountable to those standards. This will promote greater customer satisfaction, and heighten MPI's credibility as having an appeal process that is timeline and easily navigated.

Processes Under Review:
The total review and appeal process
- Decision making
- Internal Review Office standards and processes
- Claimant Advisor's Office standards and processes
- Automobile Injury Mediations Office's standards and processes

- Automobile Injury Compensation Appeal Commission's standards and processes

In Scope:
- Process mapping of each area
- Identifying areas of delay, redundancies, and areas of improvement
- Review available customer feedback
- Develop service standards and scorecards that are transparent and visual to all parties
- Recommendations to operationalize the new standards

Out of scope:
- TBD

Deliverables:
- Process map
- Creative problem solving and lean management process improvements
- Service standards
- Scorecards
- 10% reduction in the review and appeal process

Team and Time Resources:

Team

Champion: Legal
Lead Customer Service Director: Glenn Andersen
Lead Legal: Morley Hoffman
Lead AIM: Evelyn Bernstein
Lead CAO: Janelle Pariseau
Lead AICAC: Laura Diamond
Team member: Matthew Maslanka
Team member: Terrence Madhosingh
Team member: Analyst TBD

Progress Reports and Meeting Schedule

Progress reports/updates provided to Mike Triggs in three week intervals
Team meetings TBD

Milestones:

TBD

Date: April 23, 2018

Priority 2 – PIPP Appeal Timeline Review

January 9, 2019

Purpose:

To reduce the appeal timeline by 10%.

Background:

Appeals are defined to include Internal Review, Mediation, and AICAC. And the timeline has been broken down to measure the average IRO review, the average mediation, and the average AICAC appeal.

The team identified to find efficiencies included:

Manitoba Public Insurance:

- Glenn Andersen – Director, Injury Claims Management
- Morley Hoffman – Legal Counsel 4, Legal
- Matthew Maslanka – Legal Counsel 3, Legal
- Terrence Madhosingh – Sr. Business Analyst, Autopac Extension

Automobile Injury Mediation Office (AIM):

- Evelyn Bernstein – Manager, Automobile Injury Mediation Office

Claimant Adviser Office (CAO):

- Janelle Pariseau – A/Director, Claimant Adviser Office

Automobile Injury Compensation Appeal Commission (AICAC)

- Laura Diamond – Chief Commissioner

Current State and Target:

In 2017, the estimated average length of time from the notice of appeal through to the conclusion of either mediation or an AICAC hearing was between 595 days (AICAC data) and 615 days (MPI data), or 20 months. Once you include 4 additional months for the average Internal Review, and dovetail mediation times of approximately 11 months, it brought the estimated average time required for a customer to conclude their appeal is between 2 to 3 years.

For the purposes of this exercise, we broke each of the processes down to identify a true average duration of each, as opposed to the combined averages noted above. Those averages are:

- Internal Review: 4 months (target is 45 days)
- Mediation: 10 months (no clear target was ever set, but the intent was to have a short timeline)
- AICAC: 19 months (estimated because there was no data available to distinguish between appeals that chose mediation and those that did not)

The combined durations for a customer that proceeds through all three of the steps of the review and appeal process is in fact 32 months. A 10% reduction would equate to a review and appeal duration of 28.8 months, or 2.4 years.

Process Mapping:

A detailed process mapping exercise was completed followed by a Root Cause Analysis (See Appendix 1). The outcome identified a number of areas where additional efficiencies could be found, which include:

- Lack of service standards
- Lack of communication between the parties involved in the appeal process
- Inefficient claim file copy and management process
- Lack of accountability for the claimant
- Staff turnover, training requirements (greatest impact felt by the CAO)
- Lack of a standardized process to review files within the CAO
- The potential for the introduction of new information at various stages of the process

However, the factor identified that caused the most significant delays throughout the appeal process was – the introduction of new information. Currently, there is no standardized approach or service standard for how new information is managed between organizations. The lack of standards results in prolonged and unmonitored delays.

Outcome:

<u>Internal Review</u>: No process improvements were identified. The internal review process appeared to extend beyond the 45 day standard; however, this standard is under review. Additional focus will be placed on the internal review process in 2019. The IRO will remain vigilant to adhering to the service standards set, and a dashboard will be created.

<u>AIM</u>: The AIM Office has now developed a service standards policy that generates accountability with all parties involved. The service standards will improve the timeliness of various steps within the mediation process, and resolves the root cause issue by setting a standard when all information must be submitted. They are as follows:

- **Pre-mediation/Mediation must take place within 4 months from date Mediation Application is received.** Either party may request a later date within that 4 month period. Otherwise it will be scheduled for the earliest possible date.
- **Documents should be submitted to AIM as soon as the documents are available, but no later than 7 days prior to pre-mediation**. (The sooner the other party has the documents the sooner they can be reviewed which reduces requests to adjourn to review new information and further delay).
- **Complex cases**: For cases that may be either more complex or for which there is a considerable amount of documentation requested which may not be available at the time of the scheduled dates, the pre-mediation/mediation shall proceed on the set dates to allow both sides to come together to ensure a common understanding as to the documents to be provided for mediation, status of documents requested, and determination as to whether any additional documents are required. The objective behind this is to avoid further delay once the documents are received only to discover that even further additional documents are required.

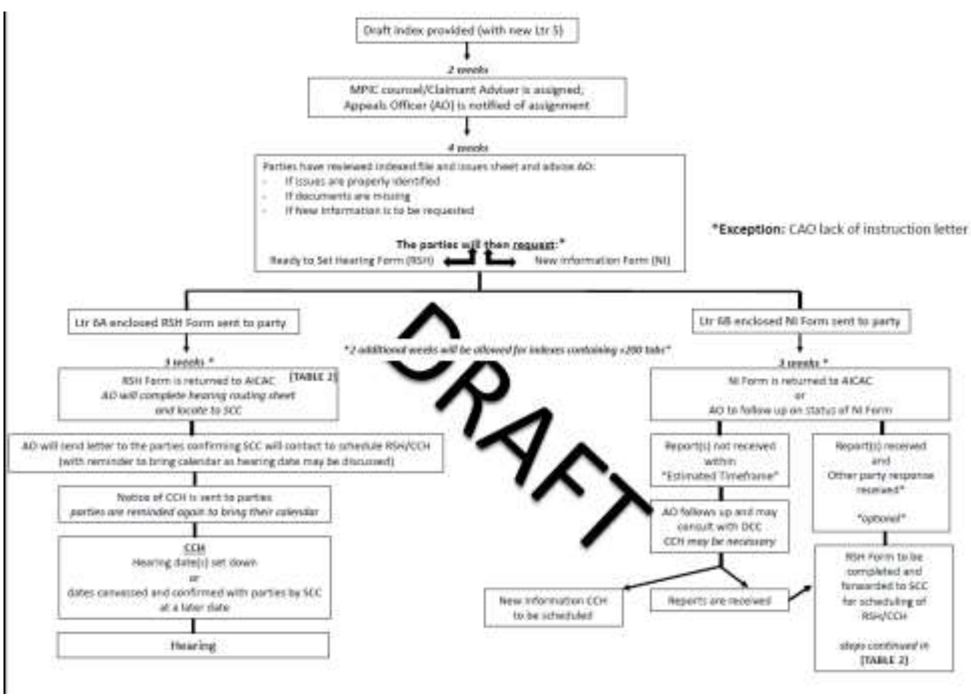
- **Additional mediation sessions:** If the mediation does not conclude in the initial session, a second mediation shall be permitted. Additional mediations require the approval of the AIM Manager.
- **Adjournments/Reconvene:** An adjournment or request to reconvene will be permitted upon agreement by both parties and approval of the AIM Manager. Prior to an adjournment being granted, the parties will agree to the specific documents requested and an anticipated timeline which will be set forth in an Interim Mediator Report prepared by the Mediator and signed by both parties. Where possible the new date to reconvene will be set.
- **Exceptions:** Exceptions to the above will be allowed only in extraordinary cases. Any request for an exception must be made in writing to the AIM Manager with a description of the extraordinary circumstances. The AIM Manager has the discretion to allow or deny the request.
- **Failure to Comply:** Where Claimant does not comply with above timeline, AIM will send a letter directly to the Claimant (cc Representative) advising that if he/she wishes to proceed with mediation he must contact the AIM Office immediately and set a date certain; failure to respond within 1 week will result in AIM closing the file and referring the matter back to AICAC.

Summary: The majority of files will be able to conclude within the 4 month time frame. Exceptional cases will require longer. Therefore, the average mediation target will be set at 6 months. This is a 4 month reduction.

The CAO's office agrees that these standards are fair, and has agreed to work within the structure.

<u>AICAC</u>: AICAC has created a work flow with set standards for specific actions (Figure 1)

FIGURE 1



Of note, a specific target timeline duration has not been identified for the end to end AICAC process; however, timelines have been set in relation to the following key administrative touch points that will hold AICAC, MPI Legal, and the CAO accountable to complete specific tasks that ensure the administrative portions of an appeal are managed efficiently, and do not unnecessarily delay the process. These key touch points are:

- Time between the creation of an indexed file copy and the assignment of both MPI Counsel and a Claimant Adviser – 2 weeks
- Time for assigned resources to review the indexed file and seek clarification – 4 weeks

Completing these two steps in a 6 weeks creates an accountability standard. The process mapping exercise identified that currently, this process takes a minimum of 8 weeks to complete these two steps, with an average time of 10-12 weeks. These standards cut the front end administrative portion of the AICAC processes in half.

The root cause identified the infusion of new information was the primary cause of delays. The process mapping exercise identified nearly a dozen points throughout the mediation and appeal period where new information could be provided. It was agreed that there was very little to no rationale provided as to what information was going to be provided, how it would be provided, whether it was readily available or not, and the relevancy of that information. In some circumstances, the process could be delayed for new information, and when the information was received, it would not impact previous decisions or the ultimate outcome of the appeal.

It was agreed that a review, mediation, and appeal process needs to be open to including new information; however, it was also agreed that the process in how this is managed needs structure.

AICAC developed two new forms; New Information Request – Appellant, and New Information Request – MPIC found, Appendix 2 and 3 respectively in the Appendix. These new forms ensure the type of new information that will be provided is understood, and timelines for providing that information are set.

Metrics and Dashboards

The purpose of the metrics will be to measure the total duration of the appeal process (including mediation) and evaluate the success of the implemented changes at a high level.

The development of metrics and dashboards that will be shared among the primary parties, MPIC, AIM, CAO, and AICAC are actively being developed. A draft copy is located as Appendix 4 and 5. It is anticipated that a workable version of these dashboards will be available by the March 1, 2019 (Quarter 1).

Due to the nature and duration of the appeal process, meaningful data will not be available for at least one year following implementation. This time is required to allow for a meaningful number of appeals to open after the changes have been implemented, proceed through the process, and conclude so that the total duration can be measured and compared to previous timelines.

Continuous Improvement

A continuous improvement methodology is being utilized that will allow the revised processes, documents, and metrics to be reviewed for their effectiveness, and adjusted as required to ensure each step is providing the anticipated efficiencies, and continue to meet the needs of the customer and each of the departments.

Conclusion

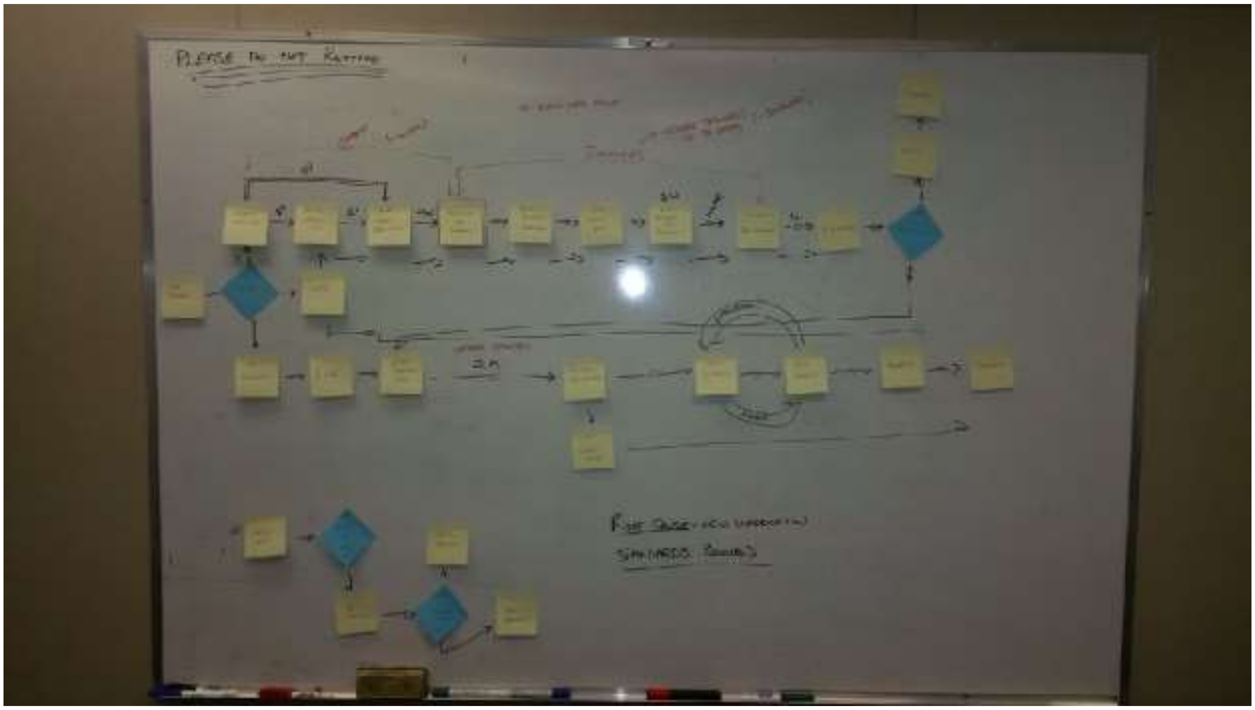
The Anticipated benefits of this revised process, accountability standards, and metrics are:

- IRO 4 months
- Mediation 6 months
- AICAC 16months
- TOTAL 26 months

This represents nearly a 19% reduction in the review and appeal timeline from the current 32 months.

All parties agree that there will continue to be outliers that we must accept. However, these revised processes have been developed to manage the typical appeal.

APPENDIX 1



APPENDIX 2

Manitoba
Justice

Automobile Injury Compensation Appeal Commission
301-428 Portage Avenue
T: 204-945-4155 F: 204-948-2402
autoinjury@gov.mb.ca

New Information Form - MPIC

For Office Use Only		
Appellant Name:	AICAC File No.:	IRD No.:
Counsel, CAO, or Self-Rep:	MPIC Counsel:	

Part 1 – Report

I, ______________________ hereby confirm that I have made a request for further information/reports regarding this appeal, from the following: (check appropriate box)

☐ **Independent Medical Report** ______________ *(specialty)*

☐ **Health Care Services Report** ______________ *(specialty)*

Name of Practitioner or Employer: ______________

Clinic/Business Name and Address: ______________

____

☐ **Employer/former Employer**

☐ **Other** ______________________________

☐ **No further documentation at this time (unless in response to additional information received from Appellant)**

Part 2 – Request

This request was made: (check appropriate box)

☐ **in person**
☐ **by telephone**
☐ **in writing**
☐ **by email**

This request was made on ______________ .
(date)

Part 3 – Estimated Timeframe

Estimated time to provide report/information to Commission by: ______________________
(date)

Part 4 - Signature

______________________, signed on the ________ day of ____________, 20______
(signature) *(date)*

DRAFT

APPENDIX 3

Manitoba
Justice

Automobile Injury Compensation Appeal Commission
301-428 Portage Avenue
T: 204-945-4155 F: 204-948-2402
autoinjury@gov.mb.ca

New Information Form - Appellant

For Office Use Only		
Appellant Name:	AICAC File No.:	IRD No.:
Counsel, CAO, or Self-Rep:	MPIC Counsel:	

Part 1 – Report

I, ______________________________ hereby confirm that I have made a request for further information/reports regarding this appeal, from the following: (check appropriate box)

- ☐ General Practitioner
- ☐ Specialist ____________________ *(specialty)*
- ☐ Chiropractor
- ☐ Physiotherapist
- ☐ Dentist
- ☐ Psychologist
- ☐ Psychiatrist
- ☐ Employer/former Employer
- ☐ Other

Name of Practitioner or Employer: ____________________

Clinic/Business Name and Address: ____________________

____

Part 2 – Request

This request was made: (check appropriate box)

- ☐ in person
- ☐ by telephone
- ☐ in writing
- ☐ by email

This request was made on ____________________ .
(date)

Part 3 – Estimated Timeframe

Estimated time to provide report/information to Commission by: ______________________________
(date)

Part 4 - Signature

______________________________ , signed on the __________ day of ____________, 20______
(signature) *(date)*

APPENDIX 4

PIPP Review and Appeal Metrics

The purpose of the PIPP Appeal Process Review project is to propose changes to the process that will result in a 10% reduction in the overall process. This document identifies metrics currently utilized to evaluate the mediation program as well as some additional metrics to be considered to evaluate the proposed changes by the PIPP Appeal Process Review team.

Of note, any changes made will require time for appeals to develop and resolve under the new changes. This will likely require at least a year, post implementation, to allow new appeals to be opened and resolved under the "new system". It is recommended reporting be no more frequent then quarterly to allow a meaningful volume of files to be resolved within the time frame. This also coincides with regularly scheduled reporting and updates to the database from the Mediation (AIM) office which utilize mostly the same information.

The project team will need to agree upon a "go live" date from which we determine the files that will be eligible to evaluate the proposed changes (i.e. files that open after Mar 1, 2019). This will allow us to identify the files that are impacted by the changes for the total duration of the appeal (as opposed to existing files that have already spent considerable time under the "older" system).

Current Metrics

All information currently used to measure the PIPP Review, Mediation, and Appeal process is contained in the Mediation database. There is approximately seven years of information with respect to various milestone dates throughout the appeal process, some of which is being utilized and reported on quarterly for the purposes of evaluating the mediation program. Some information has been gathered but not utilized, but could be utilized to evaluate the PIPP Appeal Process Review.

IRO

Currently the only Internal Review Office (IRO) information gathered applies only to files that continue to appeal. If resolved within IRO, the information is not captured in the Mediation Database. Legal Services may track and report on this information. Currently there are no proposed changes to the IRO process so this may be irrelevant.

What is currently contained in the Mediation Database, is the date the application for internal review is received and the date the IRO decision is made for files that continue to appeal (presumably an unfavorable decision for the claimant). This information captures the total duration of the file from inception to resolution. For these files, it may be beneficial to measure the following:

- Avg duration from the Application of IRO received to the IRO decision date

Mediation and AICAC

Much of the information required to measure timelines for mediation (AIM) and appeals (AICAC) is currently being collected in a Mediation database that has been maintained since the introduction of mediation to the appeal process (2011). This database can be leveraged to aid in reporting on new metrics to evaluate the proposed changes of the PIPP Appeal Process Review project.

With regards to the duration of an appeal, the following metrics are currently used to monitor the rate at which files are being resolved or concluded through mediation or appeal:

1. Mediation application received date to pre-mediation date (average duration)
2. Mediation application received date to mediation resolution date (average duration)
3. Notice of appeal received date to mediation application received date (average duration)
4. Notice of appeal received date to pre-mediation date (average duration)

Proposed Metrics

The current metrics utilized to evaluate the mediation program can be utilized in part, or in full, to measure the changes being proposed. In addition to the current metrics, we may want to consider adding the following high level metrics:

1. Notice of appeal received date to file closed date (average duration)
    - To measure the total length of appeal from beginning to end
    - For files that go through mediation and those that don’t

2. Notice of appeal received date to mediation resolution date (average duration)
    - To measure the total length of appeal for files that attend mediation

3. Application for IRO received date to File closed date (of Appeal)
    - This would give us a sense of the total length of time from the beginning of Internal Review to the conclusion of the Appeal
    - Currently, the only data collected right now for IRO files are those that continue to appeal so no additional data collection is required.

4. Age distribution of Open files – Measuring the date the Notice of Appeal was received to the date of the end of the reported quarter
    - This would give us a sense of the age of the files that are currently open, and the distribution of that age (i.e. less than 6 months old, 1 – 1.5 years old, etc.)

Reporting and Conclusion

Reporting can be presented in a similar format as the current Mediation Trend Report (Internal). The information is similar and can be reported on with the same frequency. Much of the information is the same or related which would limit the effort required in producing the report on a regular basis. It is conceivable, with authorization, that these reports could be viewed in conjunction with one another to get a complete picture of the Appeal and Mediation process.

APPENDIX 5

(Attached separate document)

CAC (MPI) 1-9

Part and Chapter:	**Part V – Claims Incurred**	**Page No.:**	**7**
PUB Approved Issue No:	**10. Claims forecasting** **4. Financial Forecast**		
Topic:	**Net claims incurred – various coverages**		
Sub Topic:			

Preamble to IR:

Per Figure CI -1 Total Net Claims Incurred (TNCI), by coverage, are presented as follows:

Weekly Indemnity—

Year	**TNCI ($000)**	**Y/Y Change ($000)**
2019/20 (13 months)	$150,357	
2020/21	$122,494	($27,863)
2021/22	$118,232	($4,262)
2022/23	$123,953	$5,721

ABO - Indexed—

Year	**TNCI ($000)**	**Y/Y Change ($000)**
2019/20 (13 months)	$48,061	
2020/21	$80,316	($32,255)
2021/22	$83,065	2,749)
2022/23	$85,591	$2,526

Comprehensive—

Year	TNCI ($000)	Y/Y Change ($000)
2019/20 (13 months)	$91,790	
2020/21	$106,201	$14,411
2021/22	$102,846	($3,355)
2022/23	$99,725	($3,121)
2023/2024	$105,023	$5,298

Question:

Please explain the inconsistency in the year over year (Y/Y) change in TNCI for the coverages listed in the Preamble. Please detail management actions and/or economic events supporting the various decreases and increases year over year in TNCI for the coverages listed in the Preamble.

Rationale for Question:

To examine the claims forecasting accuracy and claims forecasting rigor causing TNCI variations and/or inconsistency year over year, which on the surface, appear somewhat uncomforting.

RESPONSE:

The year over year change for 2020/21 is comparing to the 2019/20 year which included 13 months. This explains the some of the variance in Weekly Indemnity and ABO-Indexed. Also, Weekly Indemnity and ABO-Indexed are comprised of long tail claims which discounted by the claims discount rate. As such, these claims are sensitive to changes in the claims discount rate. The claims discount rate is forecasted to decrease from 3.09% to 2.93% as outlined in *Claims Incurred CI.2.5*. MPI suggests comparing the TNCI to the previous year's forecast. For details on the 2019/20 TNCI, see *Claims Incurred CI.4.2* for Weekly Indemnity and *Claims Incurred CI.5.2* for ABO-Indexed.

For Comprehensive, there was minimal hail in 2019/20. Hail was $20.7 million lower than the previous forecast for the 2019/20 accident year. The forecast for 2020/21 and on represents MPI’s expectation of Comprehensive including hail.

CAC (MPI) 1-10

Part and Chapter:	**Part V, Claims Incurred**	**Page No.:**	**9**
PUB Approved Issue No:	**10. Claims Forecasting**		
Topic:	**March, 2020 External Actuary Review of Policy Liabilities)**		
Sub Topic:			

Preamble to IR:

"The claims forecasts in this section use the development assumptions from 3 the March 2020 report of the Appointed Actuary (External Actuary Review of Policy 4 Liabilities Attachment B)."

Per Part VIII, EAR Attachment B, PDF page #1775 "Actuarial Report on Manitoba Public Insurance Corporation Universal Compulsory Automobile Insurance As Of March 31, 2020 prepared by Joe S. Cheng, F.C.I.A, Date of Report: May TBD, 2020"

Question:

Please explain if Mr. Joe S. Cheng has completed his review of the March 31, 2020 Basic Insurance Policy Liabilities Valuation report confirming the development assumptions used in the claims forecasts for the 2021 GRA? If not, please explain if there will be any changes to the development assumptions used in the 2021 Claims Incurred forecasts and the potential impact on basic insurance proposed rate changes.

Rationale for Question:

To confirm the reasonableness and accuracy of the 2021 claims incurred forecasts which is based on the March 31, 2021 Actuarial Policy Liabilities Valuation report prepared by the external consulting actuary which appears to not have been dated or signed by Mr.Cheng.

RESPONSE:

Mr. Joe S. Cheng has completed his review of the March 31, 2020 Basic Insurance Policy Liabilities Valuation. However, Mr. Cheng cannot sign off on the report until the external auditors PwC complete their year-end audit. It is anticipated that the opinion will be dated July 22, 2020 and there will not be any changes to the development assumptions used in the 2021 Claims Incurred forecasts.

CAC (MPI) 1-11

Part and Chapter:	Part V Claims Incurred	Page No.:	19
PUB Approved Issue No:	10. Claims Forecasting		
Topic:	Figure CI – 13 Weekly Indemnity Ultimate Losses		
Sub Topic:			

Preamble to IR:

"In particular, the ultimate loss estimates for the 2014/15 through 2018/19 accident years were increased by $30.6 million over estimates from the previous year. The increase is driven primarily by the introduction of centralized reserving, which has resulted in earlier reporting of case reserves and a corresponding increase in loss development factors in the first to 60 months of claims development."

Question:

Please explain why centralized reserving and earlier reporting of case reserves would cause an increase in loss development factors and claims incurred and not be offset by previously booked policy liability valuation IBNR claims incurred.

Rationale for Question:

To clarify and understand the impact of centralized reserving and earlier reporting of claims on loss development factor increases resulting in higher claims incurred impacting basic rates negatively.

RESPONSE:

Centralized reserving has led to earlier reporting of case reserves, and thus increased the loss development factors (LDFs) for earlier development periods (i.e. 24-36 months). Selected LDFs are based on historical LDFs with more weight given to recent experience (when applicable). The tail factors (i.e. LDFs after 10 years of development) will also be impacted by the implementation of centralized reserving, however, the impact of this change will take longer to materialize since, by definition, claims experience must have developed for at least 10 years before this experience impacts the tail development factors. MPI will continue to re-evaluate LDFs as this experience materializes.

CAC (MPI) 1-12

Part and Chapter:	**Part V – Claims Incurred**	**Page No.:**	**45**
PUB Approved Issue No:	**10. Claims Forecasting**		
Topic:	**Collision Repair Severity CI.9.2.1**		
Sub Topic:			

Preamble to IR:

"Ultimate Collision repair severity increased by 6.90% in 2019/20. This was expected as the 2019 Light Vehicle Accreditation Agreement (LVAA) had significant changes and increases to Collision repair severity. For more details on the 2019 LVAA, see *2020 GRA Part V(i) Claims Incurred CI.2.9*. The 2020 GRA forecasted 8.27% Collision repair severity in 2019/20. MPI has selected the most recent severity and applied 4.25% severity growth in 2020/21 which follows more recent trends excluding the one-time increases from the 2019 LVAA."

Per Figure CI –34, page 45 the most recent Repair Severity for 2019/20 is 6.90%.

Question:

a) Please confirm that the selected collision repair severity for 2020/21 is (.069 x 1.0425) 7.2%. If this is incorrect, please calculate the correct selected collision repair severity for 2020/21.

b) Please describe in detail the actions and steps MPI is taking in controlling the collision repair claims incurred during the forecasting period and how these actions and steps are reflecting in the Collision Claims Incurred forecasts.

Rationale for Question:

To assess the claims incurred forecasting robustness and effort invested by claims management and how these claims management actions are reflected in the 2021 GRA claims incurred forecasts in addition and beyond actuarial selection of various factors based on historical trending. Whose responsibility is it in the Corporation to manage the Claims Incurred Budget?

RESPONSE:

a) The selected Collision repair severity growth for 2020/21 is 4.42% which is located in *Claims Incurred Figure CI-36* which includes the 2019 LVAA impact and the 2019 PST reduction.

b) The Collision repair forecast is highly dependent on the 2019/20 results. 2020/21 Collision repair severity uses the latest severity number to calculate repair severity. As such, any initiatives that result in reductions in severity in 2019/20 will flow through to future years. For a list of initiatives, please refer to *CAC (MPI) 1-29(c)*.

CAC (MPI) 1-13

Part and Chapter:	**Part V – Claims Incurred**	**Page No.:**	**45**
PUB Approved Issue No:	**10. Claims Forecasting**		
Topic:	**Collision Total Loss Severity**		
Sub Topic:	**BlackBook**		

Preamble to IR:

"Ultimate Collision TL severity increased by 6.04% in 2019/20. The increased TL 9 severity is correlated with the change in the average BlackBook value. For 10 comparison, BlackBook value has increased by approximately 14.15% in 2019/20 11 relative to the 5.70% increase in 2018/19. In September 2019, MPI implemented a 12 new evaluation tool, Audatex. It has been used for approximately 26% of the TL valuations from Collision claims in 2019/20 which has streamlined 1 the TL process. MPI has selected the most recent severity and applied 4.50% severity growth in 2020/21 which follows more recent trends."

Question:

a) Please elaborate, if the information is available, on the cause underlying the BlackBook vehicle value increase of 14.15% in 2019/20 relative to the increase of 5.70% in 2018/19.

b) Please elaborate and detail the Total Loss claims incurred savings achieved to date as a result of using the Audatex evaluation tool.

Rationale for Question:

To understand the BlackBook vehicle value increase in 2019/20 and the impact on Total Loss claims incurred impacting basic insurance rate changes.

RESPONSE:

a) The BlackBook vehicle value is one of the third party metrics that MPI uses for Total Loss evaluations. Further information about underlying reason for the increase in the BlackBook vehicle value is unavailable at this time.

b) For information of MPI's Total Loss strategy, see *Value Management VM.1.11 Total Loss Strategy*. Specifically, *Figure VM-11* which indicates an average savings of $22 per claim over the four months.

CAC (MPI) 1-14

Part and Chapter:	Part V – Claims Incurred	Page No.:	Part V – CI Appendix 11 page 1
PUB Approved Issue No:	10. Claims Forecasting		
Topic:	Distribution of PIPP Costs—Direct Claims Incurred		
Sub Topic:			

Preamble to IR:

The coverage distribution of PIPP direct claims incurred changed significantly in 2020 compared to previous years. See below comparison between 2019 and 2020.

Coverage	2019		2020	
	$000	%	$000	%
Income Replacement	98,122	43.7	82,987	54.8
Death Payments	9,822	4.4	7,851	5.2
Permanent Impairment	45,819	20.4	14,577	9.6
Personal Care	25,672	11.4	17,964	11.9
Expenses	31,190	13.9	7,022	4.6
Rehabilitation	13,829	6.2	20,928	13.8
Total	**224,454**	**100.0**	**151,329**	**100.0**

Question:

Please confirm the figures in the table in the preamble and explain the reasons underlying the changes; in particular, please explain the changes in direct claims incurred distribution for Expenses and Rehabilitation between the years 2019 and 2020.

Rationale for Question:

To assess the changes in PIPP direct claims incurred distribution changes among PIPP coverages.

RESPONSE:

The data contained in the original appendix submitted for 2020 reflected the PIPP distribution as at November 30, 2019 (quarter 3) as opposed to March 31, 2020.

Appendix 1 is updated to reflect the data as at March 31, 2020. With this change, the distribution of expenses and rehabilitation is now in alignment with prior years.

Appendix 11
Distribution of PIPP Costs ($000)
Direct Claims Incurred
For the Twelve Months Ending February 28/29 (2015-2019)/ Ending March 31 (2020)

Line No.	Coverage	2011		2012		2013		2014		2015	
1		$	%	$	%	$	%	$	%	$	%
2	**Income Replacement**	54,882	33.7%	45,863	27.3%	69,581	41.8%	107,539	47.6%	68,752	46.9%
3	**Death Payments**	9,523	5.9%	9,241	5.5%	10,872	6.5%	10,279	4.6%	8,839	6.0%
4	**Permanent Impairment**	15,228	9.4%	20,347	12.1%	21,677	13.0%	21,467	9.5%	18,348	12.5%
5	**Personal Care**	13,427	8.3%	19,515	11.6%	30,786	18.5%	30,999	13.7%	18,384	12.5%
6	**Expenses**	62,252	38.3%	43,976	26.2%	17,316	10.4%	46,026	20.4%	27,529	18.8%
7	**Rehabilitation**	7,417	4.6%	28,854	17.2%	16,103	9.7%	9,458	4.2%	4,867	3.3%
8	**Total**	**162,729**	**100.0%**	**167,796**	**100.0%**	**166,335**	**100.0%**	**225,768**	**100.0%**	**146,719**	**100.0%**

Line No.	Coverage	2016		2017		2018		2019		2020	
10		$	%	$	%	$	%	$	%	$	%
11	**Income Replacement**	70,907	43.8%	94,960	48.6%	174,365	66.6%	98,122	43.7%	109,520	52.1%
12	**Death Payments**	11,254	7.0%	9,967	5.1%	9,470	3.6%	9,822	4.4%	10,561	5.0%
13	**Permanent Impairment**	17,764	11.0%	21,652	11.1%	26,378	10.1%	45,819	20.4%	20,482	9.8%
14	**Personal Care**	16,907	10.4%	9,378	4.8%	16,533	6.3%	25,672	11.4%	28,182	13.4%
15	**Expenses**	39,833	24.6%	49,873	25.5%	33,289	12.7%	31,190	13.9%	31,947	15.2%
16	**Rehabilitation**	5,132	3.2%	9,677	4.9%	1,936	0.7%	13,829	6.2%	9,358	4.5%
17	**Total**	**161,797**	**100.0%**	**195,507**	**100.0%**	**261,971**	**100.0%**	**224,454**	**100.0%**	**210,050**	**100.0%**

CAC (MPI) 1-15

Part and Chapter:	**Part VI - Ratemaking**	**Page No.:**	**11**
PUB Approved Issue No:	**1**		
Topic:	**Relativity Determination**		
Sub Topic:			

Preamble to IR:

Page 11 of section RM.3.2.1 of the rate application states "Curves are fitted to the physical damage relativities using regression analysis. In general, the fitted relativities are then used to produce the expected average physical damage costs by rate group. However, the actual relativities are occasionally used if the experience for a certain rate group does not fit well within the selected regression line."

Question:

Has the Corporation considered fitting curves other than those based on regression analysis? If not, why not?

Rationale for Question:

To understand if improvements to the relativities used in the rates are being considered by the Corporation.

RESPONSE:

MPI has not considered other methods. The purpose of regression analysis is to determine a line (or multiple lines) that best fits the data. For the purpose of determining rate group relativities, the line(s) has to increase or be flat as the rate group increases. The regression analysis is the best way to make this determination.

CAC (MPI) 1-16

Part and Chapter:	**Part VI – Ratemaking**	**Page No.:**	**47**
PUB Approved Issue No:	**1**		
Topic:	**Relativity Procedure**		
Sub Topic:			

Preamble to IR:

Page 47 of Part VI – Ratemaking states "Using the pure premiums and earned units as discussed above, as well as the minimum-bias procedure, the raw relativities for the rating variables applicable to the major class were then calculated."

Question:

Please elaborate on what work the Corporation has done to date and the findings of that work on the use of Generalized Linear Modelling to determine the relativities referenced.

Rationale for Question:

To understand what work has been done to use predictive modeling in relativity determination by the Corporation.

RESPONSE:

MPI has not explored the use of Generalized Linear Modeling (GLM) for the purpose of setting rates. MPI agrees that it is worthwhile to look into using GLM for this purpose. However, this would require significant resource commitment, and MPI is unable to commit to doing so at this time. Further, the use of the minimum-bias procedure for ratemaking is within the scope of accepted actuarial practice.

CAC (MPI) 1-17

Part and Chapter:	**Part VI – Vehicle Classification System and Rate Groups**	**Page No.:**	**5**
PUB Approved Issue No:	**1**		
Topic:	**Territorial Definitions**		
Sub Topic:			

Preamble to IR:

Page 5 of Part VI – Vehicle Classification System and Rate Groups states "Manitoba is divided into 4 geographical rating territories. An additional rating territory, commuter, is based on an individual living in Territory 2 (outside Winnipeg) and driving regularly into Territory 1 (Winnipeg) for work, school or some other business purpose.

Each of these territories has distinctive rates which reflect differences in patterns of loss experience. This means motorists pay premiums which relate to the risk associated with insuring a vehicle in a particular geographic area of the Province.

There are no proposed changes to the rating territories or their boundaries for 2021/22. The definitions of the rating territories are provided in Appendix 1 Vehicle Classification System Territories."

Question:

Has the Corporation investigated using a higher number of territories in their analysis and ratemaking to reduce the subsidization that is occuring with the territory sizes being so large? If so, please comment on the results of the investigation. If not, please comment on why such investigation and analysis has not been done and any plans to do this work.

Rationale for Question:

To understand whether any territorial analysis has been done and the outcome of such analysis if done.

RESPONSE:

MPI has not conducted a territory review since their introduction. A full review of all Basic products is currently underway, including a review of territories and insurance uses. MPI expects this review to determine whether the suggested subsidization is in fact occurring. Having said that, MPI is prioritizing items that are not 'out of the box' solutions for Project Nova, including Driver Safety Rating, Vehicle for Hire, Motorcycles and the Fleet program.

CAC (MPI) 1-18

Part and Chapter:	**Part VIII – Reporting, Forecasting & Publications**	**Page No.:**	**EAR Attachment B page 280**
PUB Approved Issue No:	**10. Claims Forecasting**		
Topic:	**Appendix I (labeled H): Reconciliation of Paid and Outstanding Claim Amounts ($000) - Basic**		
Sub Topic:	**March 31, 2020 Policy Valuation Report**		

Preamble to IR:

There appears to be a significant difference between "March 2020 O/S Claims in Database Total" ($1,340,766) compared to "Per Financial Controls Total" ($806,860), a difference of $533,906.

Question:

a) Please explain and provide reasons for the significant difference between the claims database and the financial controls of $533,906 relating to Outstanding Claims Incurred. Please also discuss if this difference has an impact the March 31, 2020 Policy Valuation report prepared by the external consulting actuary.

b) Please describe, in detail, the process and the department responsible for verifying and ensuring the accuracy of the claims data extracted from the Claims Database used in the Policy Valuation Report prepared by the external consulting actuary.

c) Please describe steps taken by senior financial management ensuring that the Unpaid Claims liability (single largest liability on MPI's Balance Sheet) is reasonably accurate and reliable.

Rationale for Question:

To assess the reasonable accuracy of claims data used in the Policy Liability Valuation Report performed by the external consulting actuary.

RESPONSE:

a) There is an input error in the original data sheet. The outstanding reserve per Financial Controls should be $546,917 (instead of $3,581) for Accident Benefits Other. Please refer to *Appendix 1* for the revised table. This error doesn't impact the results of the March 31, 2020 Policy Valuation Report.

b) Business Analytics has processes in place to verify and ensure the accuracy of the claims data on the Enterprise Data Warehouse (EDW).

Claims data is pulled daily from the source systems by an automated daily process that runs every night by the Integration Center. This daily process populates the EDW.

Business Analytics executes a daily balancing procedure that compares claim count and dollar amount of financial transactions between the production source systems (mainly CARS and Fineos/BI3) to the data on the EDW. This comparison is done through automated reports that are verified daily by the Business Analytics team. The automated reports include other aspects of the data such as transaction count comparison or any duplicated claims.

There is also an EDW Five-Year Balancing process that compares transaction count and transaction amount between EDW and the production systems (CARS and Fineos/BI3).

c) MPI has an internal actuarial department and Chief Actuary that prepare the Policy Liability Valuation. This analysis is then provided to the External Appointed Actuary for review. The final valuation report is then reviewed by MPI's actuary external auditors. The full report and analysis is then shared publicly as part of the General Rate Application process.

Manitoba Public Insurance
Appendix H: Reconciliation of Paid and Outstanding Claim Amounts ($000) - Basic
As of March 31, 2020

						Accident Benefits		
Gross Basis		Bodily Injury	Property Damage	Collision	Compre-hensive	Weekly Indemnity	Other	Total
1.	March 2020 Cumulative Paid	60,020	657,725	5,154,335	1,412,844	644,232	1,163,087	9,092,243
2.	Feb 2019 Cumulative Paid	54,767	610,437	4,688,880	1,314,320	579,792	1,076,978	8,325,174
3.	Calendar Year Paid in Database [(1)-(2)]	5,253	47,288	465,455	98,524	64,440	86,109	767,069
4.	Calendar Year Adjustments	-	-	-	-	-	-	-
5.	Prior Years Not in Database	(4)	(2)	(12)	(19)	10,713	6,370	17,046
6.	Per Financial Controls	5,249	47,286	465,443	98,505	75,153	92,538	784,174
7.	Difference [(3)+(4)+(5)-(6)]	-	-	-	-	-	(59)	(59)
8.	March 2020 O/S Claims in Database	12,053	10,795	58,796	15,219	697,874	546,029	1,340,766
9.	Prior Years Not in Database	-	-	-	-	-	-	-
10.	Per Financial Controls	12,053	10,795	58,796	15,219	706,416	546,917	1,350,196
11.	Difference [(8)+(9)-(10)]	-	-	-	-	(8,542)	(888)	(9,430)

						Accident Benefits		
Net Basis		Bodily Injury	Property Damage	Collision	Compre-hensive	Weekly Indemnity	Other	Total
1.	March 2020 Cumulative Paid	60,020	657,725	5,154,335	1,345,908	638,465	1,158,340	9,014,793
2.	Feb 2019 Cumulative Paid	54,767	610,437	4,688,880	1,251,862	574,080	1,072,181	8,252,207
3.	Calendar Year Paid in Database [(1)-(2)]	5,253	47,288	465,455	94,046	64,385	86,159	762,586
4.	Calendar Year Adjustments	-	-	-	-	-	-	-
5.	Prior Years Not in Database	(4)	(2)	(12)	(19)	10,719	6,364	17,046
6.	Per Financial Controls	5,249	47,286	465,443	94,027	75,104	92,582	779,691
7.	Difference [(3)+(4)+(5)-(6)]	-	-	-	-	-	(59)	(59)
8.	March 2020 O/S Claims in Database	12,053	10,795	58,796	13,079	696,711	545,419	1,336,853
9.	Prior Years Not in Database	-	-	-	-	-	-	-
10.	Per Financial Controls	12,053	10,795	58,796	13,079	705,253	546,307	1,346,283
11.	Difference [(8)+(9)-(10)]	-	-	-	-	(8,542)	(888)	(9,430)

CAC (MPI) 1-19

Part and Chapter:	**Part VIII, EAR Attachment A**	**Page No.:**	**24**
PUB Approved Issue No:	**11**		
Topic:	**Determination of Ultimates as inputs to Claims Forecast (and ultimately AAP)**		
Sub Topic:	**Weekly Indemnity – Selection of Development Factors**		

Preamble to IR:

On page 24 of Part VIII, EAR Attachment A it is stated "For the selection of the tail (116-month to Ultimate) factors:

- The incurred / paid tail factor was selected based on the observed ratios of the tabular reserve ultimate to the incurred / paid at 116 months. The derivation of the tabular reserve ultimate is outlined on the next page.
- Incremental incurred loss development factors after 116 months were selected based on the most recent observed factors to reflect the changes from centralized reserving.
- Incremental paid loss development factors after 116 months were revised to reflect the recent experience if there were at least five observed factors."

This is a change from the October 2018 Actuarial report.

Question:

In regards to the methodology change in the selection of the tail factor for the Accident Benefits – Weekly Indemnity coverage described on page 24 of the October 2019 actuarial report why was this change made at this time, given the revision to MPI's reserving process for long-term PIPP claims occurred in 2017?

Rationale for Question:

To understand the determination of the ultimates that feed into the claims forecast.

RESPONSE:

Please refer to the answer for *CAC (MPI) 1-11*.

<u>**CAC (MPI) 1-20**</u>

Part and Chapter:	**Part VIII, EAR Attachment A**	**Page No.:**	**25**
PUB Approved Issue No:	**11**		
Topic:	**Determination of Ultimates as inputs to Claims Forecast (and ultimately AAP)**		
Sub Topic:	**Weekly Indemnity Tabular reserves/Case Reserves**		

Preamble to IR:

On page 25 of the October 2019 actuarial report it states: "For insurance years more than 10 years old, we selected the IBNR based on the tabular reserving ultimates less case reserves."

Question:

In this situation why would the case reserves not simply equal the tablular reserves negating the need for IBNR?

Rationale for Question:

To understand the determination of the ultimates that feed into the claims forecast.

RESPONSE:

There are three factors that result in the tabular reserves being higher than the case reserves:

- Per <u>*External Actuary Review Attachment A, page 25*</u>, "tabular reserves were recalculated as of October 31, 2019." If the same process was done for case reserves, these would lead to higher case reserves for almost all claims.

- Per External Actuary Review *Attachment A, page 25*, "For open claims without tabular reserves, 50%... was assumed to ultimately be tabular reserved. These claims were multiplied by the average tabular reserves for open claims with tabular reserves."
- Tabular reserves recalculated as of October 31, 2019 are then developed to ultimate based on the selected incurred loss development factors. This development accounts for other factors that could increase the losses e.g. relapses, reversal of case managers' decisions, changes in claimant's entitlement, etc.

CAC (MPI) 1-21

Part and Chapter:	**Part VIII, EAR Attachment A**	**Page No.:**	**26**
PUB Approved Issue No:	**11**		
Topic:	**Determination of Ultimates as inputs to Claims Forecast (and ultimately AAP)**		
Sub Topic:	**Accident Benefits – Other Indexed loss development selections**		

Preamble to IR:

On page 26 of the October 2019 actuarial report it states "Loss development factors (both incurred and paid) were revised to reflect the changes in reserving approach and recent experience. The impact of these revisions is a decrease in undiscounted IBNR of $49.5 million. The decrease is mainly driven by a significant decrease in the incurred tail factor to recognize the adequacy of case reserves as a result of centralized reserving."

Question:

a) In regards to the decision "to recognize the adequacy of case reserves as a result of centralized reserving" why was this change made at this time, given the revision to MPI's reserving process for long-term PIPP claims occurred in 2017?

b) Given the large decrease in IBNR on this coverage what level of confidence is there in the case reserves at this time and how is that confidence attained?

Rationale for Question:

To understand the determination of the ultimates that feed into the claims forecast.

RESPONSE:

a) MPI implemented centralized reserving in 2017 and the initiative required time to show results. MPI adjusted loss development factors based on the evidence that was revealed.

b) By design, the centralized reserving process improves confidence in the existing case reserves because there is a consistent case reserving methodology used for all claims greater than 24 months old. However, MPI acknowledges that changes in case reserving behaviour creates increased volatility in the loss development history. To address this concern, MPI monitors the individual claims that remain open beyond 24 months to ensure compliance with case reserving guidelines. MPI also continues to use multiple IBNR methodologies to assess ultimate losses by accident year. For example, the paid loss development method is independent of case reserves.

CAC (MPI) 1-22

Part and Chapter:	**Part VIII, EAR Attachment A**	**Page No.:**	**27**
PUB Approved Issue No:	**11**		
Topic:	**Determination of Ultimates as inputs to Claims Forecast (and ultimately AAP)**		
Sub Topic:	**Accident Benefits – Other Non-Indexed loss development selections**		

Preamble to IR:

Page 27 of the October 2019 actuarial report states "Loss development factors (both incurred and paid) were revised to recognize the Permanent Impairment initiative."

Question:

Please explain how the loss development factor revisions were determined in order to recognize the Permanent Impairment initiative.

Rationale for Question:

To understand the determination of the ultimates that feed into the claims forecast.

RESPONSE:

The permanent impairment initiative involves earlier reserving and allocation of staff to process backlog payments for accident years 2015 to 2017. To recognize the earlier reserving, the incurred loss development factor (LDF) was increased for the 8 to 12 months period, while the incurred LDFs for the 12 to 116 months period was lowered. As staff focused on processing and clearing backlog payments for accident years 2015 to 2017, payments for accident years 2018 and 2019 slowed. MPI expects to clear this backlog for 2018 and 2019 over the next year. This was reflected in the higher selected paid LDFs for periods 12 to 20 months and 20 to 24 months.

CAC (MPI) 1-23

Part and Chapter:	**Part VIII, EAR Attachment A**	**Page No.:**	**32**
PUB Approved Issue No:	**11**		
Topic:	**Internal Loss Adjustment Expense to feed into forecasts**		
Sub Topic:			

Preamble to IR:

On page 32 of the October 2019 actuarial report it states "We assumed a paid ILAE to paid claims methodology. The three-year weighted average paid ILAE to paid claims ratio was 19.2%. We selected a ratio of 18.8%--an increase from the February 28, 2019 report (18.0%)—based on the three most recent observed ratios and the indicated three-year weighted average."

Question:

Why is the Internal Loss Adjustment Expense ratio going up and is there work underway to control it?

Rationale for Question:

To understand the ILAE provision built into the forecast.

RESPONSE:

The Internal Loss Adjustment Expense (ILAE) ratio was increased due to the increase in staffing to improve claims management and the lower than anticipated paid claims.

<u>**CAC (MPI) 1-24**</u>

Part and Chapter:	**Part V – Claims Incurred**	**Page No.:**	**15 of 91**
PUB Approved Issue No:	**2, 11 and 19**		
Topic:	**Impacts to Ultimate from Compulsory and Extension Revision Project (CERP)**		
Sub Topic:	**Clarification of Impact of Deductible Changes**		

Preamble to IR:

Question:

a) Please produce the table on page 15 of Part V – Claims Incurred for the impact to Collision and Comprehensive separately for the Increasing Basic deductible and the Increasing Basic MIV.

b) Given the current economic situation in Manitoba and the rest of Canada and the difficulties some Manitobans are having paying their current bills what was the impetus to increase the basic deductible at this time of strong financial results from the Corporation?

Rationale for Question:

Understanding the impact of the CERP and it's impact on the claims forecast and ultimately the AAP.

RESPONSE:

a) See the figures below for the breakdown of the impacts. Also included was an increase to the Third Party Liability limit.

Figure 1 Assumed Impacts to Ultimates from Increasing the Deductible

Line No.	Accident Year	Public Liability	Collision	Comprehensive	Property Damage	Total
1	***($000)***					
2	**2020/21**	$0	$0	$0	$0	$0
3	**2021/22**	$0	($8,495)	($8,135)	$0	($16,631)
4	**2022/23**	$0	($17,006)	($16,667)	$0	($33,673)
5	**2023/24**	$0	($17,022)	($17,077)	$0	($34,099)
6	**2024/25**	$0	($17,039)	($17,500)	$0	($34,539)

Figure 2 Assumed Impacts to Ultimates from Increasing the MIV

Line No.	Accident Year	Public Liability	Collision	Comprehensive	Property Damage	Total
1	***($000)***					
2	**2020/21**	$0	$0	$0	$0	$0
3	**2021/22**	$0	$660	$145	$0	$805
4	**2022/23**	$0	$1,452	$319	$0	$1,771
5	**2023/24**	$0	$1,597	$351	$0	$1,948
6	**2024/25**	$0	$1,757	$386	$0	$2,143

Figure 3 Assumed Impacts to Ultimates from Increasing the TPL

Line No.	Accident Year	Public Liability	Collision	Comprehensive	Property Damage	Total
1	***($000)***					
2	**2020/21**	$0	$0	$0	$0	$0
3	**2021/22**	$120	$0	$0	$630	$750
4	**2022/23**	$240	$0	$0	$1,260	$1,500
5	**2023/24**	$240	$0	$0	$1,260	$1,500
6	**2024/25**	$240	$0	$0	$1,260	$1,500

b) Increasing the deductible, combined with changes in Extension products, provides Manitobans with more auto insurance options (some of which may reduce their overall auto insurance costs). Specifically, customers can purchase Extension products to receive the same $500 deductible coverage (on a cost neutral basis) or choose a higher Basic deductible coverage at an overall lower cost. The changes under CERP were not focused on the corporation and how it may have been performing at the time but rather, were brought about solely for the benefit of MPI's customers.

CAC (MPI) 1-25

Part and Chapter:	Part V – Claims Incurred	Page No.:	19 - 20
PUB Approved Issue No:	11		
Topic:	Weekly Indemnity Ultimate Losses used in claims forecast		
Sub Topic:			

Preamble to IR:

Page 19 to 20 of Part V – Claims Incurred states "In particular, the ultimate loss estimates for the 2014/15 through 2018/19 accident years were increased by $30.6 million over estimates from the previous year. The increase is driven primarily by the introduction of centralized reserving, which has resulted in earlier reporting of case reserves and a corresponding increase in loss development factors in the first 12 to 60 months of claims development. It is not clear at this time whether the earlier loss development will be completely offset by favourable development beyond 60 months of development. However, these assumptions will continue to be updated based on observed experience." This is an important statement given the large increase in the Weekly Indemnity ultimate estimates and it's corresponding impact on the claims forecast and AAP.

Question:

If case reserves are being reported earlier due to centralized reserving then it would be expected development beyond 60 months would go down. Are there any reasons to the Corporation's knowledge that this would not occur?

Rationale for Question:

To understand the Corporation's expectations around the change in assumptions for the Weekly Indemnity coverage.

RESPONSE:

Please refer to the answer for the question *CAC (MPI) 1-11*.

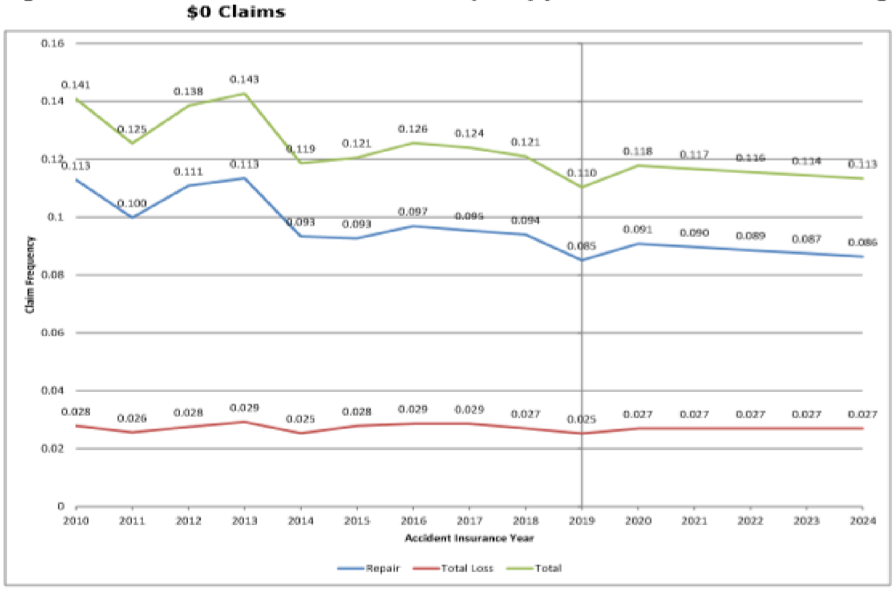
CAC (MPI) 1-26

Part and Chapter:	Part V – Claims Incurred	Page No.:	44
PUB Approved Issue No:	11		
Topic:	Collision Claims Forecast		
Sub Topic:			

Preamble to IR:

The graph on page 44 of Part V – Claims Incurred shows the projected decrease in Collision frequency dropping to .113 for the 2024 accident insurance year. This is based on the selection of a 3 year average frequency and a -1.25% trend rate for collision repairs and a 3 year average frequency with a 0% trend rate for collision total loss. The collision frequency sat at .121 for the 2018 accident insurance year. Although there was a decrease in frequency prior to the 2014 accident insurance year it bounced up to .126 in 2016 and then down again. The graph is copied below for convenience.

Figure CI- 33 **Ultimate Basic Collision Frequency per Earned Vehicle Unit Excluding $0 Claims**



Question:

a) The projected frequency going to .118 for the 2020 accident insurance year and down to .113 for 2024 seems to be a very optimistic view of the collision frequency. Would the Corporation not expect this frequency to level out at some point rather than continue on a negative trend?

b) What would the impact be to the AAP overall required rate if the collision frequency remained at the 2018 accident insurance year level of .121 for the rating year in question?

Rationale for Question:

This assumption is very important to the overall required rate. The assumption made by the Corporation on this coverage's frequency seem very optimistic.

RESPONSE:

a) As shown in the *Claims Incurred Figure CI-33*, Collision Frequency since 2010 has been trending downwards. Furthermore, the trend rate of -1.25% is based on the recent 5-year experience. Vehicle technology including safety features like lane change assist, rear view cameras and emergency braking continue to become standard on new vehicles. These safety features play an important role in reducing claims costs by minimizing accident severity and avoiding potential accidents.

b) Increasing the forecasted 2021/22 Collision Frequency as suggested would result in an increase to ultimate claims incurred of $0.5 million. This would increase the AAP overall required rate by approximately 0.05%.

CAC (MPI) 1-27

Part and Chapter:	CI.9.1	Page No.:	p.41, 42
PUB Approved Issue No:	11		
Topic:	Claims Incurred		
Sub Topic:	Collision Frequency Forecast		

Preamble to IR:

At Page 42, MPI states:

> *Relative to the long term average, the last 6 accident years have had below average Collision frequency. Some of the reduction from the past 6 years is related to mild winters; however, there has also been a reduction in summer Collision frequency over the past 7 years.*

Question:

a) To what does MPI attribute the reduction in repair frequency over the past 6 years, in particular to the impact over summer months. Please also comment on the apparent step changes at 2014/15 and 2019/20.

b) With specific reference to Figure CI-32, please highlight which years have led MPI to conclude that collision TL frequency has been gradually increasing over the past decade.

Rationale for Question:

To understand MPI's perspective on trends in collision frequency.

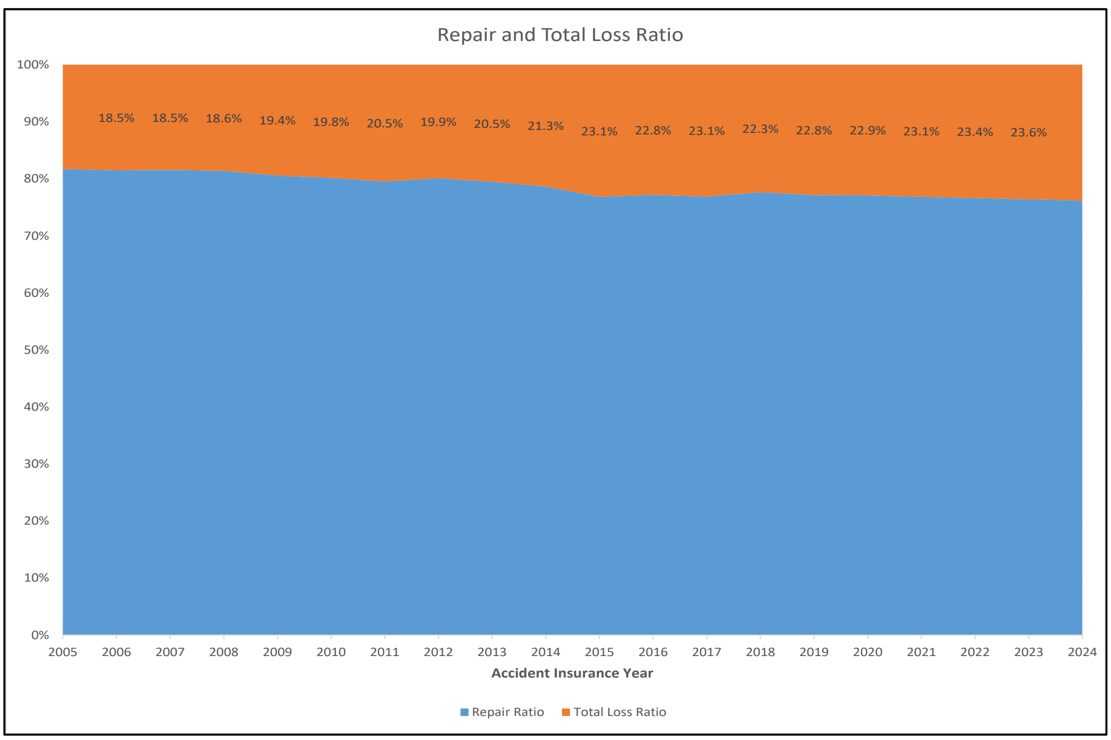
RESPONSE:

a) and b)

Overall, MPI is forecasting Collision frequency to decline over time due to recent historical experience. In particular, winter months can be highly variable as road conditions can change rapidly along with the weather. Relative to the winter months, summer months are fairly stable and can indicate the underlying trend in Collision frequency. This decreasing trend in Collision frequency can be partially attributed to increased vehicle safety technology in new passenger vehicles as well as improved driver behavior since the implementation of DSR in 2010/11.

The reduction in repair frequency relative to TL frequency can be partially attributed to the increased cost to repair vehicles. As collisions become increasingly more expensive to repair due to increased vehicle complexity, more vehicles become write-offs and fall into the Total Loss category. The figure below illustrates the change in the Repair and Total Loss ratio of claim counts.

Figure 1 Collision Repair and Total Loss Ratio of Claim Counts



In 2013/14, there was poor winter driving conditions which led to one of the most adverse winter months for Collision claims. The following year in 2014/15, was a much more favourable winter and as such created a large change year to year. 2019/20 results decreased to continued favourable experience throughout the year combined with the COVID-19 pandemic in March 2020 which lowered frequency further.

CAC (MPI) 1-28

Part and Chapter:	**CI.5.1**	**Page No.:**	**p. 24, lines6-9**
PUB Approved Issue No:	**11**		
Topic:	**Claims Forecast**		
Sub Topic:	**ABO Indexed Forecasts**		

Preamble to IR:

At page 24, MPI states:

> *Centralized reserving has also changed the development patterns of Accident Benefits Other – Indexed. In general, the latest development experience is showing that earlier case reserving for this coverage is now resulting in favourable development later in the claim life cycle (i.e. the 'tail' development). MPI will continue to update development factors based on the latest experience.*

Question:

a) Please provide a narrative explanation of how earlier case reserving is resulting in favorable development later in the claim. Please also explain the impact of case management processes/approach and centralized reserving, if applicable.

Rationale for Question:

For further clarity on the relationship between reserving practices, claims handling, and loss development, and its joint influence on the claims forecast.

RESPONSE:

If case reserves are added earlier in the claim life cycle it follows that there will be less development later in the claim life cycle. Although the impact of the new and earlier case reserving procedure can be seen immediately in the development experience, the longer term implications (e.g. lower development in the tail) will take longer to materialize. Although MPI made efforts to apply best estimate assumptions in the valuation, it was understood that the longer term assumptions were made with very little observed experience. As experience materializes and stabilizes, the assumptions are improved.

The centralized reserving department applies consistent case reserves for claims open beyond 24 months. This ensures that both the timing and the amount of case reserves are consistent for longer duration claims. By improving case reserving consistency, the assumptions used in the valuation will be more reliable and lead to reduced volatility in the valuation results.

CAC (MPI) 1-29

Part and Chapter:	OV.1 CI.9.2.1	Page No.:	p.3, lines 19, 20 p.45
PUB Approved Issue No:	1, 2, 11		
Topic:	Claims Incurred		
Sub Topic:	Collision Severity Forecast, Claims Management		

Preamble to IR:

Page 47 of Claims Incurred states:

> *The 2021/22 ultimate Collision losses are forecast at $464.6 million, or 7.86% lower than the forecast of the previous year of $504.2 million. This decrease can be explained as follows:*
>
> - *lower forecasted claim counts from lower historical trends: $26.5 million favourable impact;*
> - *lower forecasted Repair severity: $3.9 million favourable impact;*
> - *lower forecasted TL severity: $1.4 million favourable impact; and*
> - *impact from CERP: $7.8 million favourable impact*

Page 4 of OV states:

> *Today, Manitobans enjoy the benefits of:*
>
> *(…)*
> - *improvements in claims management; and*
> - *improvements in collision severity forecasting.*
>
> *(…)*
>
> *it is the improved inputs resulting from improved claims management of collision and Personal Injury Protection Plan (PIPP) expenses, as well as controlling operating expenses that primarily drive the 2.5% rate reduction.*

Question:

a) Please provide a narrative description of the improvements in claims management, as referenced in the OV chapter, and provide supporting references to the claims forecast.

b) Please provide a narrative description of the improvements in collision severity forecasting, including any changes to forecasting methodology, as referenced in the OV chapter, and provide supporting references to the claims forecast.

c) Referencing Figure CI-37, please reconcile the improvements in claims management with increase in forecast severity for 2021/22, over the forecast for the same year provided in the 2020 GRA (See figure CI-34 in 2020 GRA).

d) Please comment on the lower claim counts (improved frequency) as mainly responsible for the forecast of lower 2021/22 ultimate Collision losses, and reconcile with MPI's stated improvements in claims handling.

Rationale for Question:

There appears to be a disconnect between the narrative explanation for the improved rate indication (in brief that MPI is running its business better, which appears to be supported by the Corporation's net income and MCT scores) and the changes to the collision forecast that suggest Manitobans are simply getting in fewer accidents.

RESPONSE:

a) Please refer to *CAC (MPI) 1-6(b)*.

b) Please refer to *CAC (MPI) 1-6(b)*.

c) In general, the entire auto repair industry will be continuing with increases in collision severity into the future as they have in the past few years. This industry average is roughly in the mid-single digits annually in North America due to complexity of vehicle materials and parts costs. MPI has had volatility in its severity after the introduction of Mitchell and, since 2016, has placed a greater focus on claims management and increased partnership with the repair trade. A non-exhaustive list of examples of improvements in claims management are:

1. The recent Light Vehicle Accreditation agreement (LVAA) was in the spirit of paying Repair facilities for the work they complete and benchmarking to industry practices.

   - DR Premium of $81 per repaired vehicle was discontinued May 31 2019.
   - No labour rate increase for two years. Manitoba finally eliminated CPI being an automatic addition to the labour rate amounts that MPI pays to repair facilities, which was not industry practice.
   - Estimating Standards Training provided to Repair Facilities to improve compliance to MPI business rules.
   - Towing request process limiting what was eligible for billing.
   - Actual vs forecasted results of LVAA claim cost expectations. Repair facilities are sometimes not requesting items that were added to the current agreement.

2. Loss of Use (rental cars) Rental strategy implemented

   - Communicated with partners and agreed to reduce the daily rate almost 20% by benchmarking to other jurisdictions.
   - Loss of Use adjuster Pod implemented to improve consistency of approvals.
   - Repair facilities mindful of ask for additional LOU time due to audit and transparency on approval process.

3. Increase in Repair Facility Performance Management

   - Increased frequency of Shop Relationship Advisor visits in 2019.
   - Increased Performance Reviews for Repair facilities not performing on Shop Measures.

- Timely Corrective Action plans.
- Improved tools for Shop Relationship Advisors that resulted in an increase in timely trade feedback.

4. Key Performance Indicator (KPI) changes

- January scorecard KPI changes consisted of raising the bar for performance resulting in Repair facilities needing to try harder in the ask-approve variance (AAV) which measures the amount of repair cost that is denied by MPI and other KPIs.
- Below is a 12 month average of AAV for the last 4 years. Repair facilities are aligning their ask with MPI's expectations, which has a direct correlation with severity.

AAV	Yearly Average
2016/2017	2.1%
2017/2018	1.7%
2018/2019	1.4%
2019/2020	1.2%

5. Audit Improvements

- Audit program becoming more efficient as MPI continues to recalibrate quarterly and adapt new processes, keeping the industry ask in check.
- Enhanced Audit tools for SRAs to improve feedback to repair facilities to correct behaviours.

d) The lower Collision frequency from lower historical trends resulted in a $26.5 million favourable impact.

CAC (MPI) 1-30

Part and Chapter:	**I - OV.5.2**	**Page No.:**	**Page 10, lines 21-24**
PUB Approved Issue No:	**10, 13**		
Topic:	**DSR**		
Sub Topic:	**Timeline for Proposal Development**		

Preamble to IR:

At page 10, MPI states:

> *"The appropriateness of the current Driver Safety Rating (DSR) model is a complicated issue but must be addressed. Unfortunately, now is not the time for robust discussion on this topic, largely because Project Nova will change the DVA landscape. MPI continues to research the issue and expects to return to the PUB in a future GRA with a position on whether the current model should change and, if so, what changes should take place and when they should be made.*

Question:

a) Please confirm which modules in project NOVA would be impacted by a revised DSR system (e.g. P&C module, DVA module, other). Please provide a current timeline for the development and implementation of these modules, and identify the optimal window within that timeline to incorporate changes to the DSR system into the new module(s).

b) Please incorporate into the timeline, provided in (a) above, an anticipated timeline for regulatory changes, including appropriate timelines to consider the public policy implications of a revised DSR framework, and any current regulatory approval processes required by the province (e.g. RAS process, public consultation, cabinet approval etc).

c) Please incorporate into the timelines provide in (a) above, and anticipated timeline for PUB approval of the revised DSR system (e.g. application, hearing process)

d) Based on the timeline produced in parts a) through c) above, please identify a critical path, working backwards from the optimal time to implement changes in project NOVA modules.

e) Please provide a cost estimate for implementing a new DSR system during NOVA module implementation, versus the costs to develop those modules with the current DSR framework, and then switch to a new DSR framework, post-NOVA.

f) Does MPI believe that it requires PUB approval for changes to the DSR system prior to implementing changes to the Driver Safety Rating System Regulation? Please list any other regulations that might require amendment

g) Given the critical path identified in part d), please provide MPI's anticipated timeline for development of a DSR proposal, and the approach to developing the proposal.

Rationale for Question:

To understand the details of the relationship between Project NOVA and DSR framework development and various regulatory approvals.

RESPONSE:

a), b), c), d), e) and g)
The following modules could be impacted by a revised Driver Safety Rating (DSR) system:

- Drivers and Vehicles Act (DVA) Module; development and implementation is scheduled for Q1 2021 to Q2 2023.
- P&C Module; development and implementation is scheduled for Q1 2021 to Q2 2024.

- Application Platform Module; development and implementation is scheduled for Q1 2021 to Q2 2026, DSR - related items scheduled to be implemented by Q4 2022.

However, as outlined in the GRA, MPI intends to use the current Registered Owner model in the near term and find ways to move the premiums closer to the actuarial target. It is anticipated that a detailed actuarial examination of the current model, including the "pure" rate indication, will be provided to the PUB in fall 2020. This information will help identify ways of moving premiums closer to the actuarial target. These movements will occur independent of Project Nova.

Given the independence of changes to the current DSR model and Nova, there is no critical path.

A cost estimate and timeline has not been determined in the absence of the actuarial information. However, costs associated with moving premiums closer to the actuarial target are expected to be much lower than creating a new DSR model. If regulatory changes are required, the expected timeline from initial Executive approval to Cabinet approval of a regulatory change is approximately 12 months.

f) The question identifies a critical jurisdictional issue – who is the decision maker to change the DSR Model? It is the opinion of MPI that the Lieutenant Governor in Council is the decision maker because changes to the DSR Model will require a change to the Driver Safety Rating System Regulation 13/2009. The most significant potential change would be changing from a Registered Owner model to a Principle Driver model. Neither MPI nor the PUB have the jurisdiction to make such a change. Such a change can only be made by the Lieutenant Governor in Council.

   There is significant process to bring potential regulatory changes for consideration by the Lieutenant Governor in Council. If, at the end of the PUB review of the DSR Model, either MPI, the PUB or both recommend changing the model, MPI will initiate the process to have the Lieutenant Governor in Council consider changing the model. If both MPI and the PUB do not recommend changes than the process will not be commenced.

To appreciate the potential timeline for change it should be noted that MPI first raised the issue of the Compulsory and Extension Revision Project (CERP) changes in the Fall of 2018 and those regulations do not come into force until April 2021.

The nature of any proposed amendments to the Driver Safety Rating System Regulation will determine what if any other consequential regulatory amendments are required. That said, amendments to the Automobile Insurance Plan Regulation and the Vehicle Registration Regulation may be required.

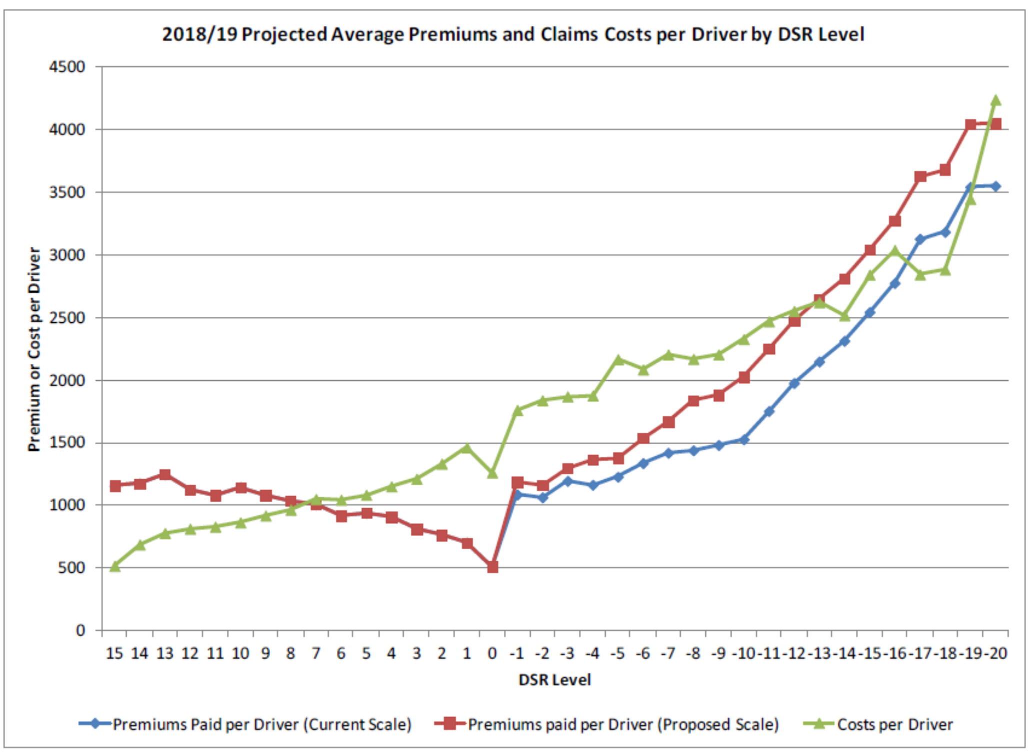
CAC (MPI) 1-31

Part and Chapter:	Part V, REV 2018 GRA VII, REV	Page No.:	Figure REV-30, p.25
PUB Approved Issue No:	13		
Topic:	Driver Safety Rating		
Sub Topic:	Premiums paid vs. costs per driver		

Preamble to IR:

In the 2018 GRA, MPI provided Figure REV-30 which indicates, among other things that on average, drivers above DSR level 7 pay more in premiums than they incur in claims costs.

Figure REV- 30: 2.0 2018/19 Projected Average Premiums and Claims Costs per Driver by DSR Level



Question:

a) Please prepare an update to Figure REV-30 from the 2018 GRA, for the 2021/22 rates, and if possible, provide the most recent actuals. Please include a data table with the chart.

b) Please provide an modified version of Figure REV-30, including data table, showing total annual premiums collected by DSR level, as well as aggregate claims incurred by DSR level. If possible, please provide a breakdown of the total claims incurred by coverage type (PIPP, Collision, Property Damage, and TPL) for each level at the DSR.

c) Please also provide a histogram of drivers at each level of the DSR, including a cumulative tally of driver counts, from DSR 15 descending to DSR -20.

d) Please discuss any factors in the comparison of premiums paid, versus costs imposed presented in a) and b) that should be considered, including perhaps costs for Comprehensive or Claims expense. Please also discuss, and if possible present in the above chart, fixed costs that do not vary across DSR level, such as operating costs.

Rationale for Question:

To understand the aggregate impact of the drivers at different DSR levels paying premiums that do not reflect the costs imposed on the system, and to understand other factors that should be considered in this comparison.

RESPONSE:

a) Please refer to *Appendix 1 part (a)*.

b) Please refer to *Appendix 1 part (b)*. For this response, two versions of 'incurred per driver' have been provided. The first version is simply the reported and undeveloped claims incurred in the policy year. This version is informative as it provides the relative claims costs by DSR level. However, the claims incurred amounts are not developed to ultimate and no expenses are included.

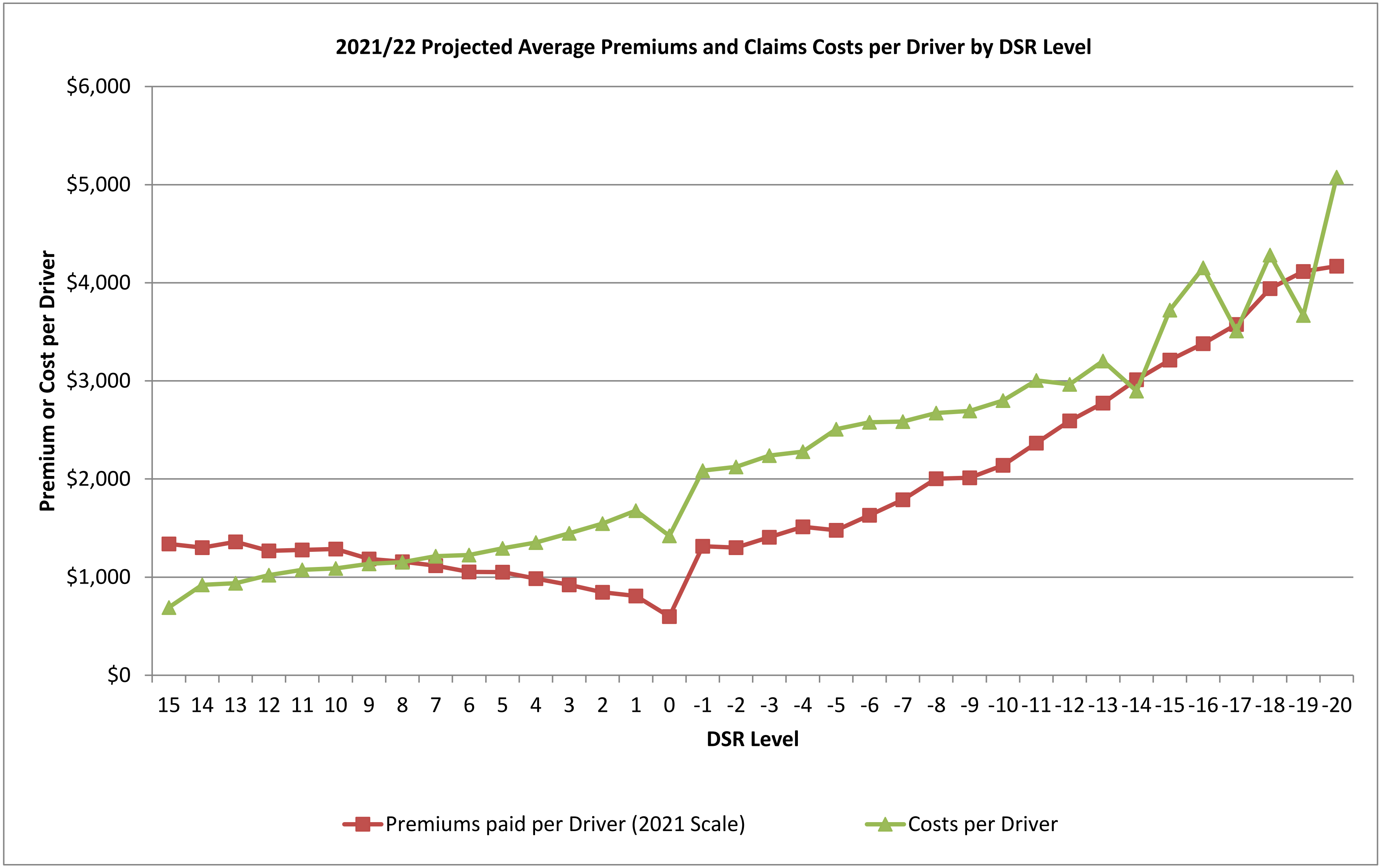
The second version of claims incurred per driver has been proportionally adjusted such that the overall incurred equals the overall premiums. This adjustment ensures that the relative premiums vs claims costs lines are compared on a break-even basis.

c) Please refer to *Appendix 1 part (c)*.

d) The figure in (a) is an approximate comparison. The Claims costs per driver were estimated by assigning all comprehensive claims costs to drivers based on their expected comprehensive claims frequency by DSR level. All non-comprehensive claims costs to drivers (i.e. Collision, PIPP, Property Damage, TPL and other costs like claims expenses, fixed costs) were based on their expected at-fault claim frequency by DSR level. This estimate was obtained by subtracting the comprehensive cost from total premium.

DSR Premium VS Cost for rating year 2021/22

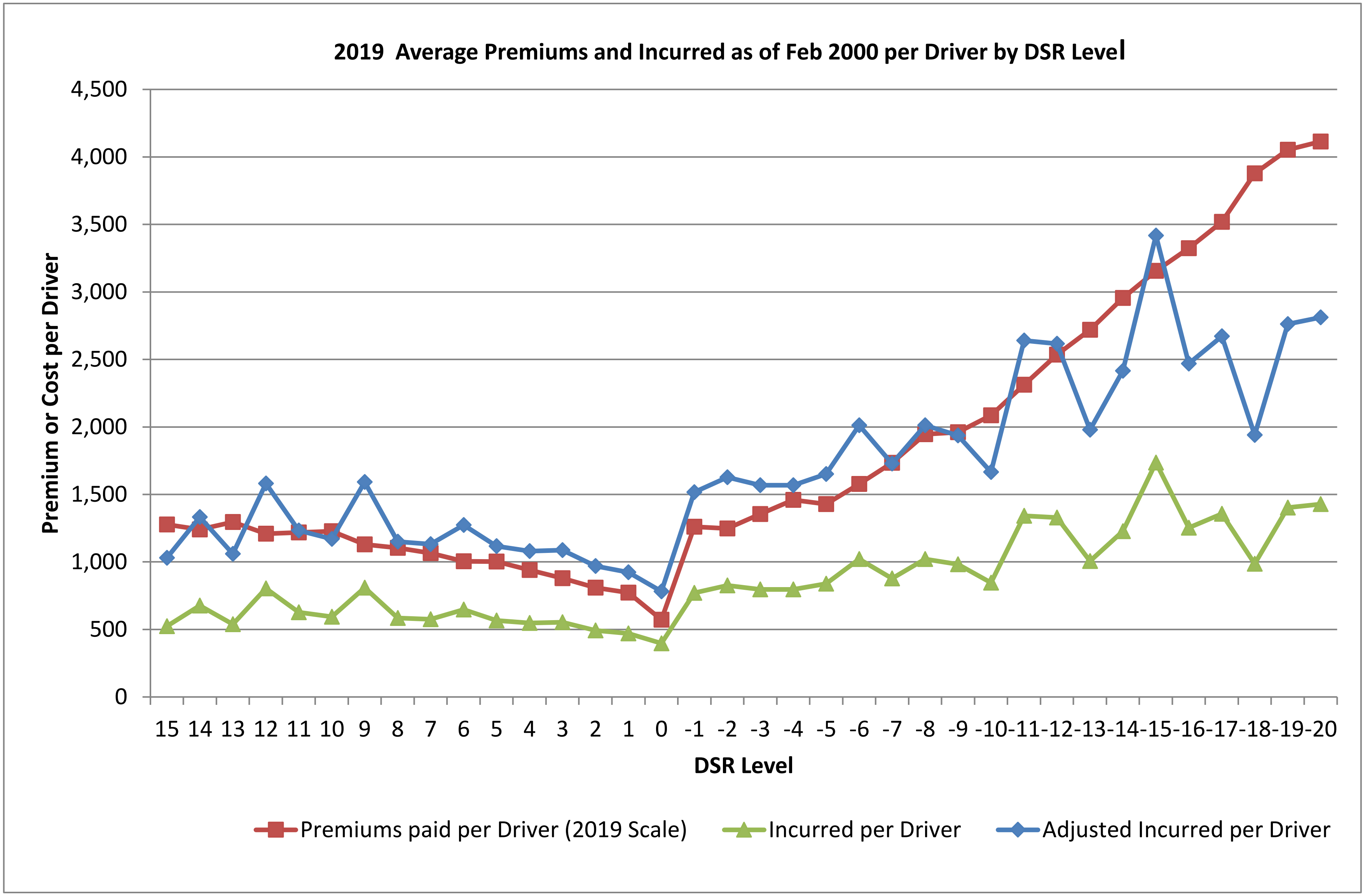
DSR Level	Vehicle + Driver Premium Collected 2021 PY	Earned Driver Units 2021 PY	Vehicle Premium per Driver Unit 2021 PY	2021 DSR Scale	Vehicle Premium + 2021 DSR Premium	3 Year Average at-fault Frequency	E (2021 PY at Fault Accidents)	Cost per Driver at $20K per At-Fault Accident	3 year average comprehensive frequency	E [2019 Policy Year Comp Claims]	Comp Cost per Unit	Assumed Total Cost per Driver
15	$409,456,923	305,827	$1,324	$15	$1,339	3.28%	10,030	$578	7.00%	21,400	$114	$691
14	$34,185,335	26,279	$1,281	$20	$1,301	4.51%	1,185	$794	7.86%	2,066	$128	$922
13	$41,090,784	30,233	$1,339	$20	$1,359	4.65%	1,407	$819	7.27%	2,198	$118	$937
12	$43,029,792	33,914	$1,249	$20	$1,269	5.13%	1,738	$903	7.18%	2,435	$117	$1,019
11	$36,939,708	28,903	$1,258	$20	$1,278	5.43%	1,571	$957	7.23%	2,091	$117	$1,074
10	$43,761,945	33,988	$1,268	$20	$1,288	5.56%	1,888	$978	6.75%	2,294	$110	$1,088
9	$35,665,199	30,115	$1,159	$25	$1,184	5.80%	1,745	$1,021	7.13%	2,147	$116	$1,136
8	$29,334,780	25,349	$1,127	$30	$1,157	5.94%	1,507	$1,047	6.53%	1,656	$106	$1,153
7	$30,972,968	27,730	$1,087	$30	$1,117	6.33%	1,756	$1,115	6.06%	1,680	$98	$1,213
6	$32,724,780	31,080	$1,023	$30	$1,053	6.42%	1,996	$1,131	5.81%	1,806	$94	$1,225
5	$32,081,362	30,522	$1,021	$30	$1,051	6.85%	2,090	$1,206	5.38%	1,641	$87	$1,293
4	$33,569,639	34,040	$956	$30	$986	7.22%	2,457	$1,271	5.01%	1,705	$81	$1,353
3	$35,902,683	38,969	$886	$35	$921	7.78%	3,031	$1,370	4.73%	1,842	$77	$1,446
2	$37,066,414	43,758	$812	$35	$847	8.40%	3,675	$1,479	4.19%	1,833	$68	$1,547
1	$41,331,391	51,071	$769	$40	$809	9.18%	4,688	$1,616	3.85%	1,964	$62	$1,679
0	$44,501,872	74,387	$553	$45	$598	7.80%	5,804	$1,374	2.93%	2,182	$48	$1,422
-1	$17,240,514	13,123	$1,114	$200	$1,314	11.30%	1,482	$1,989	5.90%	774	$96	$2,085
-2	$14,445,129	11,108	$1,100	$200	$1,300	11.50%	1,277	$2,025	6.01%	668	$98	$2,123
-3	$10,880,544	7,729	$1,108	$300	$1,408	12.17%	940	$2,143	5.99%	463	$97	$2,240
-4	$14,952,912	9,890	$1,112	$400	$1,512	12.37%	1,223	$2,178	6.21%	614	$101	$2,278
-5	$10,532,318	7,129	$1,027	$450	$1,477	13.67%	975	$2,407	6.21%	442	$101	$2,508
-6	$7,247,095	4,445	$1,131	$500	$1,631	14.03%	624	$2,471	6.62%	294	$108	$2,578
-7	$7,506,019	4,199	$1,138	$650	$1,788	14.06%	590	$2,476	6.77%	284	$110	$2,585
-8	$5,994,910	2,993	$1,203	$800	$2,003	14.59%	437	$2,569	6.42%	192	$104	$2,673
-9	$5,371,649	2,668	$1,113	$900	$2,013	14.61%	390	$2,573	7.44%	198	$121	$2,694
-10	$5,552,837	2,595	$1,140	$1,000	$2,140	15.24%	396	$2,684	7.08%	184	$115	$2,799
-11	$3,434,536	1,451	$1,167	$1,200	$2,367	16.38%	238	$2,884	7.51%	109	$122	$3,006
-12	$3,878,059	1,496	$1,192	$1,400	$2,592	16.09%	241	$2,834	8.10%	121	$132	$2,965
-13	$5,013,879	1,807	$1,175	$1,600	$2,775	17.47%	316	$3,076	7.82%	141	$127	$3,203
-14	$2,565,639	852	$1,213	$1,800	$3,013	15.72%	134	$2,768	7.97%	68	$129	$2,898
-15	$2,700,415	840	$1,213	$2,000	$3,213	20.48%	172	$3,606	7.15%	60	$116	$3,722
-16	$2,405,618	712	$1,179	$2,200	$3,379	22.84%	163	$4,021	8.16%	58	$132	$4,154
-17	$1,580,280	442	$1,175	$2,400	$3,575	19.23%	85	$3,386	7.68%	34	$125	$3,511
-18	$1,613,198	409	$1,341	$2,600	$3,941	23.49%	96	$4,136	9.00%	37	$146	$4,282
-19	$1,305,107	317	$1,316	$2,800	$4,116	20.08%	64	$3,535	8.14%	26	$132	$3,667
-20	$9,451,228	2,267	$1,169	$3,000	$4,169	28.00%	635	$4,931	9.05%	205	$147	$5,078
Total/Average	**1,095,287,460**	**922,638**	**1,112**	**75**	**1,187**		**57,045**	**1,089**		**55,913**	**98**	**1,187**
						Total Cost Except Comp		1,004,508,297	Comp Incurred at Ultimate for 2021 Major Use 1			90,779,163
						Total Cost Except Comp per Accident		17,609		Comp Cost per Comp Claim		1,624


2021/22 Projected Average Premiums and Claims Costs per Driver by DSR Level
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
Premium or Cost per Driver
15 14 13 12 11 10 9 8 7 6 5 4 3 2 1 0 -1 -2 -3 -4 -5 -6 -7 -8 -9 -10 -11 -12 -13 -14 -15 -16 -17 -18 -19 -20
DSR Level
Premiums paid per Driver (2021 Scale)
Costs per Driver

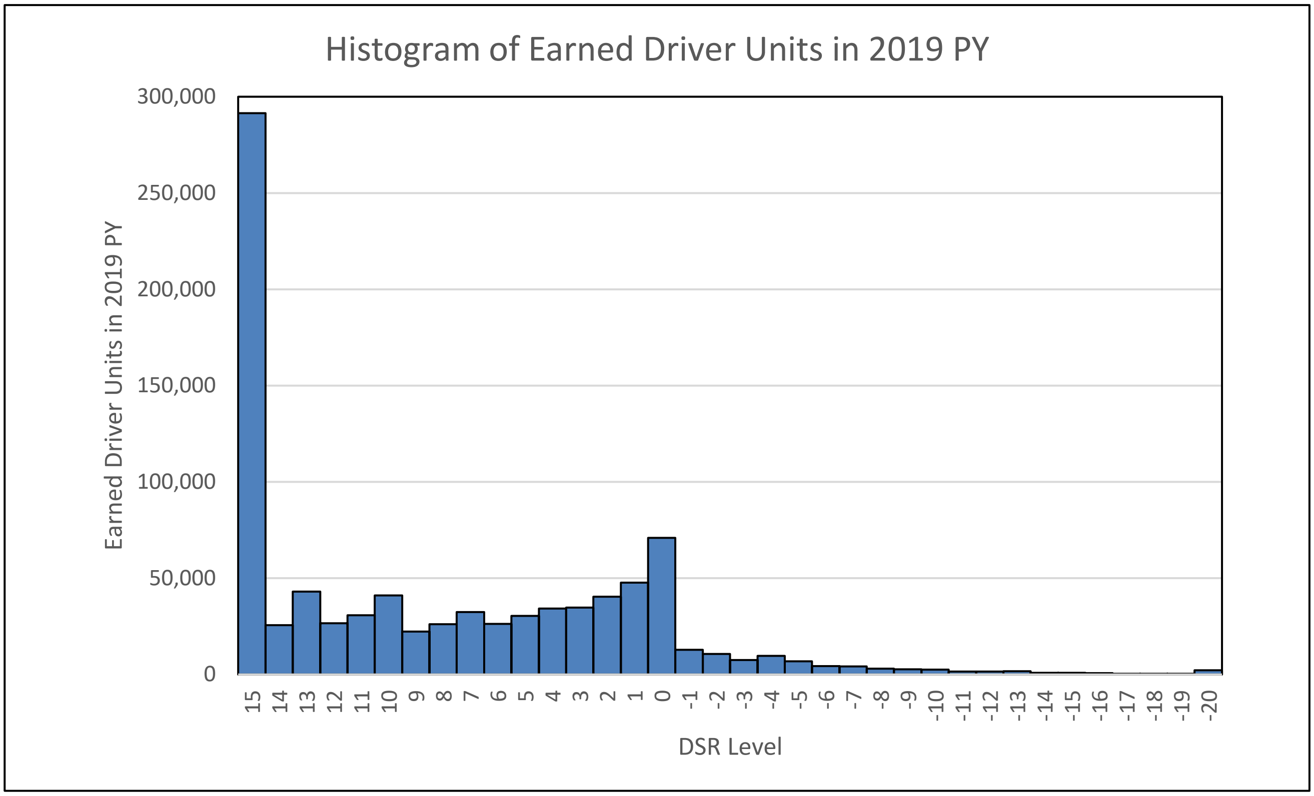
2019 Premium VS Incurred per Driver

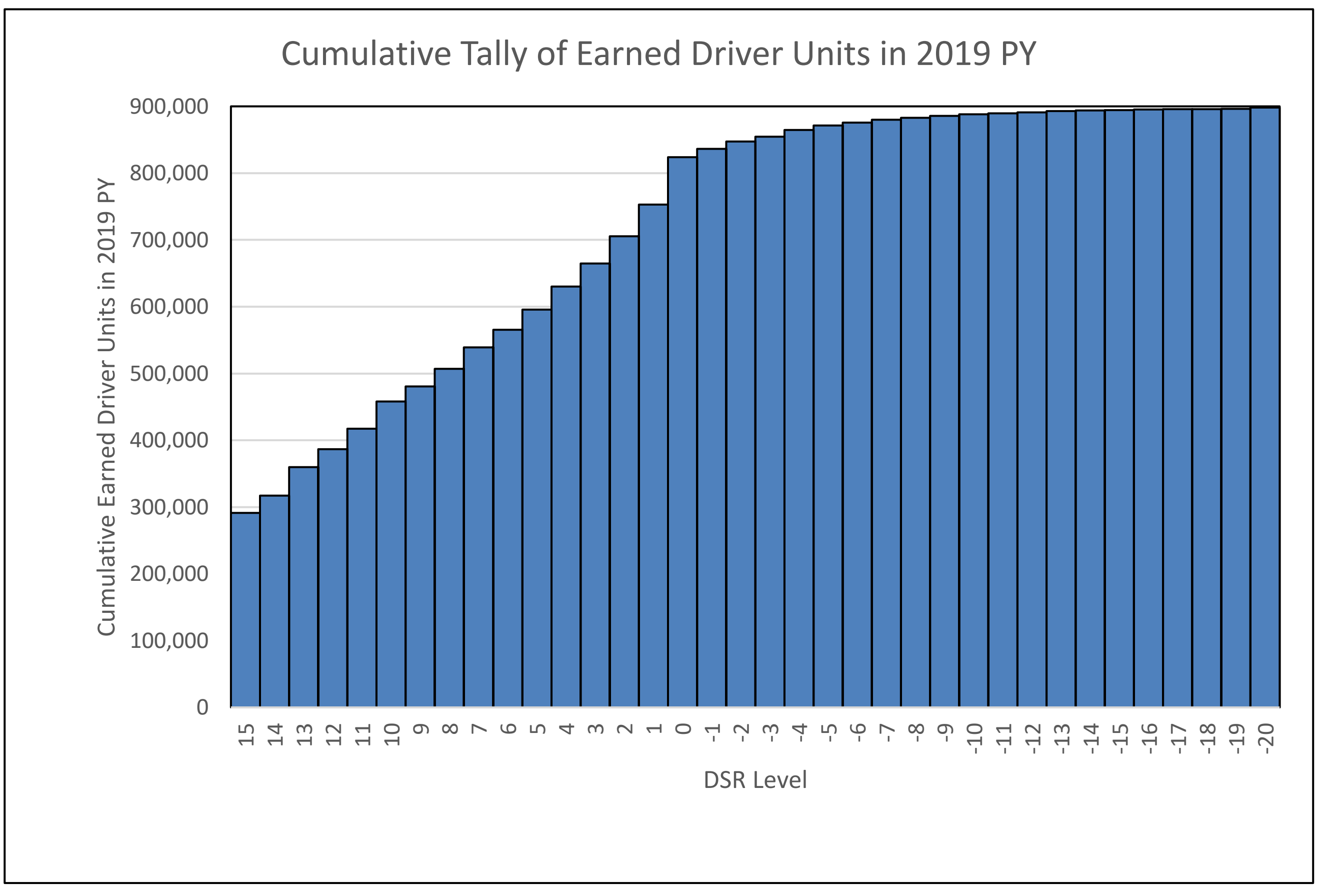
DSR	Vehicle Premium per Driver 2019 PY	2019 DSR Scale	Vehicle Premium + 2019 DSR Premium per Driver	Vehicle+Driver Premium Collected 2021 PY	ABO-I	ABO-NI	BI	COLLI	COMP	IRI	PD	Total Incurred	Total Incurred Adjusted	2019 PY Earned Driver Units	2019 Incurred per Driver	2019 Adjusted Incurred per Driver
15	1,261	15	1,276	371,891,557	10,950,479	5,321,963	752,978	104,223,394	20,523,678	2,780,016	7,962,817	152,515,325	300,302,923	291,384	523	1,031
14	1,220	20	1,240	31,660,270	1,976,896	392,243	2,500	11,390,079	1,989,006	525,339	991,953	17,268,016	34,000,752	25,526	676	1,332
13	1,276	20	1,296	55,725,058	1,990,351	1,061,588	35,000	15,310,009	2,980,378	625,556	1,159,646	23,162,528	45,607,054	43,003	539	1,061
12	1,190	20	1,210	32,239,355	1,539,310	618,333	75,000	14,983,340	2,704,105	378,030	1,110,356	21,408,474	42,153,321	26,649	803	1,582
11	1,199	20	1,219	37,461,943	1,342,904	767,621	58,453	12,961,724	2,545,804	534,034	1,037,024	19,247,563	37,898,482	30,742	626	1,233
10	1,208	20	1,228	50,347,831	1,832,903	823,530	72,000	16,637,311	3,054,091	771,241	1,192,319	24,383,395	48,010,944	41,011	595	1,171
9	1,105	25	1,130	25,154,948	1,168,113	643,389	70,072	12,367,557	2,359,912	463,866	933,369	18,006,278	35,454,391	22,270	809	1,592
8	1,074	30	1,104	28,885,419	784,116	555,845	110,000	10,712,378	2,051,202	238,832	822,501	15,274,873	30,076,249	26,165	584	1,149
7	1,036	30	1,066	34,520,863	1,258,593	386,862	102,405	13,145,128	2,303,685	466,982	955,410	18,619,065	36,660,970	32,396	575	1,132
6	975	30	1,005	26,429,914	1,250,941	401,427	10,785	11,853,895	2,381,755	278,905	838,564	17,016,272	33,505,067	26,310	647	1,273
5	973	30	1,003	30,499,623	1,131,400	1,061,037	10,000	11,699,470	2,229,842	304,350	807,105	17,243,204	33,951,896	30,414	567	1,116
4	911	30	941	32,263,525	1,515,475	579,398	185,000	12,848,927	2,033,358	760,170	886,331	18,808,658	37,034,279	34,287	549	1,080
3	844	35	879	30,526,373	1,139,327	393,123	95,000	13,623,782	2,436,561	436,333	1,050,193	19,174,319	37,754,265	34,712	552	1,088
2	774	35	809	32,700,458	1,205,278	533,207	100,100	13,700,618	2,600,718	683,014	1,089,416	19,912,351	39,207,452	40,436	492	970
1	733	40	773	36,818,158	1,679,677	455,739	146,680	15,625,097	2,780,852	407,804	1,267,989	22,363,839	44,034,434	47,634	469	924
0	527	45	572	40,553,857	1,823,626	544,682	117,845	19,373,064	3,785,532	727,903	1,781,846	28,154,498	55,436,252	70,885	397	782
-1	1,061	200	1,261	16,115,951	641,361	403,793	75,000	6,398,321	1,361,488	228,506	739,755	9,848,224	19,391,168	12,779	771	1,517
-2	1,048	200	1,248	13,401,572	830,867	883,160	30,000	5,229,766	1,084,628	410,911	397,479	8,866,810	17,458,764	10,735	826	1,626
-3	1,055	300	1,355	10,101,927	458,346	182,361	0	3,942,999	770,361	319,402	263,698	5,937,167	11,690,292	7,453	797	1,569
-4	1,059	400	1,459	14,188,511	421,397	320,476	20,000	5,262,011	1,170,890	125,214	426,468	7,746,457	15,252,787	9,722	797	1,569
-5	979	450	1,429	9,770,653	292,487	210,180	65,000	3,831,062	900,223	124,267	309,912	5,733,132	11,288,546	6,839	838	1,651
-6	1,077	500	1,577	6,808,214	501,903	157,502	20,000	2,517,525	628,058	349,050	236,584	4,410,623	8,684,525	4,317	1,022	2,012
-7	1,084	650	1,734	7,380,014	140,367	51,363		2,645,532	600,499	87,556	209,798	3,735,115	7,354,448	4,256	878	1,728
-8	1,146	800	1,946	5,808,836	148,050	239,625	10,000	1,926,477	497,359	69,755	157,991	3,049,256	6,003,990	2,985	1,021	2,011
-9	1,061	900	1,961	5,204,580	98,742	204,299	75,000	1,537,196	539,265	27,000	128,206	2,609,709	5,138,520	2,654	983	1,936
-10	1,086	1000	2,086	5,263,286	95,135	32,130		1,468,432	392,327	66,000	81,851	2,135,876	4,205,542	2,523	846	1,667
-11	1,112	1200	2,312	3,393,423	247,769	135,061		1,084,453	250,012	140,445	110,900	1,968,640	3,876,255	1,468	1,341	2,641
-12	1,136	1400	2,536	3,855,058	343,933	25,262		1,138,224	285,879	100,211	127,182	2,020,690	3,978,742	1,520	1,329	2,617
-13	1,119	1600	2,719	4,798,586	131,764	43,319		1,143,242	298,405	64,547	92,981	1,774,257	3,493,516	1,765	1,006	1,980
-14	1,155	1800	2,955	2,519,004	31,767	14,000		700,104	242,733	9,000	48,419	1,046,023	2,059,621	852	1,227	2,416
-15	1,156	2000	3,156	2,519,387	224,332	143,903	50,000	739,712	114,028	65,801	48,045	1,385,820	2,728,682	798	1,736	3,418
-16	1,123	2200	3,323	2,270,917	64,292	37,856		533,569	166,033	25,000	29,961	856,711	1,686,866	683	1,254	2,468
-17	1,120	2400	3,520	1,552,093	45,553	1,606		399,622	118,420	9,378	23,918	598,498	1,178,443	441	1,357	2,672
-18	1,278	2600	3,878	1,525,424	35,297	1,606		271,910	54,702	5,297	18,919	387,731	763,442	393	986	1,941
-19	1,254	2800	4,054	1,278,687	33,407	14,459		328,630	40,866		25,078	442,439	871,164	315	1,403	2,762
-20	1,114	3000	4,114	8,719,169	144,660	25,663	35,000	1,823,984	744,545	101,888	151,378	3,027,119	5,960,402	2,119	1,428	2,812
Total				1,024,154,446								520,138,955				
												Adjustment factor	1.97			

Note: the 2019 incurred is as of Feb 29,2000. The adjusted incurred is adjusted to bring the incurred total to total premium level.


2019 Average Premiums and Incurred as of Feb 2000 per Driver by DSR Level
Premium or Cost per Driver
0
500
1,000
1,500
2,000
2,500
3,000
3,500
4,000
4,500
15 14 13 12 11 10 9 8 7 6 5 4 3 2 1 0 -1 -2 -3 -4 -5 -6 -7 -8 -9 -10 -11 -12 -13 -14 -15 -16 -17 -18 -19 -20
DSR Level
Premiums paid per Driver (2019 Scale)
Incurred per Driver
Adjusted Incurred per Driver

DSR	Earned Driver Units in 2019 PY	Cumulative Earned Driver Units in 2019 PY
15	291,384	291,384
14	25,526	316,910
13	43,003	359,913
12	26,649	386,562
11	30,742	417,304
10	41,011	458,315
9	22,270	480,585
8	26,165	506,751
7	32,396	539,147
6	26,310	565,457
5	30,414	595,870
4	34,287	630,157
3	34,712	664,869
2	40,436	705,305
1	47,634	752,938
0	70,885	823,824
-1	12,779	836,602
-2	10,735	847,337
-3	7,453	854,790
-4	9,722	864,512
-5	6,839	871,351
-6	4,317	875,668
-7	4,256	879,924
-8	2,985	882,909
-9	2,654	885,563
-10	2,523	888,087
-11	1,468	889,554
-12	1,520	891,075
-13	1,765	892,839
-14	852	893,692
-15	798	894,490
-16	683	895,173
-17	441	895,614
-18	393	896,008
-19	315	896,323
-20	2,119	898,443
Total	**898,353**	


Histogram of Earned Driver Units in 2019 PY
Earned Driver Units in 2019 PY
300,000
250,000
200,000
150,000
100,000
50,000
0
15 14 13 12 11 10 9 8 7 6 5 4 3 2 1 0 -1 -2 -3 -4 -5 -6 -7 -8 -9 -10 -11 -12 -13 -14 -15 -16 -17 -18 -19 -20
DSR Level


Cumulative Tally of Earned Driver Units in 2019 PY
Cumulative Earned Driver Units in 2019 PY
900,000
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
15 14 13 12 11 10 9 8 7 6 5 4 3 2 1 0 -1 -2 -3 -4 -5 -6 -7 -8 -9 -10 -11 -12 -13 -14 -15 -16 -17 -18 -19 -20
DSR Level

CAC (MPI) 1-32

Part and Chapter:	**Part II – Basic Autopac Coverage**	**Page No.:**	**16**
PUB Approved Issue No:	**2. Rate indication**		
Topic:	**BAC. 5 Motorcycle Product Review**		
Sub Topic:			

Preamble to IR:

> *"This analysis examined the fairness of motorcycle rates with the following objectives:*
>
> 1. *Reduce motorcycle rates*
> 2. *Increase road safety*
> 3. *Ensure that all motorcyclists contribute a fair share to the premium pool"*

Question:

Please file a copy of the motorcycle product review report.

Rationale for Question:

To obtain a better understanding of the motorcycle product review and the potential impact on motorcycle rates.

RESPONSE:

Motorcycle Product Review Summary, February 10, 2020

In June 2018, MPI undertook a motorcycle product review. The goal of the review was to explore various ways to reduce motorcycle premiums, increase road safety through reviewing graduated drivers licensing (GDL) and ensure that motorcyclists pay their fair share of premium via the driver safety rating (DSR). Additionally, MPI met with the Coalition of Manitoba Motorcycle Groups (CMMG) in July 2018, during which meeting the CMMG offered various points for discussion.

The table below summarizes the various topics that MPI considered in its review and addresses the points for discussion brought forward by the CMMG.

No.	Topic of Interest	Description of Topic	Summary of Findings	Current Status
1	Non-seasonal premium method Anticipated Primary Benefits: • Potential premium reduction for those choosing less than a full year of riding • Maximize premium contribution by those only riding in shoulder or off season today	Motorcyclists only pay during the riding season May –September. There are loop-holes here and some riders don't pay much premium at all, but ride all winter. Since we introduced the seasonal premium method, loss rates increased in April and September. Should we go back to yearly premium, monthly premium or a variation?	• Customer savings are difficult to quantify as each customer may elect to retain or cancel their policy at various times during the insurance year. • Limiting riding to the core season and cancelling the policy thereafter could result in an initial premium reduction of up to 20%, however the customer would also have no Basic Autopac coverage outside of the core riding season. • Ideally this would reduce rates by limiting exposure on the shoulder months, April and October, but also close the opportunity to ride in the non-season without paying seasonal premiums. • Customers would be required to determine when to insure and uninsure their motorcycle throughout the year. • Proposal would have the majority of premium earned during the riding season with a portion earned outside of the riding season. The goal would be to reduce the number of customers that "ride for free".	**Business Case Completed** Implementation of this initiative has being deferred due to the cost to implement. It is proposed that this initiative be re-examined after the NOVA project has been implemented to determine whether to move forward at that time. MPI will continue to engage with the CMMG to refine and develop the proposal.
2	Charge for class 6 licence Anticipated Primary Benefits: • Contribution to the premium pool by those who ride but don't hold a policy • Policy holders should realize a net reduction in premiums	There are 21,000 motorcycles registered but there 75,000, valid class 6 licenses. Should MPI charge a fee to maintain a class 6 licence?	• This initiative would see motorcycle licence holders charged a $45 annual fee to retain their class 6 driver's licence, which is equivalent to the current driver licence base premium. • The total number of potential customers (those with a class 6 licence) is currently 75,000. Since it is unrealistic to expect all 75,000 customers to be willing to pay the licence charge in order to retain their licence, a range of 70,000	**Business Case Completed** Implementation of this initiative has being deferred due to the cost to implement. It is proposed that this initiative be re-examined after the NOVA project has been implemented to determine whether to move forward at that time.

No.	Topic of Interest	Description of Topic	Summary of Findings	Current Status
			(maximum) dropping to 30,000 was used to demonstrate the total revenue and the potential premium reduction. (Maximum revenue: 70,000 x $45 = $3,150,000). • It is assumed that a minimum of 21,000 licence premiums would be collected as this is the number of licences required to operate the 21,000 registered motorcycles. (Minimum revenue: 21,000 x $45 = $945,000). • The premiums collected by the class 6 driver's licence would be directly put back into the motorcycle pool with the goal of reducing rates. Impact would be dependent on the number of customers that retain their class 6 driver's licence. • This proposal is more equitable in terms of drivers who incur claim costs will contribute directly to the motorcycle premium pool.	MPI will continue to engage with the CMMG to refine and develop the proposal.
3	No DSR discount for registered owners without a class 6 licence Anticipated Primary Benefit(s): • Maximize premium contribution to the pool • Fairness	Whether MPI should remove the DSR discount for motorcycle policyholders that do not hold a Class 6 licence?	• It was identified that there is a segment of basic motorcycle policyholders who do not hold a valid class 6 driver's licence and the potential exists for some Class 6 drivers to seemingly take advantage of a loophole in the DSR system in order to pay lower premiums. This is achieved by insuring through another party who does not have a Class 6 licence, but has a better driving record. • If the DSR discount afforded to the non-class 6 licensed motorcycle policyholders was revoked, the maximum additional	**Business Case Completed** Implementation of this initiative has being deferred due to the cost to implement. It is proposed that this initiative be re-examined after the NOVA project has been implemented to determine whether to move forward at that time. MPI will continue to engage with the CMMG to refine and develop the proposal.

No.	Topic of Interest	Description of Topic	Summary of Findings	Current Status
			premium recovered would be approximately $250,000 annually. • However, the analysis also shows that if the policyholder was switched to a class 6 licence holder, the net premium gain would likely be $0 if we assume the DSR discount distribution of existing class 6 policy holders. • May contribute to lower premium requirement by class 6 Basic motorcycle policy holders today. • May contribute to some motorcycle claims reduction where drivers with poor driving records remove themselves from the risk pool.	
4	Claims Cost Allocation Anticipated Primary Benefit(s): • Potential to reduce motorcycle premiums	Whether revisions to claims cost allocation (loss transfer) for motorcycles is warranted to reduce premiums?	• The PUB via Board Order 97/05 directed MPI to move to a Loss Transfer model. • Under this model, in any accident involving only MPI-insured vehicles (one or more) and no other injured party, total PIPP costs are allocated equally (per vehicle) across the rating categories to which those vehicles belong. • In an accident involving one or more MPI-insured vehicles and (i) one or more unidentified hit-and-run offenders, or (ii) another injured party or parties (including cyclists, pedestrians, and occupant(s) of out-of-province vehicles), 50% of total PIPP costs are to be allocated equally across the rating categories to which the MPI-insured vehicles belong, and the remaining 50% of total PIPP costs are to be effectively allocated across all vehicle rating categories.	**Analysis Completed - No Further Action at This Time** Our current methodology is consistent with the PUB directed Loss Transfer model.

No.	Topic of Interest	Description of Topic	Summary of Findings	Current Status
			• A claims cost allocation methodology based on full third party (at-fault) cost allocation may reduce motorcycle premiums. • However this methodology would be a departure from current methodology, treat motorcycle allocation differently than other vehicle types, be counter to the concept of PIPP being no-fault (today, shared allocation), and not recognize the inherent risk that motorcycles represent.	
5	Transferable Licence Plates for multi-bike owners Related topic: "Collector Plates" (CMMG Point for Discussion) Anticipated Primary Benefit(s): • Potential to reduce premiums for multiple bike owners	Should MPI adopt a system to switch the licence plate to either of two motorcycles as long as the most expensive one is registered (can't drive two at the same time). Suggestion of a Collectors Plate much like a Dealer plate that can be transferred from one bike to another. Benefit to the rider is being able to have more access to a group of motorcycles. Benefit to MPI is more premiums purchased, hence more revenue.	• A transferable motorcycle plate is not common among government insurers. • Multi-vehicle insurance discounts are not common among government insurers. • Collecting PIPP premium on the first bike only would result in PIPP premium dropping by approximately 12% resulting in this increase being applied to all motorcycle rates. • As it currently stands, motorcycle rates are sufficient. Removing PIPP coverage from the second motorcycle policy will decrease overall premium resulting in a premium deficiency for the motorcycle pool (and potential rate increase for all motorcyclists). • Changes to the current methodology for a small population (11% of motorcycle policy holders) could result in other stakeholder groups (e.g. collector vehicles) also requesting similar change.	**Analysis Completed - No Further Action at This Time** Removing PIPP coverage from the second motorcycle policy will decrease overall premium resulting in a premium deficiency for the motorcycle pool (and potential rate increase for all motorcyclists).
6	More aggressive GDL Anticipated Primary Benefit(s):	Should the GDL for motorcycles be more robust?	• MPI has a multi-staged GDL program and requires rider experience to progress to a full unrestricted motorcycle licence.	**Analysis Completed – No Further Action at This Time**

No.	Topic of Interest	Description of Topic	Summary of Findings	Current Status
	• Safer riders, potential to reduce motorcycle premiums via less claims exposure	Should there be more restrictions, limits on horsepower, and bike size?	• SAAQ provides MC licences in accordance with the engine size the driver wants to operate. • None of the North American jurisdictions scanned placed restrictions on MC size/body style outright. • Some E.U. jurisdictions place age and weight to power restrictions on licences. • MPI data found that young riders contribute to a greater percentage of losses (however this could be related to disproportionate number of motorcycle licences versus policies). • However, collision severity is lower for riders 30 years of age and under. • Sport bikes have double the loss proportion of claims to policy count when compared to the other body styles. • Average severity of Touring Bikes are about twice that of Sport Bikes for both injury and physical damage.	The jurisdictional scan was inconclusive to suggest there was a better model as compared to our current program. Modifications to the GDL would also need to also consider implications on reciprocal agreements with other jurisdictions.
7	DSR on class 6 Anticipated Primary Benefit(s): • A separate safety rating for motorcycles (Motorcycle Safety Rating - MSR) could result in more fairness in rates	Should there be a DSR specific to class 6?	• This topic was discussed at a high level, but ultimately no action was taken. • This was proposed to address discounts provided to novice motorcycle drivers. • MPI is currently undertaking an overall review of its DSR system. Whether motorcycles require their own DSR scale could be part of this review and analysis.	**No Further Action at This Time** MPI is currently undertaking a review of its Driver Safety Rating (DSR). Once the DSR review has been concluded, it would then be appropriate to consider whether the development of a separate motorcycle DSR is warranted.
8	Reduced no-fault injuries Anticipated Primary Benefit(s): • Potential for reduced motorcycle premiums	Should MPI adopt a model similar to SGI where we offer reduced PIPP in exchange for a 20% premium decrease?	• In 2016, MPI briefly reviewed the topic of reduced no-fault benefits for motorcycles. This review was in response an announcement in October 2015 by Saskatchewan Government Insurance to offer the option of reduced	**No Further Action at This Time** Prior analysis on this topic is still valid and likely still no support to make this change.

No.	Topic of Interest	Description of Topic	Summary of Findings	Current Status
			no-fault benefits for motorcyclists starting in the 2016 riding season. • Changes were initiated due to significant rate increases to motorcycle premiums. • At the time, MPI did not recommend going forward with a similar reduced no fault option due to sufficiency of motorcycle rates and MPI already having comparable rates to SGI's reduced no-fault benefit rates.	SGI has not had much take up for their reduced benefits. It would be difficult to justify lower levels of coverage for only motorcycles and would run counter to PIPP principles.
9	Optional physical damage coverage Anticipated Primary Benefit(s): • Potential for reduced motorcycle premiums	Allow a motorcycle customer to select only PIPP coverage and opt out of physical damage coverage (e.g. collision and upset).	• Currently motorcyclists indicate their declared value range (between 0 and $50,000) for their motorcycle which determines rate group and associated premium. • Comprehensive coverage for motorcycles is already optional coverage and not included in motorcycle Basic insurance coverage.	**No Further Action at This Time** The concept of optional physical damage is likely a non-starter. This would have little effect on premium as PIPP is a significant portion of motorcycle premiums.
10	Motorcycle Appraisers (CMMG Point for Discussion) Anticipated Primary Benefit(s): • Match premium to actual vehicle value	MPI approved appraisers to evaluate a motorcycle value which can be purchased by policy owners establishing a value of the insured motorcycle. Benefit to the policy holder is an established value of the motorcycle leading to a no hassle payout on a policy. Benefit to MPI is additional revenue from special policies.	• Uncertain as to whether or not formal appraisal networks for motorcycles exist. • If there are appraisers, they would need to be accessible across Manitoba.	**No Further Action at This Time** It is likely not cost effective for MPI to establish an appraisal program in order to evaluate motorcycle value.

No.	Topic of Interest	Description of Topic	Summary of Findings	Current Status
11	Advanced Rider Incentives (CMMG Point for Discussion) Anticipated Primary Benefit(s): • Safer riders, potential to reduce motorcycle premiums via less claims exposure	Encourages involvement in the Advanced Rider Course either by MPI subsidy or by a policy discount to any rider who takes the course. Benefit to the rider/policy holder is a premium discount, lifesaving knowledge from the course, or MPI subsidy. Benefit to MPI is reduced PIPP claims, as well as vehicle damage claims. The CMMG firmly believes that education and training reduces injuries and claims by promoting safe operating techniques and habits.	• The Experienced Rider Program and other motorcycle training options are offered through Safety Services Manitoba and provide curricula developed by the Canada Safety Council. • The course offering was requested by MPI based on input from the CMMG indicating high demand for the program in the province. • The Program was delivered once in 2015 and has not been delivered since due to lack of enquires from the public, although it remains on offer.[1] • The Corporation is not currently considering an economic incentive for the program. • MPI has responded to IRs on this subject in both the 2019 and 2020 GRA, which in summary state: ○ The Corporation plans to complete a business case in 2018/19 with stakeholder consultation, to determine the potential benefits and financial impact of subsidizing the Experienced Rider Program.[2] ○ MPI plans to complete a review of the Experienced Rider Program by late fall 2019 and to share the results of this review in the 2021 GRA.[3]	**No Further Action at This Time** To date, there has been no demand from riders for the advanced course. Road Safety is unable to determine whether this additional refresher training has a positive effect on rider safety – and fewer collisions or convictions. Currently, Safety Services Manitoba (SSM) offers an Experienced Rider Program – for $179 per person – which includes 2 hours of theory/classroom and 6 hours of practical on-bike sessions. This is priced considerably less than the one-day basic (8 hours) program (cost of $325) or the 3-day Gearing Up course (cost of $250 – once MPI's $200 rebate is applied). Road Safety has indicated in discussions with CMMG that in order to make a business case with a positive ROI, more riders would need to take the current Experienced Rider course and their safety results would need to be better than riders who have not taken the course.

[1] 2017 Rate Application, CMMG (MPI) 2-9
[2] 2019 GRA, CMMG (MPI) 1-10
[3] 2020 GRA, CMMG (MPI) 2-3

No.	Topic of Interest	Description of Topic	Summary of Findings	Current Status
				It is unknown if cost is the only barrier in experienced riders not taking the course.
12	Multi-vehicle Discounts for Motorcycles (CMMG Point for Discussion) Anticipated Primary Benefit(s): • Potential for reduced motorcycle premiums	Is the current rating system “double dipping”? Most motorcycles owners also own other passenger vehicles and pay PIPP on all vehicles, but they only drive one at a time. It is the CMMG’s observation, however, that when the motorcycle is being ridden, in most cases, the other vehicle remains unused, thereby reducing its risk. Motorcyclists as a rule, do not share their ride.	• MPI’s insurance model currently places insurance at the vehicle level. Rates reflect the risk presented. • If MPI were to provide discounts for insuring multi-vehicles, others would be required to subsidize that cost. • It would be difficult to ensure that the other vehicle is not being driven at the same time.	**No Further Action at This Time** The current DSR system does allow for all eligible policies to receive a discount when the registered owner has a positive DSR rating. This discount is available whether one or multiple vehicles are registered.
13	Flat rate for PIPP (CMMG Point for Discussion) Anticipated Primary Benefit(s): • Potential for reduced motorcycle premiums	The fairest way might be to establish a flat rate for PIPP premiums and spread them equally across all vehicle groups, with increases based on experience and driving record, not severity of injuries. Penalties should be attached to the drivers licence and not the vehicle.	• PIPP cost allocation (PCA) was ordered by the PUB (Order 97/08). • This Order resulted in a reduction of approximately 20% of the PIPP claims costs allocated to the motorcycle major class. • The expected PIPP claims costs after PCA are the basis for calculating the current motorcycle rates, and as such, the Corporation believes this methodology is a fair approach to recovering PIPP claims	**No Further Action at This Time** The “same rate for all” (i.e. ‘flat’) approach is not reasonable since all vehicles or drivers would pay the same PIPP premium regardless of the risk presented. A flat rate approach would result in customers with lower PIPP costs subsidizing customers with higher PIPP costs.

No.	Topic of Interest	Description of Topic	Summary of Findings	Current Status
			costs from the vehicles and drivers that are responsible for these costs.[4] • Based on 2017/18 data, average PIPP claims costs per HTA earned unit would be $167 and average PIPP claims cost per licensed driver would be $186.	Even if a flat rate approach was used, it would be assumed that a distinct PIPP cost attributed to motorcycle licences would be needed to recoup the costs related to motorcycle claims.
14	Allocate a greater share of PIPP to larger vehicles (CMMG Point for Discussion) Anticipated Primary Benefit(s): • Potential for reduced motorcycle premiums	Motorcyclists are vulnerable road users and more likely to sustain more serious bodily injuries in accidents, but are less likely to inflict serious injury on pedestrians, cyclists or the occupants of automobiles and trucks. Conversely, larger vehicles have the potential to inflict serious injury to pedestrians, riders and occupants of smaller vehicles. Perhaps premium methodology should be revised so these vehicles bear a greater share of the PIPP costs.	• Allocation formula is set in accordance with PUB.	**No Further Action at This Time** PIPP costs related to different sizes of vehicle was addressed in a special hearing on claims cost attribution (loss transfers), resulting in Order 97/05. The Order required that total PIPP costs of a collision be attributed equally across rating categories of all vehicles involved. All vehicle types would be treated the same in multi-vehicle accident. PUB expects that PIPP loss costs for commercial and public use vehicles would increase under this approach, given the propensity of these vehicles to cause more damage.

[4] 2017 Rate Application, CMMG (MPI) 2-6

No.	Topic of Interest	Description of Topic	Summary of Findings	Current Status
15	Transfer PIPP premiums to the driver's licence (CMMG Point for Discussion) Anticipated Primary Benefit(s): • Cost of the motorcycle policy will reduce • Advantages to those owning multiple bikes	It is the driver who causes accidents and not the vehicle; therefore, considering that 27% or nearly 1/3 of PIPP claims are from licensed drivers who do not own a vehicle, it would be a much more equitable system if PIPP premiums were transferred, all or in part, to the drivers licence, rather than placed solely on the vehicle.	• PIPP on the driver's licence is currently not how MPI allocates PIPP premiums as insurance is at the vehicle level today. • Transferring the cost of PIPP to the driver's licence would be a major departure from how PIPP is allocated today. • The transfer of PIPP to the driver's licence would have to apply to all vehicles/licensed drivers. • Could make the having a driver's licence cost prohibitive. • Proposal to introduce a motorcycle licence fee could be considered a precursor although the primary benefit is to ensure all those who represent an operating risk contribute to the pool.	**No Further Action at This Time** MPI will continue to track developments surrounding this idea however will not pursue anything further at this time. Drivers who demonstrate higher risk driving behavior will pay higher driver premiums based on the current DSR program.
16	Transfer all penalties to driver's licence (CMMG Point for Discussion) Anticipated Primary Benefit(s): • Potentially more fair application of merits/demerits • Penalizes the person who actually causes the accident, not the owner of the vehicle	Current bonus/malus system of merits and demerits is currently applied in an inequitable manner. Added costs for loss of merits or an increase in demerits is now applied to both the drivers licence and to all vehicles owned by the driver. However those who don't own vehicle, but drive a vehicle owned by another family member or	• The Public Utilities Board has ordered MPI to conduct a review of the DSR model and parts of the Autopac premium rating system to ensure the rates charged to our customers reflect their risk as best as possible, are fair and equitable, and that overall, the premiums collected continue to be adequate to cover the costs of auto insurance claims. • Proposed loss of DSR discount eligibility for non-licensed motorcycle owner begins to, in part, address this issue.	**No Further Action at This Time** This topic may be addressed in whole or in part by the outcome of the DSR review.

No.	Topic of Interest	Description of Topic	Summary of Findings	Current Status
		employer, only pay on the drivers licence. This system also encourages "high risk drivers" to transfer ownership to other family members.		

CAC (MPI) 1-33

Part and Chapter:	Part VI – Ratemaking	Page No.:	21
PUB Approved Issue No:	2		
Topic:	Investment Income in AAP calc		
Sub Topic:			

Preamble to IR:

Question:

Is there any consideration in the calculation of the overall required rate change to account for the investment income on total equity?

Rationale for Question:

To understand how the total investment income of the Corporation is embedded in the calculation of the overall required rate change.

RESPONSE:

Per the footnote in *Ratemaking, page 28*,

> *"Investment income earned on the RSR is not considered a costs offset for determining the breakeven required rates. The investment income earned on the RSR is accounted for in the rate adjustments made as a result of MPI's Capital Management Plan discussed in Ratemaking RM.4.2.6".*

CAC (MPI) 1-34

Part and Chapter:	**Part VI – Ratemaking**	**Page No.:**	**8**
PUB Approved Issue No:	**2. Rate indication**		
Topic:	**Rate Group—Clear changes**		
Sub Topic:			

Preamble to IR:

> ***"Passenger Vehicle and Light Trucks (including Heavy-Rated-as-Light Trucks)****. The CLEAR system is used for assigning rate groups to passenger vehicles and light trucks (including heavy-rated-as-light trucks). Changes to rate group assignments from updated CLEAR rate groups result in changes to overall revenues. Offset adjustments are applied to ensure revenue neutrality. Two offsets are calculated for CLEAR rated vehicles, one for passenger vehicles (1.27%), and one for light trucks (0.67%)."*

Question:

a) Please provide a narrative explanation of the "Changes to rate group assignments from updated CLEAR rate groups result in changes to overall revenues".

b) Please provide a narrative explanation of the two offsets "calculated for CLEAR rated vehicles, one for passenger vehicles (1.27%), and one for light trucks (0.67%)."

Rationale for Question:

To clarify and better understand the updated CLEAR rate groups impact on premium revenues.

RESPONSE:

a) Rate groups for passenger vehicles and light trucks (including heavy-rated-as-light trucks) are updated on an annual basis with new CLEAR rate groups.

Each rate group has a specific rate associated with it for each insurance use and territory combination. Consequently any change in rate group results in a corresponding change in rate to each individual policy.

There are a total of 816,527 policies in the rate model receiving CLEAR rate group adjustments. The result of these adjustments for 2021 are as follows:

- 262,537 move up by one rate group
- 190,292 remain in the same rate group
- 169,307 move down by one rate group
- 140,571 move down two rate groups
- 48,495 move down three rate groups
- 5,060 move down four rate groups
- 265 move down five rate groups

The cumulative effect of CLEAR rate group adjustments will always be either an increase or decrease in the overall premium revenue for this segment of rated vehicles. For 2021, the overall revenue change resulting from rate group adjustments to passenger vehicles and light trucks (including heavy-rated-as-light trucks) is a revenue decrease of ($10,936,304).

b) Rate Group Offset adjustments are applied to all policies, on an individual basis, in order to balance back the overall revenue loss stated in part (a) above. MPI calculates and applies these adjustments by vehicle type resulting in two separate offsets, one for passenger vehicles and one for light trucks.

The premium revenue for CLEAR rated passenger vehicles was $748,911,263 prior to rate group adjustments and $739,509,094 thereafter. This resulted in a revenue decrease of $9,402,169. An offset adjustment of 1.27% was then applied in the Rate Model to ensure revenue neutrality.

The premium revenue for CLEAR rated light trucks (including heavy-rated-as-light trucks) was $230,387,806 prior to rate group adjustments and $228,853,671 thereafter. This resulted in a revenue decrease of $1,534,135. An offset adjustment of 0.67% was applied in the Rate Model to ensure revenue neutrality.

CAC (MPI) 1-35

Part and Chapter:	Part VI – Ratemaking	Page No.:	9
PUB Approved Issue No:	2. Rate indication		
Topic:	Rate Group—Clear changes		
Sub Topic:			

Preamble to IR:

> *"The annual vintaging of the heavy truck rate groups results in a change in revenue. A rate group offset adjustment of 3.81% was applied to ensure revenue neutrality."*

Question:

Please provide a narrative explanation of the offset adjustment of 3.81% resulting from heavy truck rate group vintaging and to which rate group(s) is the offset applied to.

Rationale for Question:

To clarify and better understand the updated CLEAR rate groups impact on premium revenues.

RESPONSE:

The rate groups for heavy trucks have a range of 1 to 17. In the 2021 General Rate Application, MPI added all heavy trucks with a model year greater than or equal to 2022 to rate group 17. It then vintaged down every other model year a rate group, except those already in rate group 1, which remain in that group. Currently, rate group 1 includes all heavy trucks with model years less than or equal to 2006.

The premium revenue for heavy trucks was $19,524,873 prior to rate group adjustments and $18,808,205 thereafter. These adjustments therefore resulted in a $716,668 decline in revenue. To prevent this decline (and ensure revenue neutrality), MPI applied a 3.81% offset adjustment to the rate model.

CAC (MPI) 1-36

Part and Chapter:	**Part VI -- Ratemaking**	**Page No.:**	**32**
PUB Approved Issue No:	**2. Rate indication**		
Topic:	**Calculating the 'average rate forward'**		
Sub Topic:			

Preamble to IR:

"The 2021/22 average rate without rate change was calculated by projecting the ***2020/21 average rate forward****, based on the drift, to March 31, 2022, the average earning date for the rating year 2021/22. This required a projection period of months from November 1, 2019. As such, the appropriate vehicle drift factor is:*
Emphasis added.

(1.0220)4/12 x (1.0227)13/12 x 1.0232 = 1.0560

19 The 2021/22 average rate without rate change was then calculated as:

2021/22 Average Rate Without Rate Change
= 2020/21 Average Rate x Vehicle Drift
= $902.35 x 1.0560 = $952.86

The required rate change was then calculated as:

2021/22 Required Rate Change
= (2021/22 Required Rate / 2021/22 Avg. Rate Without Rate Change) - 1
= ($900.75 / $952.86) – 1 = -5.5%"

Part I—Legal Application LA.1, Application, page 3:

> *"a **5.0%** Capital Release (provisional), in accordance with the Capital Management Plan, as approved by the PUB in Order No. 176/19, Directive13.6."*

Question:

Please demonstrate how the proposed 5.0% Capital Release rate decrease in the 2021 GRA will be dealt with in the 2022 GRA in calculating the 2021/22 average rate forward. (For example: 2021/22 Average Rate x Vehicle Drift x Previous Year's Capital Release = 2022/23 *Average Rate Without Rate Change*).

Rationale for Question:

To obtain a better understanding and clarity of the impact of the proposed capital release rate decrease on ratemaking in future years without causing a premium deficiency.

RESPONSE:

For the 2022 GRA, to adjust for the 5.0% Capital Release:

> 2022/23 Average Rate Without Rate Change
> = 2021/22 Average Rate x Vehicle Drift * (1 + 2021/22 Rate Change without Capital Release) / (1 + 2021/22 Rate Change with Capital Release)

The 2022/23 Average Rate Without Rate Change (determined per the formula above) will then be the starting point to determine the 2022/23 breakeven rate change based on Accepted Actuarial Practice. The Capital Release/Build for 2022/23, as the case may be, will be determined thereafter based on MPI's Capital Management Plan (assuming the CMP is used beyond the current two-year trial period).

CAC (MPI) 1-37

Part and Chapter:	**Part VI – Ratemaking**	**Page No.:**	**34**
PUB Approved Issue No:	**2. Rate indication**		
Topic:	**"Pool" class of claims costs**		
Sub Topic:			

Preamble to IR:

(i) *"…..In addition, MPI does not code claims such as unidentified motorists with a specific insurance use. As such, claims costs for these claims cannot be attributed to a major class.*

(ii) *Further to consideration (i) above, MPI revised its claims costs allocation for PIPP coverages pursuant to PUB Order 97/05, Order #1(b):*

> *"In any accident involving one or more MPI-insured vehicles and (i) one or more unidentified hit-and-run offenders, or (ii) another injured party or parties (including cyclists, pedestrians, and occupant(s) of out-of-province vehicles)… 50% of total PIPP costs are to be effectively allocated across all vehicle rating categories."*

To comply with this Order, MPI created a special "pool" class. All PIPP claims costs which were to be allocated across all vehicle rating categories were assigned to the "pool" class. This included PIPP claims costs as per the order above, plus all PIPP claims costs arising out of consideration (i) which could not be successfully allocated as per the Order.

The PUB Order further added to the difference in claims costs as discussed in consideration (i) above. The pro-rata adjustment to account for this difference is described in considerations (xi) and (xii) below."

Question:

Please prepare and file a claims analysis for fiscal years 2018/19 and 2019/20 detailing the number of claims and claims incurred comprising the special pool class of losses and the allocation to the major insurance classifications.

Rationale for Question:

To assess the impact of special pool class losses on premium rates in the various insurance classes.

RESPONSE:

Per Ratemaking, page 40,

> *"…only 79.6% of the overall claims costs for IRI, 78.8% for Accident Benefits - Other (Indexed) and 73.9% for Accident Benefits - Other (Non-Indexed) were balanced based on actual major class experience. The remaining 20.4%, 21.2% and 26.1% respectively, representing the percentage of claims costs assigned to the "pool" class, were allocated equally on a per unit basis to major classes 1, 2, 3, and 4."*

The percentage of PIPP losses assigned to the "pool" class (20.4%, 21.2% and 26.1%) is based on historical accident year indications and reflects the following PIPP losses (see Ratemaking, pages 34 and 35 for details):

- Pedestrian or cyclist claims whereby no MPI vehicle is involved or identified; 100% allocation to the "pool" class
- Pedestrian or cyclist claims whereby one or more MPI vehicles are involved and identified; allocation to the "pool" class based on PUB Order 97/05, Order #1(b)
- Single vehicle accident involving wildlife; allocation to the "pool" class based on PUB Order 122/10
- Claims for the Common/Private/Contract Carrier insurance use; 100% allocation to the "pool" class.

The allocation of the PIPP losses for the “pool” class on a per unit basis to all HTA vehicles (i.e. major classes 1, 2, 3 and 4) is pursuant to PUB Order 97/05.

CAC (MPI) 1-38

Part and Chapter:	Part VI – Ratemaking	Page No.:	39
PUB Approved Issue No:	2. Rate indication		
Topic:	Collision Claims Costs for the Motorcycle Major Class		
Sub Topic:			

Preamble to IR:

"Per PUB Order 156/06, an analysis was performed to determine the reduction in Collision claims costs for the Motorcycle major class if suchcosts were allocated equally to all vehicles involved in an accident involvinga vehicle in the Motorcycle major class. Based on the analysis, for the 2021 General Rate Application, the Collision pure premium for the Motorcycle major class was reduced by 24.50%, with the impact then allocated equally on a per unit basis to major classes 1, 2, and 3."

"The table below presents the reduction in the Collision claims costs for the Motorcycle major class for the most recent 5 years based on the revised claims costs allocation. The reduction of 24.50% was based on the 5-year weighted hi-lo average."

November 20, 2006 Order No. 156/06 Page 87

"4.0 IT IS THEREFORE RECOMMENDED THAT MPI:

16. Consult with CMMG and SM to identify and resolve, as best as possible, with the co-operation of government as may be required, definition, coverage and claim attribution issues related to motorcycles (objective: enhancement of efficacy and fairness of classification and rate model);"

Part VI – Rate Setting Framework, RSF.2.4 Allocation of Loss Costs:

"As per PUB Order 156/06, for motorcycle collision claims, 100% of motorcycle loss costs from single vehicle claims and 50% of motorcycle

> *loss costs from multi-vehicle claims are allocated to motorcycles. The balance of the motorcycle loss costs are allocated to all other units under The Highway Traffic Act (Manitoba)."*

Question:

a) Please determine the rate impact on the Motorcycle class by reducing the Collision pure premiums by 24.5% proposed for the 2021/22 rating year resulting from 50% of multiple vehicle collision claims incurred involving motorcycles.

b) Per PUB Order No. 156/06 it was recommended, not apparently ordered, for MPI and CMMG to resolve claim attribution issues. Please elaborate how it came about that for the 2021 GRA MPI decided to propose to spread 50% of Multiple Vehicle collision claims incurred involving motorcycles amongst other classes.

Rationale for Question:

To understand the impact on proposed 2021 motorcycle rates of implementing PUB Order No. 156/06, recommendation 16.

RESPONSE:

a) Referring to *Ratemaking, Figure RM-13*, the required rate increase for the Motorcycle major class will increase from 2.6% to 4.9% if the Collision pure premium for the major class were not reduced by 24.5%.

b) The allocation methodology is not a proposed change in the 2021 GRA. Rather, it is a methodology that MPI has employed since the 2008 GRA. MPI decided to spread the costs based on the recommendation in PUB Order No. 156/06 (in the 2008 GRA) to benefit the Motorcycle major class given the large required rate increase they were otherwise facing.

CAC (MPI) 1-39

Part and Chapter:	**OV.2.2**	**Page No.:**	**p.5, lines 12-13** **p.6, lines 4-7**
PUB Approved Issue No:	**19**		
Topic:	**Coverage Changes**		
Sub Topic:	**Implementation, pricing ad and impact on Extension**		

Preamble to IR:

Coverage changes have been approved by provincial Cabinet, and will be in effect for the 2021/22 insurance year.

Question:

a) Please file a copy of the cabinet approved Automobile Insurance Coverage Regulation 290/88, containing the changes in coverage. If possible, please file a blacklined copy.

b) Please confirm that the 3% rate impact due to coverage changes is a net impact. Please summarize the relative contribution of the different product changes (TPL, Deductible, and Maximum Insured Value) to the 3% reduction in overall Basic Rates. If appropriate, please also reconcile against Figure RM-2, at page 23 of Part VI Ratemaking.

c) Recognizing that some coverage is being moved from Basic to Extension (i.e. deductible), for those customers that elect to purchase extension coverage, please discuss any implications for the price of extension coverage, given the higher commissions and profit load present in the extension line of business, and MPI’s intention that customers see no overall increase in premiums?

d) Will MPI assign customers who currently have $500 (Basic level) deductible, to a comparable package that includes extension deductible buy down?

e) How many customers does MPI expect will elect for no deductible buy down (Basic level deductible)? Please provide a forecast for all relevant extension products, if available.

f) When does MPI anticipate having Extension prices determined, so as to confirm that customers who elect the same coverage as prior years, will face 'no net increase in total premiums'.

g) Referencing EPF-1 from the 2021 and 2020 GRA, please provide a narrative explanation of the major changes to Net Income for the 2022F and 2023F years, and beyond as available.

h) Referencing EPF-3 from the 2021 and 2020 GRAs, please provide a narrative explanation for the material decrease in forecast transfers (line 8) from Extension to Basic. Please supplement the explanation with figures as appropriate.

Rationale for Question:

To understand the impact of coverage changes on the Basic and Extension lines of business.

RESPONSE:

a) Please refer to *Attachment A*, also available in the Manitoba Laws website[1].

[1] https://web2.gov.mb.ca/laws/regs/annual/2020/037.pdf.

b) The total impact of the product changes is a 2.96% decrease to the Basic overall required rate change. The impact of each individual product change is per the table below:

Product Change	Impact
Increasing the Basic Deductible	-3.28%
Increasing the Basic TPL	+0.15%
Increasing the Basic Maximum Insured Value	+0.18%

c) In order to provide comparable coverage at comparable costs, there will be a decrease in net income for Extension.

d) MPI customers will be assigned coverage that is the most comparable to their existing, previously selected coverage. Therefore, customers who currently have a $500 deductible level (Basic) will be assigned to the $500 deductible level (Extension).

e) MPI judgmentally assumed that 75% of customers currently selecting the $500 deductible level will select the new $750 deductible level. A similar forecast for the Maximum Insured Value and TPL coverages is not available.

f) Historically, MPI has sought approval of Extension required rate changes by product from the Board of Directors in mid-October, with completion of all Extension rates by November. However, with Basic and Extension rates now interconnected through the Capital Management Plan, MPI requires Board approval of the overall Basic rate change at the same time as the overall Extension rate change. Extension rate changes by product will still be brought to the MPI Board in mid-October, however, the overall rate change will already be determined. Extension rates will be balanced to achieve the Board approved overall rate change.

In regards to the 2021/22 rates after product changes, the rates for Extension, when combined with Basic, will be such that the impact of the product changes will be rate neutral for the customer. This rate neutrality requirement is not ‘optional’.

The Extension rate model will build this requirement into the rate calculation for the 2021/22 rating year.

g) The difference in Net income is mainly attributed to the 2021/22 overall Extension rate decrease of 7.5%, prior to product changes.

h) The decrease in forecast transfers from Extension is attributed to two main factors; lower forecast net income and a slightly higher MCT capital requirement.

As explained in part g) and illustrated in Figure 1 below, the 2021 GRA forecast shows lower net income of approximately $9.7 million per year over a three year average ending 2023/24.

Figure 1: Net Income before premium rebate - 2021 GRA vs 2020 GRA Comparison

Line No.		2019/20	2020/21	2021/22	2022/23	2023/24	3 year Average
1	*(C$000s)*						
2	**2021 GRA**	37,883	51,788	42,029	37,914	39,800	
3	**2020 GRA**	46,372	44,522	46,857	50,168	51,966	
4	**Net Income Difference - Better / (Worse)**	**(8,489)**	**7,266**	**(4,828)**	**(12,254)**	**(12,166)**	**(9,749)**

In addition, Figure 2 below shows the 2021 GRA forecast requires Extension to retain approximately $10.4 million of additional capital over a three year average ending 2023/24, in order to maintain a 200% MCT level. The higher capital requirements are from higher insurance risk due to the product changes and market risk due to larger investment balances.

Figure 2: EPF.3 Total Equity / Approximate Capital Required at 200% MCT - 2021 GRA vs 2020 GRA Comparison

Line No.	*(C$000s)*	2019/20	2020/21	2021/22	2022/23	2023/24	3 year Average
1	**2021 GRA - EPF. 3**						
2	**Total Equity Balance**	140,499	76,048	94,400	98,578	101,692	
3	**MCT Ratio (%)**	325%	200%	200%	200%	200%	
4	**Approx. Minimum Capital (Margin) Required***	**43,257**	**38,024**	**47,200**	**49,289**	**50,846**	
5	**2020 GRA - EPF.3**						
6	**Total Equity Balance**	78,905	81,484	84,398	86,695	92,376	
7	**MCT Ratio (%)**	200%	200%	200%	200%	200%	
8	**Approx. Minimum Capital (Margin) Required***	**39,453**	**40,742**	**42,199**	**43,348**	**46,188**	
9	**Approx. Minimum Capital (Margin) Required - Difference**	**3,805**	**(2,718)**	**5,001**	**5,942**	**4,658**	
10	**Approx Capital required at 200% MCT (Line 9 x 2)**	**7,609**	**(5,436)**	**10,002**	**11,883**	**9,316**	**10,400**
11	*** (Total Equity Balance divided by MCT Ratio (%)**						

THE MANITOBA PUBLIC INSURANCE CORPORATION ACT
(C.C.S.M. c. P215)

Automobile Insurance Coverage Regulation, amendment

Regulation 37/2020
Registered May 7, 2020

Manitoba Regulation 290/88 R amended
1 The *Automobile Insurance Coverage Regulation*, Manitoba Regulation 290/88 R, is amended by this regulation.

2(1) Subsection 1(1) is amended in the definition "vehicle for hire"

(a) in the part before clause (a), by striking out "*Automobile Insurance Certificates and Rates Regulation*, Manitoba Regulation 23/2017" **and substituting** "*Automobile Insurance Plan Regulation*, Manitoba Regulation 49/2019"**; and**

(b) in clause (c) of the French version, by striking out "voiture" **and substituting** "véhicule"**.**

2(2) Subsection 1(2) is amended

(a) in the part after the last clause, by striking out "*Automobile Insurance Certificates and Rates Regulation*" **and substituting** "*Automobile Insurance Plan Regulation*"**; and**

LOI SUR LA SOCIÉTÉ D'ASSURANCE PUBLIQUE DU MANITOBA
(c. P215 de la C.P.L.M.)

Règlement modifiant le Règlement sur l'assurance automobile

Règlement 37/2020
Date d'enregistrement : le 7 mai 2020

Modification du *R.M.* 290/88 R
1 Le présent règlement modifie le *Règlement sur l'assurance automobile*, *R.M.* 290/88 R.

2(1) La définition de « véhicule avec chauffeur » figurant au paragraphe 1(1) est modifiée :

a) dans le passage introductif, par substitution, à « *Règlement sur les certificats et les tarifs*, *R.M.* 23/2017 »**, de** « *Règlement sur les régimes d'assurance-automobile*, *R.M.* 49/2019 »**;**

b) dans l'alinéa c) de la version française, par substitution, à « voiture »**, de** « véhicule »**.**

2(2) Le paragraphe 1(2) est modifié :

a) dans le passage introductif, par substitution, à « *Règlement sur les certificats et les tarifs* »**, de** « *Règlement sur les régimes d'assurance-automobile* »**;**

(b) by replacing clause (g) of the French version with the following:

g) véhicule de tourisme privé;

b) par substitution, à l'alinéa g) de la version française, de ce qui suit :

g) véhicule de tourisme privé;

3 The following provisions are amended by striking out "*Automobile Insurance Certificates and Rates Regulation*" **and substituting** "*Automobile Insurance Plan Regulation*"**:**

(a) subsections 3(3) and (4), in the part before clause (a);

(b) sections 4.1 and 77.1;

(c) section 140, in the definition "insured motor vehicle";

(d) sections 140.1 and 151.1;

(e) section 224, in the definitions "break in coverage", "eligible vehicle", "insurable value" and "insured";

(f) section 239, in the definition "insured non-owned vehicle";

(g) subsection 246(11).

3 Les dispositions qui suivent sont modifiées par substitution, à « *Règlement sur les certificats et les tarifs* **», de «** *Règlement sur les régimes d'assurance-automobile* **» :**

a) le passage introductif des paragraphes 3(3) et (4);

b) les articles 4.1 et 77.1;

c) la définition de « véhicule automobile assuré » figurant à l'article 140;

d) les articles 140.1 et 151.1;

e) les définitions d'« assuré », d'« interruption de garantie », de « valeur assurable » et de « véhicule admissible » figurant à l'article 224;

f) la définition de « véhicule assuré appartenant à un tiers » figurant à l'article 239;

g) le paragraphe 246(11).

4 The definition "maximum insured value" in section 48 is amended

(a) by striking out "$50,000" **wherever it occurs and substituting** "$70,000"**; and**

(b) in clause (a) of the French version, by striking out "une voiture de tourisme" **and substituting** "un véhicule de tourisme"**.**

4 La définition de « valeur assurée maximale » figurant à l'article 48 est modifiée :

a) par substitution, à « 50 000 $ **», à chaque occurrence, de «** 70 000 $ **»;**

b) dans l'alinéa a) de la version française, par substitution, à « une voiture de tourisme **», de «** un véhicule de tourisme **».**

5 Subsection 51(2) is repealed.

5 Le paragraphe 51(2) est abrogé.

6 Section 80 is amended in the part after clause (b) by striking out "$200,000" **and substituting** "$500,000"**.**

6 Le passage introductif de l'article 80 est modifié par substitution, à « 200 000 $ **», de «** 500 000 $ **».**

7 Section 81 isamended

(a) in clause (a), by striking out "$180,000" **and substituting** "$450,000"**; and**

(b) in clause (b), by striking out "$20,000" **and substituting** "$50,000".

7 L'article 81 est modifié :

a) dans l'alinéa a), par substitution, à « 180 000 $ »**, de** « 450 000 $ »**;**

b) dans l'alinéa b), par substitution, à « 20 000 $ »**, de** « 50 000 $ »**.**

8 Section 100 is amended, in the section heading and in the section, by striking out "$200,000" **and substituting** "$500,000".

8 L'article 100 est modifié par substitution, à « 200 000 $ »**, de** « 500 000 $ »**.**

9 Subsection 117(1) is amended

(a) by striking out "$200,000" **and substituting** "$500,000"**; and**

(b) by striking out "$20,000" **and substituting** "$50,000".

9 Le paragraphe 117(1) est modifié :

a) par substitution, à « 200 000 $ »**, de** « 500 000 $ »**;**

b) par substitution, à « 20 000 $ »**, de** « 50 000 $ »**.**

10 Section 124 is amended by striking out "$200,000" **and substituting** "$500,000".

10 L'article 124 est modifié par substitution, à « 200 000 $ »**, de** « 500 000 $ »**.**

11 Subsection 127(1) is amended

(a) by replacing the definitions "class 0 coverage" and "class 1 coverage" with the following:

"**class 0 coverage**" means a reduction of the deductible specified in Part III from $750 to $300 for any of the following:

(a) a private passenger vehicle,

(b) a vehicle with a farming all purpose truck or fishing all purpose truck insurance use,

(c) a motor home,

(d) a vehicle with a pleasure truck or collector truck insurance use,

(e) a vehicle with an all purpose truck insurance use,

(f) a vehicle with a common carrier local passenger vehicle insurance use,

11 Le paragraphe 127(1) est modifié :

a) dans la définition d'« assuré », par substitution, à « *Règlement sur les certificats et les tarifs* »**, de** « *Règlement sur les régimes d'assurance-automobile* »**;**

b) par substitution, aux définitions de « garantie de classe 0 » et de « garantie de classe 1 », de ce qui suit :

« **garantie de classe 0** » Réduction de la franchise indiquée à la partie III, qui passe de 750 $ à 300 $, pour un des véhicules suivants :

a) un véhicule de tourisme privé;

b) un véhicule assuré à titre de camion agricole (tarif universel) ou de camion de pêche (tarif universel);

c) une caravane automotrice;

d) un véhicule assuré à titre de camion de plaisance ou de collection;

(g) a vehicle for hire,

(h) a motorcycle; (« garantie de classe 0 »)

"**class 1 coverage**" means a reduction of the deductible specified in Part III from $750 to $200 for any of the following:

(a) a private passenger vehicle,

(b) a vehicle with a farming all purpose truck or fishing all purpose truck insurance use,

(c) a motor home,

(d) a vehicle with a pleasure truck or collector truck insurance use,

(e) a vehicle with an all purpose truck insurance use,

(f) a vehicle with a common carrier local passenger vehicle insurance use,

(g) a vehicle for hire,

(h) a motorcycle; (« garantie de classe 1 »)

(b) by repealing the definition "class 2 coverage";

(c) in the definitions "class 3 coverage", "class 5 coverage", "class 6 coverage", "class 7 coverage" and "class 8 coverage", by striking out "$200,000" **and substituting** "$500,000"**;**

(d) in the definition "class 4 coverage", in the part before clause (a), by striking out "$200,000" **and substituting** "$500,000"**;**

(e) by adding the following definitions:

"**class 9 coverage**" means a reduction of the deductible specified in Part III from $750 to $200 for any of the following:

(a) a private passenger vehicle,

(b) a vehicle with a farming all purpose truck or fishing all purpose truck insurance use,

(c) a motor home,

e) un véhicule assuré à titre de camion (tarif universel);

f) un véhicule assuré à titre de véhicule de tourisme de transport public local;

g) un véhicule avec chauffeur;

h) une motocyclette. ("class 0 coverage")

« garantie de classe 1 » Réduction de la franchise indiquée à la partie III, qui passe de 750 $ à 200 $, pour un des véhicules suivants :

a) un véhicule de tourisme privé;

b) un véhicule assuré à titre de camion agricole (tarif universel) ou de camion de pêche (tarif universel);

c) une caravane automotrice;

d) un véhicule assuré à titre de camion de plaisance ou de collection;

e) un véhicule assuré à titre de camion (tarif universel);

f) un véhicule assuré à titre de véhicule de tourisme de transport public local;

g) un véhicule avec chauffeur;

h) une motocyclette. ("class 1 coverage")

c) par suppression de la définition de « garantie de classe 2 »;

d) dans le passage introductif des définitions de « garantie de classe 3 », de « garantie de classe 4 », de « garantie de classe 5 », de « garantie de classe 7 » et de « garantie de classe 8 », par substitution, à « 200 000 $ »**, de** « 500 000 $ »**;**

e) dans l'alinéa b) de la définition de « garantie de classe 6 », par substitution, à « 200 000 $ »**, de** « 500 000 $ »**;**

(d) a vehicle with a pleasure truck or collector truck insurance use,

(e) a vehicle with an all purpose truck insurance use,

(f) a vehicle with a common carrier local passenger vehicle insurance use,

(g) a vehicle for hire; (« garantie de classe 9 »)

"**class 10 coverage**" means a reduction of the deductible specified in Part III from $750 to $500 for any of the following:

(a) a private passenger vehicle,

(b) a vehicle with a farming all purpose truck or fishing all purpose truck insurance use,

(c) a motor home,

(d) a vehicle with a pleasure truck or collector truck insurance use,

(e) a vehicle with an all purpose truck insurance use,

(f) a vehicle with a common carrier local passenger vehicle insurance use,

(g) a vehicle for hire,

(h) a motorcycle; (« garantie de classe 10 »)

(f) by replacing the definition "comprehensive coverage" with the following:

"**comprehensive coverage**" means the following:

(a) for an owner's certificate that specifies class 0 coverage, coverage that waives the applicable deductible for loss or damage to the insured vehicle or its attached equipment that occurs by reason of a collision with an animal or bird,

f) par adjonction des définitions suivantes :

« garantie de classe 9 » Réduction de la franchise indiquée à la partie III, qui passe de 750 $ à 200 $ pour un des véhicules suivants :

a) un véhicule de tourisme privé;

b) un véhicule assuré à titre de camion agricole (tarif universel) ou de camion de pêche (tarif universel);

c) une caravane automotrice;

d) un véhicule assuré à titre de camion de plaisance ou de collection;

e) un véhicule assuré à titre de camion (tarif universel);

f) un véhicule assuré à titre de véhicule de tourisme de transport public local;

g) un véhicule avec chauffeur. ("class 9 coverage")

« garantie de classe 10 » Réduction de la franchise indiquée à la partie III, qui passe de 750 $ à 500 $ pour un des véhicules suivants :

a) un véhicule de tourisme privé;

b) un véhicule assuré à titre de camion agricole (tarif universel) ou de camion de pêche (tarif universel);

c) une caravane automotrice;

d) un véhicule assuré à titre de camion de plaisance ou de collection;

e) un véhicule assuré à titre de camion (tarif universel);

f) un véhicule assuré à titre de véhicule de tourisme de transport public local;

(b) for an owner's certificate that specifies class 1 coverage or class 6 coverage, coverage that waives the applicable deductible for loss or damage to the insured vehicle or its attached equipment that occurs by reason of

(i) a collision with an animal or bird, or

(ii) the theft or attempted theft of the vehicle,

(c) for an owner's certificate that specifies class 9 coverage, coverage that waives the applicable deductible for loss or damage to the insured vehicle or its attached equipment if

(i) the loss or damage occurs only to the windshield and windows of the vehicle and is repairable, or

(ii) the loss or damage occurs by reason of

(A) a collision with an animal or bird,

(B) the theft or attempted theft of the vehicle, or

(C) vandalism; (« garantie totale »)

(g) in the definition "insured", by striking out "*Automobile Insurance Certificates and Rates Regulation*" **and substituting** "*Automobile Insurance Plan Regulation*"**.**

g) un véhicule avec chauffeur;

h) une motocyclette. ("class 10 coverage")

g) par substitution, à la définition de « garantie totale », de ce qui suit :

« garantie totale »

a) Dans le cas d'un certificat de propriété qui vise la garantie de classe 0, garantie assortie d'une exonération de franchise lorsque la perte ou le dommage concernant le véhicule assuré ou ses accessoires sont le fait d'une collision avec un animal ou un oiseau;

b) dans le cas d'un certificat de propriété qui vise la garantie de classe 1 ou 6, garantie assortie d'une exonération de franchise lorsque la perte ou le dommage concernant le véhicule assuré ou ses accessoires sont le fait d'une collision avec un animal ou un oiseau ou du vol ou d'une tentative de vol du véhicule;

c) dans le cas d'un certificat de propriété qui vise la garantie de classe 9, garantie assortie d'une exonération de franchise lorsque la perte ou le dommage concernant le véhicule assuré ou ses accessoires, selon le cas :

(i) ne touchent que le pare-brise ou les vitres du véhicule assuré et les dégats sont réparables,

(ii) sont le fait d'une collision avec un animal ou un oiseau, du vol ou d'une tentative de vol du véhicule ou d'un acte de vandalisme. ("comprehensive coverage")

12 Section 128 is amended

(a) in the part before clause (a),

(i) in the French version, by striking out "une voiture de tourisme privée" **and substituting** "un véhicule de tourisme privé", **and**

12 L'article 128 est modifié :

a) dans le passage introductif :

(i) dans la version française, par substitution, à « une voiture de tourisme privée »**, de** « un véhicule de tourisme privé »**,**

(ii) by adding "(except in relation to class 9 coverage)" **after** "motorcycle"**; and**

(b) by striking out "or" **at the end of subclause (b)(i.1) and replacing subclause (b)(ii) with the following:**

(ii) Class 9 coverage, or

(iii) Class 10 coverage;

(ii) par adjonction, après « motocyclette »**, de** « (sauf à l'égard de la garantie de classe 9) »**;**

b) par substitution, au sous-alinéa b)(ii), de ce qui suit :

(ii) garantie de classe 9,

(iii) garantie de classe 10.

13 Section 132 is amended by striking out "or" **at the end of clause (a.1) and replacing clause (b) with the following:**

(b) Class 9 coverage, if specified; or

(c) Class 10 coverage, if specified.

13 L'article 132 est modifié par substitution, à l'alinéa b), de ce qui suit :

b) garantie de classe 9;

c) garantie de classe 10.

14 Section 133 is amended by repealing clause (c), striking out "and" **at the end of clause (g) and adding the following after clause (h):**

(i) "**$200 deductible all perils plus**" means Class 9 coverage; and

(j) "**$500 deductible all perils**" means Class 10 coverage.

14 L'article 133 est modifié par abrogation de l'alinéa c) et par adjonction, après l'alinéa h), de ce qui suit :

i) « tout risque plus avec franchise de 200 $ » désigne une garantie de classe 9;

j) « **tout risque avec franchise de 500 $** » désigne une garantie de classe 10;

15 Clause 137(2)(b) is amended

(a) in the part before subclause (b)(i), by striking out "*Automobile Insurance Certificates and Rates Regulation*" **and substituting** "*Automobile Insurance Plan Regulation*"**;**

(b) by replacing subclause (vi) of the French version with the following:

(vi) véhicule de tourisme privé,

(c) by adding the following after subclause (xiii):

(xiv) moped.

15 L'alinéa 137(2)b) est modifié :

a) dans le passage introductif, par substitution, à « *Règlement sur les certificats et les tarifs* »**, de** « *Règlement sur les régimes d'assurance-automobile* »**;**

b) par substitution, au sous-alinéa (vi) de la version française, de ce qui suit :

(vi) véhicule de tourisme privé,

c) par adjonction, après le sous-alinéa (xiii), de ce qui suit :

(xiv) cyclomoteur.

16 Section 153 is amended by striking out "$200,000" **and substituting** "$500,000".

17 Subsection 155(1) is amended

(a) by replacing the definitions "all purpose moped", "all purpose motorcycle", "pleasure moped" and "pleasure motorcycle" with the following:

"**all purpose moped**" has the same meaning as it has in Schedule B of the *Automobile Insurance Plan Regulation* ; (« cyclom oteur (tarif universel) »)

"**all purpose motorcycle**" has the same meaning as it has in Schedule B of the *Automobile Insurance Plan Regulation*; (« motocyclette (tarif universel) »)

"**pleasure moped**" has the same meaning as it has in Schedule B of the *Automobile Insurance Plan Regulation*; (« cyclomoteur de plaisance »)

"**pleasure motorcycle**" has the same meaning as it has in Schedule B of the *Automobile Insurance Plan Regulation*; (« motocyclette de plaisance »)

(b) in the definitions "artisan truck", "common carrier local passenger vehicle", "insured", and "other truck", by striking out "*Automobile Insurance Certificates and Rates Regulation*" **and substituting** "*Automobile Insurance Plan Regulation*"**;**

(c) in the definition "private passenger vehicle" of the English version, by striking out "*Automobile Insurance Certificates and Rates Regulation*" **and substituting** "*Automobile Insurance Plan Regulation*"**;**

(d) in the definition "véhicule admissible" of the French version, by striking out "Voiture de tourisme privée" **and substituting** "Véhicule de tourisme privé"**;**

(e) in the French version, by repealing the definition "voiture de tourisme privée"; and

16 L'article 153 est modifié par substitution, à « 200 000 $ »**, à chaque occurrence, de** « 500 000 $ »**.**

17 Le paragraphe 155(1) est modifié :

a) dans les définitions d'« assuré », d'« autre camion », de « camion d'artisan » et de « véhicule de tourisme de transport public local », par substitution, à « *Règlement sur les certificats et les tarifs* »**, de** « *Règlement sur les régimes d'assurance-automobile* »**;**

b) par substitution, aux définitions de « cyclomoteur de plaisance », de « cyclom oteur (tarif universel) », de « motocyclette de plaisance » et de « motocyclette (tarif universel) », de ce qui suit :

« **cyclomoteur de plaisance** » S'entend au sens de l'annexe B du *Règlement sur les régimes d'assurance-automobile*. ("pleasure moped")

« **cyclomoteur (tarif universel)** » S'entend au sens de l'annexe B du *Règlement sur les régimes d'assurance-automobile*. ("all purpose moped")

« **motocyclette de plaisance** » S'entend au sens de l'annexe B du *Règlement sur les régimes d'assurance-automobile*. ("pleasure motorcycle")

« **motocyclette (tarif universel)** » S'entend au sens de l'annexe B du *Règlement sur les régimes d'assurance- automobile* . ("all purpose motorcycle")

c) dans la définition de « private passenger vehicle » de la version anglaise, par substitution, à « *Automobile Insurance Certificates and Rates Regulation* »**, de** « *Automobile Insurance Plan Regulation* »**;**

d) dans la définition de « véhicule admissible » de la version française, par subsitution, à « Voiture de tourisme privée »**, de** « Véhicule de tourisme privé »**;**

e) dans la version française, par suppression de la définition de « voiture de tourisme privée »;

(f) in the French version, by adding the following definition:

« véhicule de tourisme privé » S'entend au sens de l'article 16 du *Règlement sur les régimes d'assurance-automobile.* ("private passenger vehicle")

18 Section 171 is amended

(a) in the definitions "insured" and "insured vehicles", by striking out "*Automobile Insurance Certificates and Rates Regulation*" **and substituting** "*Automobile Insurance Plan Regulation*"**; and**

(b) in the definition "maximum insured value",

(i) by striking out "$50,000" **wherever it occurs and substituting** "$70,000"**, and**

(ii) in clause (a) of the French version, by striking out "une voiture de tourisme" **and substituting** "un véhicule de tourisme"**.**

19 Clause 174(b) is amended by striking out "$100" **and substituting** "$200"**.**

20 Subsection 196(1) is amended

(a) in the definition "insured", by striking out "*Automobile Insurance Certificates and Rates Regulation*" **and substituting** "*Automobile Insurance Plan Regulation*"**;**

(b) in the definition "maximum insured value", by striking out "$50,000" **and substituting** "$70,000"**; and**

(c) in the definition " véhicule de remplacement temporaire" of the French version, by striking out "la motocyclette, le cyclomoteur ou le véhicule de déplacement" **and substituting** "la motocyclette ou le cyclomoteur"**.**

f) dans la version française, par adjonction de la définition suivante :

« véhicule de tourisme privé » S'entend au sens de l'article 16 du *Règlement sur les régimes d'assurance-automobile.* ("private passenger vehicle")

18 L'article 171 est modifié :

a) dans les définitions d'« assuré » et de « véhicule assuré », par substitution, à « *Règlement sur les certificats et les tarifs* »**, de** « *Règlement sur les régimes d'assurance-automobile* »**;**

b) dans la définition de « valeur assurée maximale » :

(i) par substitution, à « 50 000 $ »**, à chaque occurrence, de** « 70 000 $ »**,**

(ii) dans l'alinéa a) de la version française, par substitution, à « une voiture de tourisme »**, de** « un véhicule de tourisme »**.**

19 L'alinéa 174b) est modifié par substitution, à « 100 $ »**, de** « 200 $ »**.**

20 Le paragraphe 196(1) est modifié :

a) dans la définition d'« assuré », par substitution, à « *Règlement sur les certificats et les tarifs* »**, de** « *Règlement sur les régimes d'assurance-automobile* »**;**

b) dans la définition de « valeur assurée maximale », par substitution, à « 50 000 $ »**, de** « 70 000 $ »**;**

c) dans la définition de « véhicule de remplacement temporaire » de la version française, par substitution, à « la motocyclette, le cyclomoteur ou le véhicule de déplacement »**, de** « la motocyclette ou le cyclomoteur »**.**

21 Subsection 198(3) of the French version is amended by striking out "Sont assimilés à un véhicule de remplacement temporaire les taxis et les transports publics.".

21 Le paragraphe 198(3) de la version française est modifié par suppression de « Sont assimilés à un véhicule de remplacement temporaire les taxis et les transports publics. **».**

22 Clause 199(a) is replaced with the following:

(a) the following deductibles apply for loss or damage occurring only to the windshield or windows of an insured vehicle:

(i) $200, if the windshield or any of the windows requires replacement,

(ii) no deductible, if all damage to the windshield and windows is repairable;

22 L'alinéa 199a) est remplacé par ce qui suit :

a) que lorsque la perte ou le dommage ne touche que le pare-brise ou les vitres du véhicule assuré :

(i) une franchise de 200 $ s'applique si le pare-brise ou l'une des vitres doivent être remplacés,

(ii) aucune franchise ne s'applique si les dégâts sont réparables;

23(1) Clause 245(3)(a) is amended by striking out "$500" **and substituting**"$750"**.**

23(1) L'alinéa 245(3)a) est modifié par substitution, à « 500 $ »**, de** « 750 $ **».**

23(2) Subclause 245(3.1)(a)(i) is replaced with the following:

(i) $750 for a motorcycle or $225 for a moped, under section 242,

23(2) Le sous-alinéa 245(3.1)a)(i) est remplacé par ce qui suit :

(i) 750 $ pour une motocyclette ou de 225 $ pour un cyclomoteur, dans le cas de l'article 242,

23(3) Subsection 245(4) is amended by striking out "$100" **and substituting**"$200"**.**

23(3) Le paragraphe 245(4) est modifié par substitution, à « 100 $ »**, de** « 200 $ »**.**

24(1) Subsection 246(5) is amended in the part after clause (b) by striking out "$9,800,000" **and substituting** "$9,500,000"**.**

24(1) Le p assag e in trodu ctif du paragraphe 246(5) est modifié par substitution, à « 9 800 000 $ »**, de** « 9 500 000 $ »**.**

24(2) Subsection 246(6) is amended

(a) in clause (a), by striking out "$8,820,000" **and substituting** "$8,550,000"**; and**

(b) in clause (b), by striking out "$980,000" **and substituting** "$950,000"**.**

24(2) Le paragraphe 246(6) est modifié :

a) dans l'alinéa a), par substitution, à « 8 820 000 $ »**, de** « 8 550 000 $ **»;**

b) dans l'alinéa b), par substitution, à « 980 000 $ »**, de** « 950 000 $ »**.**

25 The following is added after section 271:

PART XIV

TRANSITIONAL

Transitional — annual policies, short-term policies and temporary registration permits
272(1) The terms that applied to an active annual policy, to a short-term policy for a duration of less than one year, or to a temporary registration permit issued under section 22 of the *Vehicle Registration Regulation* immediately before the coming into force of this section continue to apply until the expiry or renewal of the policy or permit, including

(a) the maximum insured value;

(b) the deductible amounts; and

(c) the class coverage for the policy under Part V.

272(2) A mid-term change to a policy under subsection (1) (that has not expired or been renewed) is limited to the policy terms that were available and in force under this regulation as it read immediately before the coming into force of this section.

272(3) Despite subsection (1), in respect of non-owned vehicle extension coverage that is obtained under Part XIII before the coming into force of this section, the maximum amount of coverage that is provided under clause 245(3)(a) for an incident occurring after the coming into force of this section is

(a) $500 if the insured vehicle is subject to a $500 deductible under subsection 51(1) at the time of the incident; and

(b) $750 if the insured vehicle is subject to a $750 deductible under subsection 51(1) at the time of the incident.

25 Il est ajouté, après l'article 271, ce qui suit :

PARTIE XIV

DISPOSITIONS TRANSITOIRES

Dispositions transitoires — police annuelle, police de courte durée et permis d'immatriculation temporaire
272(1) Les modalités qui s'appliquaient à une police annuelle, à une police de courte durée établie pour moins d'un an ou à un permis d'immatriculation temporaire délivré en vertu de l'article 22 du *Règlement sur l'immatriculation des véhicules,* alors que ces polices et permis étaient actifs immédiatement avant l'entrée en vigueur du présent article, continuent de s'appliquer jusqu'à l'expiration de la police ou du permis ou jusqu'à leur renouvellement, y compris :

a) la valeur assurée maximale;

b) les franchises;

c) la classe de garantie de la police visée à la partie V.

272(2) Les polices visées au paragraphe (1) qui n'ont ni expiré ni été renouvelées peuvent uniquement être modifiées en cours d'assurance selon les modalités qui étaient offertes et en vigueur au titre du présent règlement dans sa version antérieure à l'entrée en vigueur du présent article.

272(3) Malgré le paragraphe (1), dans le cas d'une garantie complémentaire pour véhicule appartenant à un tiers obtenue en vertu de la partie XIII avant l'entrée en vigueur du présent article, le montant maximal qui peut être payé en vertu de l'alinéa 245(3)a) pour un incident survenu après l'entrée en vigueur du présent article est le suivant :

a) 500 $, si la franchise applicable au véhicule assuré en vertu du paragraphe 51(1) est de 500 $ au moment de l'incident;

b) 750 $, si la franchise applicable au véhicule assuré en vertu du paragraphe 51(1) est de 750 $ au moment de l'incident.

Transitional — multi-year policies

273(1) The terms that applied to an active multi-year policy immediately before the coming into force of this section continue to apply until the end of the annual rating term that is in effect for the policy on the day this section comes into force, including

(a) the maximum insured value;

(b) the deductible amounts; and

(c) the class coverage for the policy under Part V.

273(2) For any subsequent annual rating terms of a multi-year policy under subsection (1), the terms that are available for the policy are the terms that are available and in force under this regulation at the beginning of the new annual rating term.

273(3) A mid-term change for an active multi-year policy under subsection (1) is subject to the following:

(a) during the annual rating term that was in effect on the day this section comes into force, the mid-term change is limited to the policy terms that were available and in force under this regulation as it read immediately before the coming into force of this section;

(b) for any subsequent annual rating term, the mid-term change is limited to the policy terms that are available and in force on the day the mid-term change is requested.

Transitional — default extension coverage if no election made

274 If, on the first annual rate reassessment after the coming into force of this section, a person does not make an election for specific class coverage under Part V, the person's policy continues with the same classes of optional extension coverage under that Part, if any, as before, subject to the following exceptions:

(a) a policy without extension coverage under Part V is converted into a policy with class 10 coverage under that Part;

Dispositions transitoires — police pluriannuelle

273(1) Les modalités qui s'appliquaient à une police pluriannuelle active immédiatement avant l'entrée en vigueur du présent article continuent de s'appliquer jusqu'à la fin de la période de tarification annuelle alors en cours, y compris :

a) la valeur assurée maximale;

b) les franchises;

c) la classe de garantie de la police visée à la partie V.

273(2) Pour toute période de tarification annuelle subséquente d'une police visée au paragraphe (1), les modalités offertes sont celles qui sont offertes et en vigueur au titre du présent règlement au début de la période en question.

273(3) Les polices pluriannuelles actives visées au paragraphe (1) peuvent seulement faire l'objet d'un changement en cours d'assurance selon les modalités suivantes :

a) pendant la période de tarification annuelle en cours à l'entrée en vigueur du présent règlement, les modalités qui étaient offertes et en vigueur au titre du présent règlement dans sa version antérieure à l'entrée en vigueur du présent article;

b) pendant toute période de tarification annuelle subséquente, les modalités qui étaient offertes et en vigueur le jour de la demande de changement.

Dispo sitio n s tran sitoires — assurance complémentaire par défaut en l'absence d'un choix

274 L'assuré qui, au moment de la première réévaluation annuelle du tarif après l'entrée en vigueur du présent article, ne choisit pas une classe de garantie visée à la partie V conserve celle visée à la même partie qu'il avait choisie précédemment, le cas échéant, à titre d'assurance complémentaire facultative, sous réserve des exceptions suivantes :

a) s'il avait une police sans classe d'assurance complémentaire visée à la partie V, la police est assortie par défaut de la garantie de classe 10 visée à cette partie;

(b) a policy with class 1 coverage or class 2 coverage under Part V is converted into a policy with class 9 coverage under that Part, unless the policy is for a motorcycle;

(c) a motorcycle policy with class 2 coverage under Part V is converted into a motorcycle policy with class 1 coverage under that Part.

b) s'il avait choisi une police assortie d'une garantie de classe 1 ou 2 visée à la partie V, la garantie est remplacée par la garantie de classe 9 visée à cette partie, sauf dans le cas d'une police pour motocyclette;

c) s'il avait choisi une police pour motocyclette assortie d'une garantie de classe 2 visée à la partie V, la garantie est remplacée par la garantie de classe 1 visée à cette partie.

26 Schedule B is amended

(a) in item 1, by striking out "$800" **and substituting** "$1,200"**;**

(b) in items 2, 3, 4, 5 and 6, by striking out "800" **and substituting** "$1,200"**;**

(c) in item 3, by adding ", except those common carrier trucks with an insurance use of common carrier truck (local – within city or municipality) as set out in Schedule B of the *Automobile Insurance Plan Regulation*" **after** "Common carrier trucks"**;**

(d) by repealing item 7;

(e) in items 7.1, 8, 11 and 12, by striking out "500" **and substituting** "$750"**; and**

(f) in items 9 and 10, by striking out "150" **and substituting** "$225"**.**

26 L'annexe B est modifiée :

a) dans les points 1, 2, 3, 4, 5 et 6, par substitution, à « 800 $ »**, de** « 1 200 $ »**;**

b) dans le point 3, par adjonction, après « Camions »**, de** « de transport public, à l'exception des camions assurés à titre de camion de transport public local conformément à l'annexe B du *Règlement sur les régimes d'assurance-automobile*, »**;**

c) par abrogation du point 7;

d) dans les points 7.1, 8, 11 et 12, par substitution, à « 500 $ »**, de** « 750 $ »**;**

e) dans les points 9 et 10, par substitution, à « 150 $ »**, de** « 225 $ »**.**

Coming into force — April 1, 2021
27(1) Subject to subsection (2), this regulation comes into force on April 1, 2021.

Entrée en vigueur — 1er avril 2021
27(1) Sous réserve du paragraphe (2), le présent règlement entre en vigueur le 1er avril 2021.

Coming into force — registration
27(2) The following provisions come into force on the day this regulation is registered under *The Statutes and Regulations Act*:

(a) sections 2 and 3;

(b) clauses 4(b) and 11(g);

(c) subclause 12(a)(i);

Entrée en vigueur — enregistrement
27(2) Les dispositions qui suivent entrent en vigueur le jour de l'enregistrement du présent règlement sous le régime de la *Loi sur les textes législatifs et réglementaires* :

a) les articles 2 et 3;

b) les alinéas 4b) et 11g);

c) le sous-alinéa 12a)(i);

(d) sections 15 and 17;

(e) section 18, other than subclause 18(b)(i);

(f) clauses 20(a) and (c);

(g) section 21; and

(h) clause 26(c).

d) les articles 15 et 17;

e) l'article 18, à l'exception du sous-alinéa 18b)(i);

f) les alinéas 20a) et c);

g) l'article 21;

h) l'alinéa 26c).

CAC (MPI) 1-40

Part and Chapter:	**BAC.4**	**Page No.:**	**p.9, lines 11-12** **p.11, lines 3-8**
PUB Approved Issue No:	**19**		
Topic:	**Coverage Changes**		
Sub Topic:	**Supporting Rational for changes**		

Preamble to IR:

Coverage changes have been approved by provincial Cabinet and will be in effect for the 2021/22 insurance year.

Question:

a) Please explain how increasing deductibles "will assist MPI in its efforts to provide stable rates going forward". If possible, please include a quantitative illustration in the discussion.

b) Please provide the total number of TPL claims paid from 2012 to 2017 the total number of Basic out of province claims during the same time period, and the total number of claims during that time period.

c) For the 50 instances from 2012 – 2017 period where a $200,000 TPL policy would have been insufficient, please provide a table or histogram to describe by how much these claims would have been underinsured.

d) How many of the 50 instances, referenced in c) above were actually under-insured once Extension coverage is factored in? How many claims involved a competitor insurance provider's extension TPL coverage?

e) Please confirm that all of the TPL claims referenced in c) originated from collisions outside the province of Manitoba. If not confirmed, please explain.

f) Please explain if there are there any insurance uses that are not insured for operation outside the province? Please provide any information in MPI's possession, as to insurance uses that are unlikely to operate outside the province. Please also provide any data in MPI's possession as to the proportion of the overall Manitoba fleet that operates outside the province.

g) How many Basic customers eligible for extension TPL coverage opt for some level of extension coverage?

h) What is the forecast impact on Extension revenues from the change in Basic TPL Coverage?

i) What is the forecast profit margin on Extension enhanced TPL products, and how will that chang, if at all, as a result of the Basic coverage change?

Rationale for Question:

TPL coverage change does not appear to have a broad benefit to customers, but has become mandatory on all Basic policies, even for vehicles that may not routinely leave the province.

RESPONSE:

a) The Basic line of business faces rising costs, in part because inflation has driven up the cost of repairing even relatively minor losses, such as low-value claims for collision, vandalism and glass-only damage. MPI expects that the increased deductible will mitigate against the rise in claims costs (and thereby assist in stabilizing rates), because it applies to almost every physical damage claim.

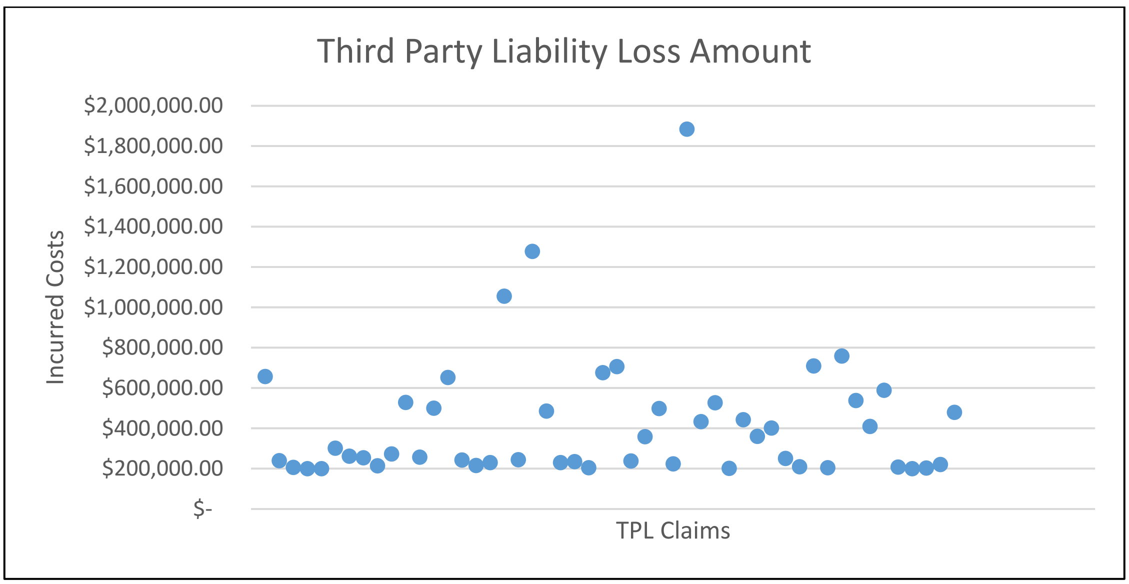
b) The requested figures are set out below:

i. Total number of third party liability (TPL) claims paid by MPI from 2012-2017 = **313,941**

ii. Total number of Basic out-of-province (OOP) physical damage claims 2012-2017 = **30,007**

iii. Total number of physical damage claims paid by MPI from 2012-2017 = **1,124,118**

c) The following chart shows the incurred costs on the 50 TPL claims $200,000 or greater (2012-2017):



d) For the 50 instances referenced, this chart shows the amount of TPL protection purchased from MPI:

Level of TPL Coverage	$200,000	$1,000,000	$2,000,000	$5,000,000	$10,000,000
Number of claims	5	17	18	9	1

MPI identified no claims within the 50 instances noted above where the insured was pursued for any underinsured amounts. MPI also identified no claims involving the TPL coverage of a competitor insurance provider.

e) MPI cannot confirm that all of the TPL claims referenced in (c) above originated from collisions outside the Province of Manitoba. 14 of these collisions occurred within Manitoba and the remaining 36 occurred outside Manitoba.

f) Certain commercial vehicles that operate outside of Manitoba are not eligible for Basic Autopac, including:

- Commercial trucks with the insurance use of Common/Private/Contract truck – over 161kms outside of Manitoba; and
- Passenger vehicle with the insurance use of Common Carrier Bus – over 161kms outside of Manitoba.

Among the insurance uses eligible for Basic Autopac, the following are restricted to operations within Manitoba:

- Charter bus – Local
- Common carrier (multiple variations exclusive to travel within Manitoba)
- Driveaway truck within Manitoba

Travelling outside of Manitoba with one of these insurance uses could invalidate coverage.

There are a number of other insurance uses that are unlikely to operate outside of Manitoba due to registration or road use restrictions. These include:

- transit buses
- antique vehicles/antique trucks
- dealer vehicles (multiple variations)
- repairer vehicles

While it may be rare to operate outside of Manitoba with one of these insurance uses (except for residents of border communities), it would not invalidate coverage if they otherwise complied with their insurance and registration requirements. MPI can also exercise its right to relieve the customer from forfeiture where equitable (on a case-by-case basis).

Prairie Research Associates (PRA) conducted a study for Travel Manitoba.[1] The report is called "Manitobans' Vacation Behaviours – a retrospective snapshot of summer 2013". According to the study, almost half of Manitobans travelled outside of the province (45%), either within or outside of Canada. Most commonly, Manitobans who travel outside the province overnight visit Ontario (24%) and North Dakota (24%).

Year	Person-trips, one or more nights
2010	722,000
2011	750,337
2012	809,178
2013	759,298
2014	708,286
2015	164,794*

*January to April

g) As of July 1, 2020, the following table shows the number of Basic customers eligible for extension TPL coverage who actually purchased some level of coverage. As can be seen, 91% of eligible customers elected to purchase some level of Extension TPL coverage.

[1] Travel Manitoba provided us with this summary data but were unable to release the full report. MPI understands that the full report is available for $750 from PRA. http://www.pra.ca/resources/pages/files/PRA%20Media%20Release_MB%20Tourism_v3.pdf

Product	**Policy Count**	**% of Active Policies**
Basic with TPL $200,000	76,066	9%
Extension TPL $1M	209,838	25%
Extension TPL $2M	331,279	39%
Extension TPL $5M	167,013	20%
Extension TPL $7M	8,588	1%
Extension TPL $10M	46,134	6%

h) MPI will recalculate the Extension TPL rates based on the revised coverage levels. Since TPL loss costs are being transferred from Extension to Basic, Extension TPL rates and revenues will decrease, and absolute Extension profits will decrease. The Extension profit percentage per dollar of TPL premium will remain the same. The impact will be rate neutral or favourable for the customer.

i) MPI does not disclose the detailed pricing information for individual Extension products. The MPI Board approves the overall percentage profit target for Extension. For most Extension products, the profit target is the same; however, for products that have more underlying risk, the profit target may be higher than average (the opposite for products with very low risk). MPI does not intend to change the percentage profit target for Extension TPL products as a result of the change in Basic TPL coverage.

CAC (MPI) 1-41

Part and Chapter:	BAC.4 PF.6 REV Appendix 3	Page No.:	Page 12, line 11 Page 2, line 23
PUB Approved Issue No:	19		
Topic:	Product Change impact on extension rates		
Sub Topic:			

Preamble to IR:

Coverage changes have been approved by provincial Cabinet and will be in effect for the 2021/22 insurance year.

Question:

a) Please provide details of the 17% increase to Extension rates, highlighting in particular the effect of transferring coverage from Basic to Extension and reconcile with Figure REV App 3-1.

b) Please discuss the implications, if any, of the 17% increase in extension rates on the expected MPI share of the extension market including the historic share of the market over the past five years and the expected impact of the rate increase on MPI extension market share.

c) To the extent that a reduction in market share in extension is envisioned, please discuss the implications for the capital management plan.

d) If no reduction in extension market share is envisioned, please outline the factors which in the view of MPI explain how a 17% increase in rates does not translate to a reduction in market share.

e) Please explain and reconcile the overall profit target for 2020, presented in Figure REV App 3-1, with the 17% increase in extension rates, and explain what impact, if any, the transfer of coverage from Basic to Extension has had on Extension profit margin.

f) Please describe what impact the transfer of coverage to extension will have on Commissions payable?

g) Referencing PF.6, please elaborate on the reasons for the Commission forecast being reduced in 2022F by 2.8 million.

Rationale for Question:

To understand the impact of coverage changes on the Basic and Extension lines of business.

RESPONSE:

a) MPI calculated the 17.0% to achieve a $27.37 million increase in Extension written premiums for 2021/22. The figure below shows how it determined the $27.37 million increase.

Figure 1 Impact of Product Changes on Extension Written Premium for 2021/22

Line No.			Impact
1	Impact of product changes on Basic required rate for 2021/22	[1]	-2.96%
2	Impact of product changes on Basic written premium for 2021/22	[2]	-$33.90 million
3	% of eligible Basic customers who will purchase Extension	[3]	90.0%
4	Impact of product changes on Extension written premium for 2021/22 for product		
5	changes that result in a transfer of loss costs from Basic to Extension [a]	[4] = -([2] * [3])	+$30.51 million
6	Impact of product changes on Extension written premium for 2021/22 for product		
7	changes that affect only Extension loss costs [b]	[5]	-$3.14 million
8	Total impact of product changes on Extension written premium for 2021/22	[6] = [4] + [5]	+$27.37 million
9	Notes:		
10	[a] Includes changes to the Basic deductible, Basic third party liability limit and Basic		
11	insured value. The decrease in the Basic written premium is offset by the increase		
12	Extension written premium to be rate neutral.		
13	[b] Includes the removal of deductible waivers and the $100 deductible. The loss		
14	from these is $1.49 million. Given a 28.0% profit margin, a 21.6% variable		
15	commission and a 3.0% premium tax rate, the impact on premiums is -$3.14 million.		

b) The expected rate increase and coverage changes for Extension should not impact market share.

c) Not applicable, per response in part (b) above.

d) The 17% increase in Extension rates results from customers having to purchase more extension coverage in order to maintain the same level of deductible. The cost to the customer to purchase this additional coverage exists regardless of whether the customer purchases coverage through MPI or a competitor. The coverage change will be rate neutral for customers (i.e. no price increase for same coverage), therefore MPI expects no impact to market share.

e) The 17% increase as a result of the product changes affects the Extension rates for rating year 2021/22. This has no effect on the 2020 Extension profit target. In respect of the 2021 Extension profit target, MPI expects a lower overall profit target to ensure that the coverage change will be rate neutral for customers.

f) Since Extension has a higher commission rate than Basic, the transfer of coverage to Extension (all else equal) will have an increase on the commissions' paid beginning fiscal year 2021/22. The impact of the increase in commission will be fully realized once all 2021/22 policies have been fully earned (i.e. once the full policy year has completed for all policyholders).

g) The commission forecast is reduced in 2021/22 as a result of the applied for reduction in Basic rates. The impact of the decrease in commission will be fully realized once all 2021/22 policies have been fully earned.

CAC (MPI) 1-42

Part and Chapter:	CI.2.10 CI.8	Page No.:	14, 15 36
PUB Approved Issue No:	11, 19		
Topic:	Claims incurred		
Sub Topic:	Impact of Coverage Change		

Preamble to IR:

At lines 2 and 3 of page 15, MPI states:

> *The impacts were determined based on a review of affected claims over the last 7 accident years (i.e. accident years 2013 to 2019). For these claims, MPI determined the change in claims costs resulting from changes to the Basic product on a claim-by-claim basis*

At lines 14 of page 36, MPI states:

> *The forecasts in these sections exclude impacts arising from CERP. Such impacts include, changes in customer behavior for reporting claims, claim severity, and changes in the distribution of claims. Impacts from CERP 1 are added in the forecasted ultimates after. For an outline of the impacts from CERP, see CI.2.10.*

Question:

a) Please describe any expected or assumed changes in customer reporting behavior as a result of changes to basic Coverage. Please also describe anticipated changes in the distribution of claims.

b) Please explain why impacts to the ultimate forecasts were determined based on a review of affected claims over the last 7 accident years. Was this choice of 7 years driven by data quality, availability, or another reason?

c) Please explain why different forecast methodologies were used to determine the impact of increased Basic Deductible versus increased TPL and MIV. Please provide a narrative explanation, outlining why the particular approach used was preferable to the alternative approach(es) that may have been considered.

Rationale for Question:

To understand the rationale for the forecasting approach used.

RESPONSE:

a) The forecasted impact of the product changes does not assume any changes in customer reporting behavior. This is because customers can purchase the same level of coverage with no significant change in their total Basic and Extension rates (i.e. rate neutral).

   In respect of the distribution of claims, there will be changes in the distribution of claims costs by coverage due to savings on both Collision and Comprehensive, and additional loss costs on Third Party Liability (TPL). Otherwise, MPI does not anticipate any other changes.

b) A review of the impact of the product changes was initiated in March 2019. When it initiated the review, MPI judgmentally decided on 6 accident years (i.e. from 2013 to 2018). The intent was to have 5 accident years whereby the affected claims were more fully developed (i.e. 2013 to 2017) and the most current accident year (i.e. 2018). When it updated the review this year, MPI added the most current year to the analysis (i.e. 7 accident years from 2013 to 2019).

c) Different methodologies are required to appropriately reflect the differences in how each product change affects expected losses.

   For the increase in Basic deductible, the savings per claim by peril was fairly consistent year-over-year. As such, MPI determined the forecasted total savings by taking the product of the forecasted number of claims and the forecasted savings per claim (by peril). Trending the total savings was not appropriate since the major driver of the savings was the number of claims.

For the increase in Basic TPL limit, the major driver of the increased loss costs is the very few TPL claims that will exceed the current TPL limit of $200,000. MPI determined the forecasted additional loss costs based on the average of the trended historical indications.

For the increase in Basic Maximum Insured Value (MIV), the major driver of the increased loss costs is the few collision or comprehensive claims that will exceed the current MIV of $50,000. MPI determined the forecasted additional loss costs based on the average of the trended historical indications.

For both the increases in TPL limit and MIV, MPI determined that it was not appropriate to employ the forecasting methodology used in respect of the increase in the Basic deductible since the major driver was the size of the claim, not the number of claims.

CAC (MPI) 1-43

Part and Chapter:	OV.5.1	Page No.:	Page 10, lines 7-12
PUB Approved Issue No:	3		
Topic:	Change in FYE, and approved 13 months rates		
Sub Topic:			

Preamble to IR:

By Directive 13.1 of Order 176/19, the PUB approved rate for a 13 months period from March 1, 2020 to accommodate the change in MPI's fiscal year end.

Question:

a) Did MPI have any expectation that it would bring a -10.5% decrease in the 2021 GRA, at the time it sought approval for rates to be in effect for 13 months, at the 2020 GRA?

b) Please provide MPI's estimate of the impact to March renewal customers as a result of deferring the 10.5% rate decrease from March 2021 to March 2022. Please state assumptions and show calculations to support this estimate. Please discuss the results and implications of this analysis.

c) Please provide the number of customers that renew in March each year? Please also provide how many policies are renewed in March each year. Provide if possible, a breakdown by major class of each of the March renewal policies.

Rationale for Question:

To understand the impact of the requested rate decrease, and the change in FYE on March renewal customers.

RESPONSE:

a) No, MPI did not expect a -10.5% decrease in the 2021 GRA. MPI forecasts are made on a best estimate basis using information available at the time the application is submitted. These forecasts are then reviewed in detail as part of the General Rate Application (GRA) process.

Further, the break-even rate change in the 2021 GRA is -2.5%, which is a modest reduction in rates caused mainly from better than anticipated improvements in collision frequency. The product changes account for -3.0% of the rate change, which is not a reflection of MPI's forecasting ability, but rather the updating of rates to reflect changes in Basic coverage levels. Lastly, the Capital Management Plan accounts for -5.0% of the rate decrease, which is a function of MPI's very positive financial performance over the past two fiscal years and the transfer of funds from the Extension line of business.

b) Per *Ratemaking, page 5*, for the Private Passenger major class, the average decrease in rate is $130. Customers with renewals in March will see this average decrease in March 2022 instead of March 2021. Given that 2021 rates are determined to cover all associated costs for the 2021 rating year (beginning April 1, 2021), this approach is appropriate because it benefits customers who have a policy in the rating year (and have contributed to the rate decrease).

c) The following figure shows the number of policies and customers with renewals between March 1, 2020 and March 31, 2020.

Figure 1 Policy and Customer Count

Line No.	Major Class	Policy Count	Customer Count
1	**Private Passenger**	99,947	68,163
2	**Commercial**	11,001	2,023
3	**Public**	2,869	290
4	**Motorcycles**	1,376	1,261
5	**Trailers**	22,891	11,673
6	**Off Road Vehicles**	7,432	4,391
7	**Total***	145,516	71,090
8	*Total customer count will not match sum by major class since		
9	a customer could have policies in multiple major classes		

CAC (MPI) 1-44

Part and Chapter:	Part V, REV	Page No.:	Page 7,8, Figure REV-6
PUB Approved Issue No:	4.b)		
Topic:	Revenue Forecast		
Sub Topic:	Volume Growth Factor		

Preamble to IR:

At Part V REV page 7, MPI states:

> *Further, for the current GRA, the volume growth is forecasted using Policy Year Earned Units (PY-EU), rather than Earned Year Earned units (EY-EU) used in prior GRAs. The primary reason for the change in methodology is PY-EU is a leading indicator of volume growth when compared to EY-EU.*

Question:

a) Please provide a narrative description of the difference between 'Policy Year Earned Units' and 'Earned Year Earned Units'.

b) Please explain and demonstrate why PY-EU is a leading indicator of volume growth.

c) Please quantify the impact of this methodology change on the volume growth forecast.

Rationale for Question:

To understand the change in methodology, and its impact on the forecast.

RESPONSE:

a) To illustrate the difference between the terms *Policy Year Earned Units* (PY-EU) and *Earned Year Earned Units* (EY-EU), assume a customer renews their one-year policy on August 1, 2020 for the following one year based on 2020 rates. In the fiscal year 2020/21, the PY-EU reflects the 8 months of earnings from August 1, 2020 to March 31, 2021 (i.e. from the date of renewal to fiscal year end date). The EY-EU then reflects 12 months of earnings from April 1, 2020 to March 31, 2021 (i.e. the entire fiscal year, as the customer insured their vehicle for the entire fiscal year).

b) PY-EU is a leading indicator of volume growth because it captures changes in new and renewal patterns earlier than other indicators. For example, assume the customer in the response to (a) above does not renew their policy. In the fiscal year 2020/21, the PY-EU would be zero while the 4-month EY-EU would not (i.e. only the PY-EU captures the decision not to renew).

c) Please see *PUB (MPI) 1-21(a)*.

CAC (MPI) 1-45

Part and Chapter:	**Part V – Pro Formas**	**Page No.:**	**4 to 6**
PUB Approved Issue No:	**2. Rate indication** **4. Financial Forecasts**		
Topic:	**Basic Net income (loss) forecasts for years 2022 through to 2025 and forecasted Transfers from Extension Retained Earnings for the same periods**		
Sub Topic:			

Preamble to IR:

The forecasted Basic Net Income (loss) and the Extension Retained Earnings transfers per the period indicated in the Topic above are contained in PF-1 (page 4) and PF–3 (page 6) respectively for the period ended March 31 ($000) as follows:

	2022F	**2023F**	**2024F**	**2024F**
PF1-Basic net income (loss) from annual operations	$(1,193)	$(45,185)	$(59,048)	$(61,970)
PF#-Transfer from Extension Retained Earnings	$24,948	$35,209	$37,991	$40,287

Question:

a) Please elaborate and discuss MPI's confidence in the Basic Insurance operations forecasts for fiscal years 2023 through to 2024.

b) Please discuss the rationale for forecasting operational net losses for basic insurance while forecasting operational net incomes (EPF-1, page 21) for extension insurance.

c) In terms of rate indications, please discuss the potential impact on the deficiency and/or redundancy for basic insurance and extension insurance rates for fiscal years 2023 through 2024 on a break even basis and AAP basis, if any.

Rationale for Question:

To clarify and understand the rational for MPI forecasting net losses for basic insurance and net incomes for extension insurance and the potential impact on rates going forward in light of the 2021 GRA proposed rate decrease of 10.5%.

RESPONSE:

a) MPI is confident in all forecasts presented in the 2021 General Rate Application (GRA), including the forecast relating to Basic insurance operations. All financial forecasts have been provided using best estimates, consistently tested methodologies while utilizing the most current information available at the time of filing. The net losses forecasted in 2021/22 and outward include the proposed 10.5% Basic rate reduction in the 2021/22 rating period, of which 5.0% is related to the capital release under the Capital Management Plan (i.e. the future rating years assume premiums that are 5% below break-even level because of the proposed capital release. These premium estimates will be updated in subsequent GRAs with the actual break-even rate and CMP requirements). MPI does not intend to apply for the 5.0% capital release for subsequent rating periods (for example 2022/23 in the 2022 GRA) but rather to illustrate the impacts of the current capital release throughout the forecast period, thus creating a net loss for future years.

b) The Basic line of business operates with the presumption of a zero profit provision, whereas Extension operates as a competitive line of Business. As explained in Part (a) above, the Basic line of business shows net losses for this particular forecast.

c) The current financial forecast model is not equipped to provide rate indications for years extending past the current rating year (2021/22). MPI may enhance its model in the future to provide AAP rate indications extending beyond the current rating year. Until then, MPI will not have a clear understanding of the 2023 and 2024 break even and AAP rate indications until it submits its next GRA.

CAC (MPI) 1-46

Part and Chapter:	Part VII - Investments	Page No.:	1257 of 2150
PUB Approved Issue No:	4)a), 4)d), 8		
Topic:	Impact of COVID-19		
Sub Topic:			

Preamble to IR:

Blackrock Chief Investment Office is quoted in the Globe and Mail, *Recoveries never go in a a straight line*, July 4, 2020 as suggesting:

The portfolio that investors had over the last 10 years will not work the same way in the next 10 . . . we have been stressing the strategic changes that investors need to think about now. Rethinking the role of government bonds in the portfolio, thinking about the potential for an increase in inflation, and the way to protect the equity portfolio in non-traditional ways.

JPMorgan long term strategists are quoted in the Globe and Mail, *Is it the end of using bonds as ballast*, July 3, 2020, as suggesting that:

In the zero-yield world which we think will be with us for years, bonds offer neither much return nor protection against equity falls.

The GRA describes the impact of COVID-19 as follows, *in italics*.

> *The financial markets have been negatively impacted by Covid-19, which has resulted in significant economic uncertainty ...*
>
> *Equity markets declined sharply … the … equity portfolio … peaked on February 20 and bottomed out on March 23, falling 29.7% during this period. At March 31, the equity portfolio … was down 17.7% since February 20 and down 14.5% since December 31 … Since the low …*

equity markets … staged an impressive recovery; from March 23 to June 5 the equity portfolio increased by 32.1%, resulting in a 7.3% decline since the peak … and a 3.7% decline since December 31, 2019.

… real estate and infrastructure … were less impacted by Covid-19 than listed equities as they are less economically sensitive assets and because, at March 31, the pandemic was still in its infancy, making it difficult to accurately forecast the impact on these assets. These are private assets that are valued infrequently (annually, quarterly or monthly). Where appropriate, forecasted cash flows were revised while discount rates were not changed. These assets generally have long-term contracted or regulated revenue streams that are not impacted by short-term changes in demand or usage ...

… government bond yields fell, corporate and Provincial bond spreads widened, and the net impact on the absolute level of corporate and provincial bond yields was mixed. The graph below depicts the yield of corporate bonds … relative to the … GoC 10 year bond.

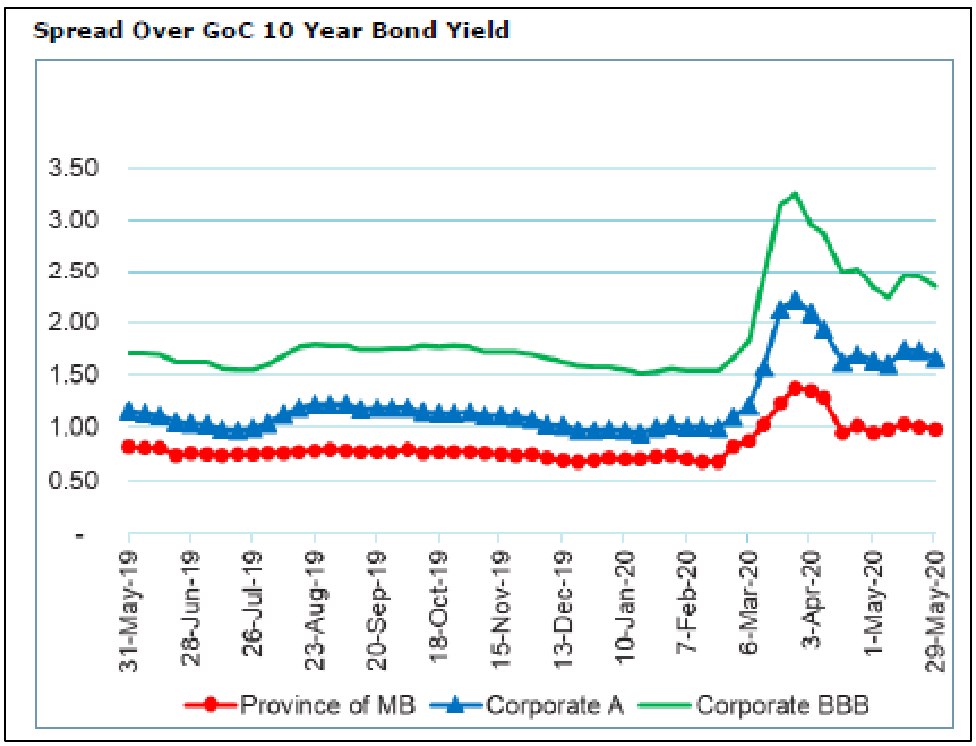


Figure INV- 5 GoC 10 Year Bond Yield Spread Changes

Line No.	Bond Type	Yield at 12/31/2019	Yield at 3/31/2020	Change
1	Corporate BBB	3.17%	3.93%	0.76%
2	Corporate A	2.75%	3.05%	0.30%
3	Provincial	2.33%	2.04%	-0.29%
4	GCAN 10 year	1.70%	0.70%	-1.00%
5	Source: FTSE Russell – Debt Market Indices Report & Bloomberg			

… from December 31 to March 31 corporate bond spreads increased … 175 bps for BBB … (from 150 bps to 325 bps) and … 125 bps for A rated bonds ... However, the yield on the GoC 10 year bond fell by 100 bps. Therefore the absolute yield on corporate bonds increased by 30 bps to 76 bps ... The yield on the corporate bond portfolio of MPI increased by 32 bps from December 31 to March 31 …, resulting in a return of -4.7%.

From December 31 to March 31 the yield on the mid-duration private debt fund increased by 21 bps, while the long-duration private debt fund increased by 12 bps, … producing a return of -3.0%. Over the same period the yield on the Provincial bond portfolio … fell by 19 bps, … resulting in a return of 1.4%.

Question:

Given the “significant economic uncertainty” noted by MPI above, and increased market volatility in recent months:

a) Did MPI modify its investment-related processes? If so, how?

b) Are there any material changes in the factors that impact return/risk tradeoffs, including: i) MPI’s expectations for asset class returns and volatilities, as well as return correlations among them (and with liabilities) or ii) expected risk premia (e.g., credit spreads, equity risk premium)? If so, what were the changes?

c) Has MPI's risk tolerance changed? If so, how?

d) Would any changes noted in a), b), or c) above cause MPI to re-examine the appropriateness of its long-term asset allocation policy for any of the five portfolios?

e) Are there any material changes in MPI's views regarding the nature and degree of active management that it will pursue (i.e., how much, and where, MPI seeks to outperform the benchmark)?

Rationale for Question:

To assess the return/risk tradeoffs related to the investment strategy pursued by MPI, given the "significant economic uncertainty" noted by MPI and increased market volatility in recent months.

RESPONSE:

a) No changes have been made to the investment-related processes of MPI.

b) MPI made no changes to its long-term capital markets assumptions. MPI employs a long-term strategic asset allocation which is reviewed and established through a formal asset-liability management (ALM) study conducted with the assistance of an external consultant, rather than tactical asset allocation and therefore does not revise its investment strategy based upon changes in capital markets conditions that occur between ALM studies.

c) MPI has not changed its risk tolerance.

d) As it noted no changes in (a), (b), or (c) above, MPI has not re-examined the appropriateness of its long-term asset allocation policy for any of the 5 portfolios.

e) There are no material changes in the perspectives of MPI regarding the nature and degree of active management it will pursue.

CAC (MPI) 1-47

Part and Chapter:	**Part VII - Investments**	**Page No.:**	**1347**
PUB Approved Issue No:	**4)a), 4)d), 8**		
Topic:	**Investment Policies**		
Sub Topic:	**Rebalancing Policy**		

Preamble to IR:

Asset mix rebalancing policies are important because asset allocation is the main contributor to returns and risks. MPI's Rebalancing Policy (ICWG Policy #2 in Part VII – INV Appendix 3) states that:

> *The ICWG will monitor … asset allocation … at a minimum … quarterly …*
>
> *Whenever an asset class is outside of its target range, it will be reported to the Investment Committee ... If the weight of any asset class falls outside the allowable range, then that asset class will be rebalanced … within six (6) months.*
>
> *If the ICWG wishes to maintain an asset class outside of its … range for more than six months it must report the reasons for such variance to the Investment Committee and seek … approval. The Investment Committee may approve an asset class to remain outside of the rebalancing range for a limited period of time ...*

Question:

a) Compared to previous years, or on average, is the rebalancing policy being applied differently – and if so, how?

b) Did the changes in the portfolios (i.e., separation of the single commingled portfolio into 5 unique portfolios) have an impact on how rebalancing is being done?

c) Did the recent increased market volatility (e.g., arising from COVID-19) have an impact on how rebalancing is being done?

d) Has the implementation of the rebalancing policy had a positive, negative, or neutral impact on performance relative to benchmarks? If performance attribution reports are available to show the value added (subtracted) from i) asset allocation and ii) security selection and other effects, can these reports be provided?

Rationale for Question:

To assess the appropriateness of the rebalancing policy, given the creation of 5 unique portfolios and recent increased market volatility.

RESPONSE:

a) The rebalancing policy is not being applied differently than in the past. However, due to the separation of the single commingled portfolio into five distinctive investment portfolios, the rebalancing policy is now applied at the individual portfolio level.

b) The rebalancing policy is applied at the individual portfolio level and transfers between the individual portfolios are not contemplated in the rebalancing policy.

c) The recent increase in market volatility due to COVID-19 did not have any impact in the way the rebalancing policy was applied.

d) The Investment Department has not measured the impact of the rebalancing policy on performance relative to benchmarks. Attribution reports that provide the value added from asset allocation and security selection for the individual investment portfolios are not available.

CAC (MPI) 1-48

Part and Chapter:	Part VII - Investments	Page No.:	1264 of 2150
PUB Approved Issue No:	4)a), 4)d), 8		
Topic:	Shadow Portfolios		
Sub Topic:			

Preamble to IR:

In last year's (2020) GRA, the return on Shadow Portfolios was calculated as follows:

- Private Equity: S&P/TSX Total Return Index; and
- Other asset classes: benchmarks in the Investment Policy Statement.

In the current (2021) GRA, the Shadow Portfolios were modified to allow for the "J-curve"* for private debt and private equity by assuming zero returns for the first 12 months … in these asset classes.

> ** The "J-curve" reflects the reality that for private investments there is usually an initial period where expenses are incurred with little return to offset the expenses.*

Question:

a) Why was this modification not described in last year's GRA, when the first Shadow Portfolio calculations were reported?

b) How does the modification, to include the J-curve adjustment, help to better meet the objective established by the PUB in Order No. 159/18 (i.e., assist in determining whether the portfolio selected by the Corporation provided optimal returns)?

Rationale for Question:

To assess the change in methodologies/assumptions related to the Shadow Portfolios, given the objective established by the PUB in Order No. 159/18 (i.e., assist in determining whether the portfolio selected by the Corporation provided optimal returns).

RESPONSE:

a) The addition of the J-curve to the Shadow Portfolios was not described in last year's GRA because this modification was made subsequent to last year's GRA.

b) The addition of the J-curve reflects the reality of private investments (ie: limited returns to offset expenses during the investment period) and ensures that the Shadow Portfolio is not overly optimistic in terms of assumed returns in the first year. Shadow Portfolios that include unrealistically high return assumptions for private investments will not be a useful tool in assessing the performance of MPI's actual portfolio as they will be biased upwards.

CAC (MPI) 1-49

Part and Chapter:	**Part VII - Investments**	**Page No.:**	**1363 - 1369**
PUB Approved Issue No:	**4)a), 4)d), 8**		
Topic:	**Shadow Portfolios**		
Sub Topic:	**Real Return Bonds and Surplus Volatility**		

Preamble to IR:

In last year's GRA, CAC noted that MPI's approach for selecting Shadow Portfolios did not keep risk constant (relative to the policy portfolio selected), making return comparisons between the two portfolios harder to interpret without making a "risk adjustment". CAC described an alternative approach for selecting the Shadow Portfolios that would avoid the need for such a risk adjustment. In the case of the Pension Plan (also called Employee Future Benefits or EFB Portfolio), CAC estimated the return bias from the MPI approach to be 2.4% (shown below) during Cross Examination.

Summary and Conclusions

Asset mix and return/risk* characteristics of the Shadow Portfolios are below, along with an alternative approach that:

1. keeps risk at the tolerance levels chosen by MPI (i.e. 4.5% volatility for Basic and 8.4% for Pension); and
2. applies the approach consistently across the 4 portfolios.

This alternative approach is more consistent with the purpose of the PUB Order (i.e. report differences in returns).

Portfolio	MPI Policy	Shadow	Asset Mix[i] and (Return, Risk): CAC Approach: Same Risk	MPI/Mercer Approach: Same Return	MPI/Mercer Approach: Change Both	Return Bias**
Basic	100/0/0 (3.1, 4.5) *B: Basic.3*	1		100[ii]/0/0 (3.1, 3.2) *C: Basic.5*		
		2	(5.3, 4.5)		73/13/14 (4.5, 3.1) *C: Middle*	0.8 = 5.3 − 4.5
Pension	40/35/25 (5.6, 8.4) *B: Pension.1*	3		40[iii]/35/25 (5.6, 7.7) *C: Pension.4*		
		4	(7.4, 8.4)		72/14/14 (5.0, 3.2) *C: Middle*	2.4 = 7.4 − 5.0
			I	II		I - II

* Risk is measured in real (not nominal) terms.

** Return bias measures the difference between the expected returns of the Shadow Portfolios that would be constructed under the:
I. Same Risk Approach; and
II. MPI/Mercer Approach.

i. *Fixed Income/Public Equities/Alternatives*
ii. *Includes 24% RRBs (only difference relative to MPI Policy)*
iii. *Includes 10% RRBs (only difference relative to MPI Policy)*

7

The graph below shows the change in the real yield on Real Return Bonds, which impacts the pension surplus (i.e., assets less liabilities). Real yields fell below zero for the first time in 2020, and are now 0%. This means the present value of pension liabilities increased, other things equal.

Real Return Bond - Long-Term

GRAPH PERIOD: July 5, 2019 - July 6, 2020

Date	Yield
2020-07-06	-0.02
2020-07-03	-0.02
2020-07-02	-0.01
2020-07-01	NA
2020-06-30	-0.02

Previous data

NOTE: Government of Canada bond yields are mid-market closing rates.

Source: Bank of Canada, at https://www.bankofcanada.ca/rates/interest-rates/canadian-bonds/

The returns of the Shadow Portfolios, as calculated by MPI, are shown below.

June 17, 2020
2021 GENERAL RATE APPLICATION
Part VII - INV Appendix 10

Shadow Portfolio Returns vs. Actual Portfolio Returns

March 2019 - March 2020	Returns (%)	Passive MPI Return Less Shadow Portfolio
Shadow Portfolio - P1 Basic	7.19%	0.59%
Shadow Portfolio - P2 Basic Unconstrained - With J-Curve Effect*	2.31%	5.47%
Passive Return on the Basic Portfolio	7.78%	
Actual Return on the Basic Portfolio	**6.19%**	
Shadow Portfolio - P3 EFB - With J-Curve Effect*	-0.33%	-0.24%
Shadow Portfolio - P4 EFB - With J-Curve Effect*	4.91%	-5.48%
Passive Return on the EFB Portfolio - With J-Curve Effect*	-0.57%	
Actual Return on the EFB Portfolio	**1.36%**	

The Passive MPI Portfolio (-0.57% return) underperformed the Shadow Portfolio - P4 EFB (4.91%) by 5.48%.

What is not reported is the difference in risk between the Passive MPI Portfolio and the Shadow Portfolio - P4 EFB Portfolio. (On the prior page, CAC estimated that the MPI Shadow Portfolio - P4 EFB has a surplus volatility of 3.2% - far below the 8.4% surplus volatility in the Passive MPI Portfolio.)

Question:

a) Would MPI agree that the pension plan has been adversely impacted, from a funding (surplus) perspective, by the recent market environment?

b) Would MPI agree that the underperformance of the Passive MPI Portfolio relative to the Shadow Portfolio - P4 EFB looks worse if a risk adjustment is made?

Rationale for Question:

To incorporate risk considerations when assessing the performance of the Shadow Portfolios in relation to the Passive MPI Portfolio.

RESPONSE:

a) The pension liabilities of MPI are discounted based upon the Fiera Capital CIA Method Accounting Discount Rate Curve, which itself is based upon the yield on highly rated corporate bonds. Therefore, changes in the real yield of real return bonds do not impact the present value of the liabilities of MPI.

b) MPI does not accept the premise of the risk adjustment identified by CAC as it is unaware as to how it calculated the 7.4% return. Also, the return to risk ratio of the Shadow Portfolio developed using the MPI/Mercer approach (5.0/3.2 = 1.56) is significantly better than the approach of the CAC (7.4/8.4 = 0.88), meaning that the Shadow Portfolio developed by MPI/Mercer is much more efficient (i.e. has a higher return per unit of risk).

CAC (MPI) 1-50

Part and Chapter:	VII - INV	Page No.:	36-44
PUB Approved Issue No:	4)a), 4)d), 8		
Topic:	Investment Forecasts		
Sub Topic:	Return Assumptions		

Preamble to IR:

The investments forecast relies on a number of assumptions, including return assumptions for various asset classes.

Question:

a) Please update statistical analysis of Naïve interest rate forecast contained in Figure INV-12 of the 2020 GRA, and comment on any material deviations from past results.

b) Referencing section INV.6.3, the total return assumption for Canadian Equities, please explain what testing has been performed on the accuracy of this assumption. Please provide any analysis that supports the ongoing validity of this return assumption.

c) Referencing section INV.7.3, the total return assumption for Global Equities and Global Low Volatility, please explain what testing has been performed on the accuracy of this assumption. Has the Capital Market Assumptions document from the 2018 Mercer ALM study been updated since that time? Please provide any analysis that supports the ongoing validity of this return assumption.

d) Referencing section INV.8.3, the total return assumption for Real Estate Pooled Fund, please explain what testing has been performed on the accuracy of this assumption, noting that it has been unchanged for over 10 years. Please provide any analysis that supports the ongoing validity of this return assumption.

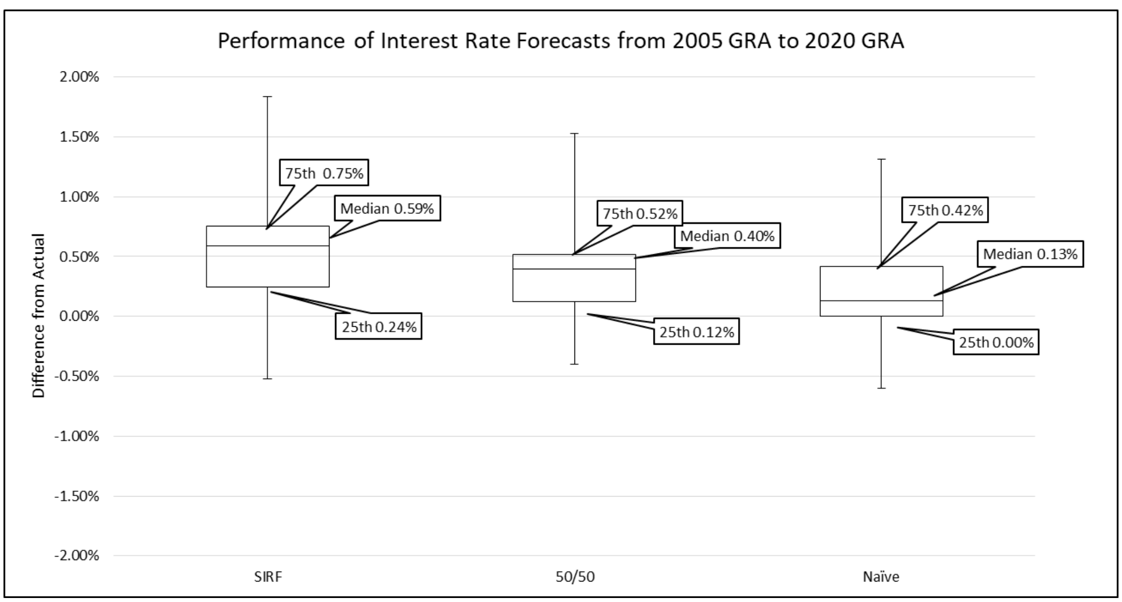
e) Referencing section INV.9.3, the total return assumption for Infrastructure, please explain what testing has been performed on the accuracy of this assumption? Please provide any analysis that supports the ongoing validity of this return assumption.

Rationale for Question:

A number of return assumptions in the Investments forecast appear to be unchanged over a number of years. The return assumptions should be tested for their reasonableness and predictive ability.

RESPONSE:

a) With the exception of adding an additional year of data points from GRA 2020, there are no material deviations as shown below:



The box and whisker plots illustrate various percentiles. The box represents 50% of the data, from the 25th to 75th percentiles, while the whiskers represent the minimum and maximum data points. The median difference from the actual values for the Naïve forecast is closer to zero than the median for the SIRF and 50/50. This means that the Naïve forecast is a better predictor of the actual values than the SIRF and 50/50 forecasts.

b) The Canadian equity total return assumption is not frequently tested to support its validity. As previously indicated, the Canadian equity total return forecast is based on 5th percentile 20-year Canadian equity return using index data starting in 1956 to March 31, 2020. This methodology has been approved by the PUB.

c) The global equity and global low volatility total return assumptions are not frequently tested to support their validity. As previously indicated, the total return on the global equity portfolio is assumed to match that of the Canadian equity total return. Whereas, the forecasted total return for the global low volatility portfolio is forecasted to be 60 bps lower than the return on global equities. This return difference is based on Mercer's capital market assumptions document from the 2018 ALM study and remains in use for forecasting purposes. According to Mercer's capital market assumptions as at May 31, 2020, the median 20-yr annualized return for Canadian equity, global equity and global low volatility equity are 6.4%, 6.4% and 5.8%, respectively. In comparison, the GRA 2021 forecasts for these assets classes were 6.8%, 6.8% and 6.2%.

d) The total return assumption for Real Estate Pooled Fund is not frequently tested to support its validity. As previously indicated, the total return on the real estate portfolio is based on the forecast for the Canadian Consumer Price Index (CPI) plus a spread of 4%. This assumption for real estate has been unchanged since the first investment by MPI in the asset class in 2009. Being an illiquid asset class, it is very difficult to find a suitable benchmark that is investable to compare returns. With that said, it is still believed that CPI + 4% is an appropriate forecast.

e) The total return assumption for infrastructure is not frequently tested to support its validity. As previously indicated, the total return on the infrastructure portfolio is based on the forecasted Canadian Consumer Price Index (CPI) plus a spread of 5%. Like Real Estate, being an illiquid asset class, it is very difficult to find a suitable benchmark that is investable to compare returns. With that said, it is still believed that CPI + 5% is an appropriate forecast.

CAC (MPI) 1-51

Part and Chapter:	**PART VII, Investments**	**Page No.:**	**19**
PUB Approved Issue No:	**8. Performance of investment portfolio, composition, etc**		
Topic:	**Private Debt**		
Sub Topic:			

Preamble to IR:

> *"The new asset classes were fully funded by August 31, 2019 1 with the exception of private debt. The global equity portfolios were funded in April 2019 while the corporate bond portfolios were funded from April to July and fully invested by August 31, 2019. Investment in private debt began in July 2019 and will continue as drawdowns of the committed capital of MPI are received from the selected investment manager. Illiquid asset classes, such as real estate and infrastructure, will be partially sold in order to reach the long-term target weights."*

Question:

Please file an investment schedule listing the Private Debt currently funded including the terms and yields for each private debt investment.

Rationale for Question:

To obtain a better understanding of the private debt comprising a portion of the RSR and EFB investment portfolio and its risk characteristics.

RESPONSE:

MPI owns pooled fund units, not the holdings within the pooled funds. Therefore, it cannot provide the information related to the holdings of the pooled funds. Information on MPI's pro-rata share in the private debt pooled funds by portfolio is provided below.

Figure 1 Private Debt Pooled Funds

Portfolio	Description	YTM	Market Value	Market Value + Accrued Interest	Coupon Rate
Extension	Private Debt Pooled Fund	4.07	9,789,818.27	9,842,498.28	4.10
RSR	Private Debt Pooled Fund	4.07	19,579,636.55	19,684,996.55	4.10
EFB	Private Debt Pooled Fund	3.48	81,697,006.07	82,055,989.28	3.90

CAC (MPI) 1-52

Part and Chapter:	**Part VII, Investments**	**Page No.:**	
PUB Approved Issue No:	**8. Performance of investment portfolio, composition, etc**		
Topic:	**INV.2.4 Impact of Interest Rate Changes on the Motorcycle Class**		
Sub Topic:			

Preamble to IR:

PUB Order 176-19, Directive 13.12 states:

> *"The Corporation shall consider an investment strategy, or other strategy, to ameliorate the effect of interest rate changes on the Motorcycle Class, including the inclusion of equities or other growth assets in the reserves supporting long-tail liabilities, and report on the results of that review in the 2021 GRA."*

For ratemaking purposes, MPI uses the new money yield of the Basic claims investment portfolio as the basis for **discounting policy cash flows**. The ALM strategy for the Basic Claims portfolio precludes the use of growth assets to back claim liabilities. MPI does not support the idea of creating a special asset backing portfolio specifically for motorcycle claims liabilities purely for the purposes of lowering the motorcycle rate indication.

However, a reasonable consideration that could be applied fairly to all vehicle types would be to use interest rates at points on the yield curve corresponding to the duration of the liabilities to discount liabilities (instead of a single discount rate which is currently used). This approach would provide a more appropriate discount rate for policy cash flows. For PIPP cash flows, which are very long tail, the cash flows would generally be discounted at a higher rate given that the yield curve is typically upward sloping. Since the Motorcycle Class has a very large composition of PIPP claims relative to other vehicle classes, this change would be expected to benefit motorcycles. Unfortunately**, the current yield curve is very flat. As a result there is no significant benefit to motorcycles from using such an approach**. MPI will consider making this change in the 2022 GRA after a more thorough impact assessment is complete for all vehicles."

(Emphasis added)

Question:

a) For greater clarity and understanding, please describe 'discounting policy cash flows'.

b) For illustration purposes and for greater clarity at this GRA (realizing MPI is going to fully explore this matter for the 2022 GRA), please provide an example using interest rates at various points on the yield curve, corresponding to the duration of liabilities, to discount policy liabilities compared to the current single discount rate methodology showing the resulting impact on rate changes on motorcycle rates and/or all vehicles.

Rationale for Question:

To better understand and clarify the potential change in approach to discounting long-tail policy liabilities selecting interest rates on the yield curve matching policy liability durations.

RESPONSE:

a) 'Discounting policy cash flows' refers to the discounting of all costs and revenue, based on assumed cash flows, for insurance policies issued for rating year 2021/22. Per *Ratemaking*, cash flows were "discounted from the midpoint of the development quarter/year to the end of rating year 2021/22 (i.e. March 31, 2022)".

b) MPI calculates a single discount rate for ratemaking purposes based on the new money yield of the Basic claims portfolio. This approach produces a higher discount rate than would be calculated if MPI used the new money yield curve matched to the duration of each policy year cash flow. This is because the average duration of cash flows for the Basic Claims portfolio is longer than the average duration of the policy year cash flows. In most circumstances, the yield curve will be upward sloping, so cash flows with a longer duration will have a higher yield. However, the yield curve is currently flat, so there is less difference in yield for short and long duration cash flows (relative to historical behaviour).

For motorcycles, the majority of the policy year cash flows are for injury claims, with (on average) about 50% of these cash flows for very long duration serious loss injury claims. It follows that motorcycles have a much higher average duration of policy year cash flows than the average vehicle. MPI is developing a methodology that can properly reflect the differences in average duration of the various vehicle classes, while still maintaining the overall methodology for calculating the single discount rate. In an upward sloping yield curve environment, motorcycles should have a higher discount rate than the average vehicle. MPI will bring forward this new methodology in the 2022 rate application.

As referenced in the preamble, there is minimal potential impact in this GRA because of the flat yield curve.

CAC (MPI) 1-53

Part and Chapter:	**Part VII, Investments**	**Page No.:**	
PUB Approved Issue No:	**8. Performance of the investment portfolio**		
Topic:	**Investment performance report**		
Sub Topic:			

Preamble to IR:

Investment performance for the last fiscal year and current quarter as measured by a third party.

Question:

Please file a copy of the March 31, 2020 and June 30, 2020 investment performance reports prepared by a third party, if any.

Rationale for Question:

To assist in understanding the most recent corporate investment portfolio's investment performance prepared by a third party compared to benchmark performance.

RESPONSE:

Ellement provides investment performance reports at the corporation's fiscal year-end only. Please refer to the response to *PUB (MPI) 1-39(a)*.

CAC (MPI) 1-54

Part and Chapter:	Part VII, Investments	Page No.:	25
PUB Approved Issue No:	8. Performance of investment portfolio, composition, etc		
Topic:	Inv. 4 Marketable Bonds		
Sub Topic:	Inv. 4.2 Definition of Accounting Treatment		

Preamble to IR:

Accounting: Unrealized and realized gains/losses, amortization, and interest 10 income flow through the Profit and Loss statement because marketable bonds within the Basic claims portfolio 1 are classified as 2 Fair Value through Profit and Loss (FVTPL). Note: newly purchased 3 corporate bonds within the EFB and RSR portfolios will be classified as

4 Available for Sale (AFS).

Question:

Please elaborate on the decision to classify as 'Available for Sale (AFS) newly purchased corporate bonds within the EFB and RSR portfolios.

Rationale for Question:

To better understand the change in accounting classification of corporate bonds for the EFB and RSR portfolios but maintain the FVTPL classification of corporate bonds for the Basic claims portfolio.

RESPONSE:

Please see the excerpts below from the Board approved policy on "IAS – Financial Instruments Classification Under New Asset-Liability Matching Strategy".

Introduction per Corporate Policy

"As the implementation of the Corporation's new asset-liability management (ALM) strategy and asset allocation continues, the various assets backing each portfolio need to be classified as particular financial assets. Following the applicable standard; IAS 39 there are three categories applicable to these investments:

- *Financial assets at fair value through profit or loss (FVTPL)*
- *Held-to-maturity investments (HTM)*
- *Available-for-sale financial assets (AFS)*

The classification chosen will have implications on both how the carrying amount is valued on the balance sheet and how subsequent mark to market movements are flowed through the statement of comprehensive income as follows:

Classification	*Carrying Value*	*Mark to Market movements*
FVTPL	*At Fair Value*	*Through Net Income*
HTM	*At amortized cost*	*N/A*
AFS	*At Fair Value*	*Through Other Comprehensive Income (OCI)*

While there is some discretion for entities applying IAS 39, certain criteria must be met in order for securities to qualify for each classification. Generally speaking bonds that back claims liabilities are typically designated as FVTPL because they meet the criteria of addressing accounting mismatch; that is to say that the assets designated FVTPL are interest rate sensitive and move in opposite direction of the interest rate sensitive liabilities that they are intended to match; mitigating net income volatility when market interest rates move. Alternatively, bonds that back surplus are typically classified as AFS as they do not address accounting match. Additionally, bonds *backing surplus do not meet the definition of FVTPL sub-category Held for Trading (HFT) as they are not typically acquired principally for the purpose of selling or repurchasing in the near-term."*

"Rate Stabilization Reserve
Fixed income within the RSR is not principally bought to recognize short term trading gains and does not address accounting mismatch. However these securities are not necessarily intended to be held to maturity and therefore new assets assigned to the portfolio will be classified as AFS."

*"**Employee Future Benefits***
50% of EFB will be allocated to fixed income. The EFB portfolio backs pension and other future employee obligations. While the EFB liability is sensitive to changing interest rates, these remeasurement gains/losses are recognized in Other Comprehensive Income and therefore the fixed income backing EFB will be classified as AFS."

CAC (MPI) 1-55

Part and Chapter:	VII Annual Reports Part V, EXP, Appendix 18 RSR	Page No.:	Annual Business Plan Figure Exp App 18-1, p.1 Figure RSR-3, p.14
PUB Approved Issue No:	5, 7, 10		
Topic:	Capital Project Funding		
Sub Topic:	Implications for CMP, and impact on Reserves		

Preamble to IR:

The 2019-2020 MPI Business plan (2020 GRA PART VIII AR Appendix 4 p.20) states:

> *5.0 Capital Plans*
> *The Corporation does not debt finance any of its project initiatives. All of MPI's capital projects will be financed through cash generated from operations and ultimate project costs will be recovered by insurance rate payers as programs are amortized over time and included in future years' base expenses for purposes of rate setting (to the extent the projects relate to the Corporation's Basic, Extension, SRE and DVA lines of business).*

Question:

a) In advance of filing its 2020-2021 Annual Business Plan, can MPI please confirm that it still funds capital projects through cash generated from operations.

b) Please confirm that line 48 of Figure EXP App 18-1 includes a forecast of total project initiative costs, classified as Deferred Development Costs, that represent a cash outlay in the associated fiscal year, and will be funded from cash generated from operations. If not confirmed, please explain Figure EXP App 18-1.

c) Please confirm that by not funding capital projects through debt financing its only options would be cash generated through operations, or surplus reserves.

d) Please confirm that unused cash from operations increases the Corporation's reserves, all else equal?

e) Please provide a schedule of currently forecasted capital release, in dollars, in a form similar to Figure RSR-3.

f) Please prepare a set of PFs and EPFs that assume no cash generated from operations is used to fund capital initiatives, but is instead debt financed. Please list all simplifying assumptions. Alternatively, please prepare schedules to model this scenario that include the Transfer from Extension retained earnings, Basic's Total Equity Balance, and Capital Available, and MCT score (similar to the presentation in PF-3), a forecast schedule of capital release in both MCT% and $ (similar to the presentation in e) above), and principle and interest payments on debt, and any other schedules relevant to the scenario.

g) Has MPI considered funding project initiatives with debt? If so, please provide any modelled scenarios, or Value Management Office analyses supporting the conclusion to fund project initiatives with cash from operations. If not, what are the key considerations for MPI, operationally, and financially for debt financing capital projects.

h) Is MPI aware if its cost and terms to acquire debt?

Rationale for Question:

MPI has forecast significant cost outlays as a result of project initiatives, that if funded by cash from operations, may have a material impact on the value of capital release under the CMP. There are many considerations to debt financing, including the impact on consumers of forgone capital release. Diligence in the Value Management process should evaluate these options.

RESPONSE:

a) MPI funds capital projects through cash generated from operations.

b) *Expenses Figure EXP App 18-1* outlines Basic Deferred Development and Amortization Costs by initiative. This includes the forecast for the Basic deferred development costs. This does not represent the total initiative cost, however, it does include the Basic portion of the forecasted amount to be deferred and expensed over future years.

c) MPI does not fund capital expenditures through debt financing. The funding for capital projects is through normal operations.

d) Unused cash from operations is held within the cash accounts. The cash is deployed in the normal course of business operations.

e) The current forecasted capital release is not available at this time. MPI will be providing an updated forecast including the capital release in October of 2020 based on August 31, 2020 actual values.

f) MPI does not currently consider funding project initiatives through debt financing versus cash from operations. Therefore, the requested modeling has not been provided as this request cannot be reasonably produced and the evidence, if available and provided, would offer no assistance in determining whether the Basic rate requirement applied for is just and reasonable.

g) MPI does not use debt financing to fund capital projects.

h) MPI is aware of the costs and terms to acquire debt financing through the Province of Manitoba.

CAC (MPI) 1-56

Part and Chapter:	**Part I--Overview**	**Page No.:**	**11**
PUB Approved Issue No:	**10—Current IT Strategic Plan and IT Expenses and Projects, Including Project Nova**		
Topic:	**Commercially off-the-shelf (COTS) applications**		
Sub Topic:	**Cost savings**		

Preamble to IR:

"MPI envisions significantly reducing downtime and technology risks in performing day-to-day service transactions by moving to modern technology and providing online functionality to its customers. MPI will be better equipped to implement new legislation and offer new services. More importantly, MPI aims to bring down the current operating costs and IT risks of managing and supporting legacy systems by moving into new Commercial off-the shelf (COTS) applications for property and casualty (P&C) insurance, and driver licensing and vehicle registration.

Question:

a) Please provide a detailed analysis on the expected cost savings to be achieved by using COTS applications. As an example, for illustrative purposes, please describe in detail the cost savings achieved by using the Fineos COT application for BI[3].

b) Please list and describe the number of customization instances that were built and the related costs to make Fineos functional for MPI.

Rationale for Question:

To clarify and understand the preciseness of COTS applications meeting MPI's business requirements to achieving cost savings vs. MPI building IT systems from the ground up.

RESPONSE:

a) As it relates to Project Nova, the implementation of COTS solutions and the avoidance of customization design and support will contribute to the Information Technology full-time equivalent (FTE) savings, IT Infrastructure cost savings (servers, databases, storage, tape middleware etc.) and external labour IT support savings that are included in the business case. MPI is also currently conducting current state value stream exercise to identify opportunities for process efficiencies and will implement the relevant process changes if compatible with COTS functionality, which will result in FTE savings. MPI also expects the new COTS applications to allow for more efficient upgrades and configuration of enhancements, which will reduce capital expenditures historically incurred for such projects.

   The response to information request *CAC (MPI) 1-60* details the FTE savings. MPI estimates net infrastructure cost savings at $1.2M per year and forecasts external IT support labour savings at $1.1M, upon full implementation. Finally, MPI expects cost avoidance on capital projects to be $5M annually.

   MPI implemented the BI3 system to replace a paper-based system and therefore did not have comparable support costs for any previous system.

b) For the initial implementation of FINEOS, there were 48 customizations made. These customizations were the addition of integrations with other MPI systems, changes to accommodate gaps in functionality of the FINEOS base product and changes required to support MPI's unique products and processes. Since its initial installation, the FINEOS application has matured. The use by MPI of COTS functionality has also matured, allowing for the retirement of 12 customizations to the FINEOS application.

CAC (MPI) 1-57

Part and Chapter:	**Part IV -- Value Management**	**Page No.:**	**See Preamble**
PUB Approved Issue No:	**10. Project Nova (Legacy Systems Modernization)**		
Topic:	**Progress, delays, unplanned costs, out dated budgets**		
Sub Topic:			

Preamble to IR:

Part IV – Value Management, VM.1.1, Project Nova pages 6 to 7:

"Project NOVA (previously referenced as Legacy Systems Modernization) is a five year program established with a vision to modernize and transform the in-house legacy applications and technology footprint of MPI. **The program scope covers personal and commercial automobile insurance, physical damage claims, driver licensing, vehicle registration and the associated registries. The primary objectives of the program are to reduce technology risk, introduce online supported services to customers, reduce Information Security debt, enable future business agility, and improve efficiency.**

The one-time insurance lines capital expenditures are estimated at $70.2 million. The one-time capital expenditures under *The Driver and Vehicles Act* are estimated at $36.6 million. Both estimates include integration costs. The total program budget, including a 25% program contingency, is $106.8M." (**Emphasis added**)

Part IV – Value Management, VM.1.10, Legacy Modernization Assessment pages 54 to 55:

"The LMA procurement strategy identified a number of software systems for the modernization program. Two RFPs were initiated during the LMA Project, the development of the **Property & Casualty Insurance RFP** and the associated RFP for selecting a **System Integrator**. The remaining **four** RFPs are being delivered as part of Project NOVA. As of the 2021 GRA filing, MPI has signed a contract with Duck Creek Technologies and selected Duck Creek OnDemand Suite as its Property & Casualty Insurance system. The following RFPs are being delivered as part of Project NOVA:

- The Driver and Vehicle Administration Product and the System Integrator RFPs are in the evaluation stage
- The High Productivity Application Platform has invited three vendors to
- demonstrate their solutions
- The Integration Platform RFP has been posted on Merx."

(Emphasis added)

Part IV – Value Management, VM Appendix 1, page 1:

"The approach to Project Nova has significantly changed since the initial LSM business case was prepared. Project Nova will be focused on enhancing the customer experience by holistically reviewing all aspects of MPI's product and service offerings, including front-line customer service delivery training & support), all of which will be supported and enabled by the future technology platforms chosen to replace MPI's core legacy systems."

Question:

a) The budget for Project Nova in this application is stated as $106.8 million (unchanged from last year). Please detail, describe and cost all unplanned project activities not contemplated by the Deloitte and Avasant assessment of the Legacy Systems Modernization (LSM) which form part of Project Nova.

b) The approach to Project Nova "has significantly changed". Please elaborate whether the Project Nova approach change has impacted the Project Nova budget and implementation time line? If yes, please provide detailed impact analysis.

c) Please elaborate whether the contract signed with Duck Creek Technologies for the Property and Casualty (P & C) Insurance System will replace Basic Insurance, Extension Insurance, (AOL) Special Risk Extension (SIS) and the Claims Administration and Reporting System (CARS)? Please explain how Fineos fits into the overall MPI Project Nova Systems modernization structure?

d) In case the Duck Creek Technologies P & C Insurance System will replace Basic and Extension Insurance, please elaborate whether each Basic and Extension Insurance policy will be individually underwritten or will the Duck Creek P & C systems need to be customized to fit MPI's basic and extension insurance ratemaking structure?

e) Please file a copy of the Duck Creek Technologies contract.

Rationale for Question:

To review and better understand the broadening scope, risks and status relating to Project Nova as time unfolds.

RESPONSE:

a) Please refer to *PUB (MPI) 1-73(c).*

b) The confirmed to-date impact to the Project Nova budget has been provided in *PUB (MPI) 1-73(c).* Incremental due diligence is still required between now and October 2020 to confirm any impacts to the $32M MPI labour costs forecasted in the Project Nova budget which represent approximately 38% of the overall budget. Also, by October 2020, all of the remaining active requests for proposals (RFPs), which are in the scoring/selection stages, will be completed and those forecasted costs can also be finalized as part of the October 2020 Project Nova business case re-baseline exercise. The re-baselined business case will then be subsequently presented to the Board of Directors for review and approval prior to transitioning from the planning phase of the project to the discovery phase whereby the system integrator partners will be engaged to complete further planning on Project Nova between November 2020 and January 2021. Please refer to *Value Management Appendix 1* for the updated implementation timeline which will be confirmed and finalized in January 2021 after the previously mentioned discovery phase is complete.

c) The contract signed with Duck Creek Technologies for the Property & Casualty (P&C) insurance system includes four modules (Policy, Billing, Claims, and Insights) and will replace Autopac On-Line (AOL) with respect to Basic and Extension insurance issuance and administration, will also replace the SIS system with respect to Special Risk Extension insurance and administration, and will replace the Claims Administration and Reporting System (CARS) with respect to physical damage claims administration. The Fineos (BI3) system will not be replaced via the Duck Creek platform (or Project Nova), but will be integrated into the Duck Creek platform to facilitate ongoing bodily injury claims administration and reporting.

d) MPI, via the Duck Creek platform, will not be underwriting each Basic and Autopac Extension policy individually. Basic and Autopac Extension policies and the associated insurance products use an automated underwriting approach based on various rating factors and tables. These requirements and MPI's insurance product frameworks and rating factors/approach were part of the RFP process as well as part of the vendor demonstrations on system capabilities. Based on discussions to-date with Duck Creek, MPI does not anticipate requiring any system customizations to implement the Basic and Autopac Extension suite of insurance products. Further due diligence will be completed with Duck Creek experts and the P&C Insurance System Integrator partner during the discovery phase of Project Nova, scheduled to occur between November 2020 and end of January 2021.

e) Please see *Attachment(s) A, B, and C*, for the Duck Creek contract, which MPI seeks to file confidentially.

Attachment A:
Duck Creek Technologies Contract
Professional Services Agreement

This material is the subject of a confidential motion.

Attachment B:
Duck Creek Technologies Contract
Software as a Service Agreement Duck Creek

This material is the subject of a confidential motion.

Attachment C:
Duck Creek Technologies Contract
Service and Terms

This material is the subject of a confidential motion.

CAC (MPI) 1-58

Part and Chapter:	**Part IV - Value Management**	**Page No.:**	**VM Appendix 1, page 5**
PUB Approved Issue No:	**10. Project Nova (Legacy Systems Modernization)**		
Topic:	**Project Nova Independent Program Governance**		
Sub Topic:			

Preamble to IR:

> *"Independent Program Governance Vendor RFP – MPI has entered into a 36- month agreement with Price Waterhouse Cooper (PwC) to provide Governance Services to the MPI Board of Directors. An initial 8-week deep-dive assessment of Project Nova was completed by December 2019 and has transitioned to a monthly review/assessment reporting to the MPI Board of Directors."*

Question:

a) Please file a copy of the "8-week deep dive assessment of Project Nova" report.

b) Please file a copy of the Program Governance agreement with Price Waterhouse Cooper (PwC).

Rationale for Question:

To review Project Nova assessment and program governance arrangements mitigating project nova implementation and program execution risks.

RESPONSE:

a) Please see *Attachment A,* (filed confidentially) for a copy of the "8-week deep dive assessment of Project Nova" report.

b) Please see *Attachment B,* (filed confidentially) for a copy of the Program Governance agreement with Price Waterhouse Coopers (PwC).

Attachment A: Project Nova Assessment

This material is the subject of a confidential motion.

Attachment B: Program Governance Agreement

This material is the subject of a confidential motion.

CAC (MPI) 1-59

Part and Chapter:	**Part IV -- Value Management**	**Page No.:**	**VM – Appendix 1, page 7**
PUB Approved Issue No:	**10. Project Nova (Legacy Systems Modernization)**		
Topic:	**Project Nova Requirements Management**		
Sub Topic:			

Preamble to IR:

> *"Requirements Management – in relation to adopting an Agile systems delivery methodology and replacing existing custom-built solutions with Commercial Off-the-Shelf (COTS) software solutions, MPI is in the process of establishing a new requirements management methodology and Systems Development Life Cycle (SDLC) for Project Nova. This will be completed in concert with the documentation of high-level business requirements, targeted for completion by October 2020."*

Question:

a) Please explain how Duck Creek Technologies P&C insurance software could have been selected and contracted before MPI completed its 'high-level business requirements" (not even detailed business requirements) management document.

b) Please elaborate on the customization effort, cost and time MPI is prepared to make/fund on COTS software to meet MPI's business requirements. Please advise whether MPI has a criteria at which point MPI would abandon COTS software due to it not meeting the business requirements and customization being cost prohibitive.

Rationale for Question:

To better understand the timing of preparing business requirements and selecting business software and the potential cost and time implications.

RESPONSE:

a) MPI prepared its High Level Business and Technical requirements prior to issuing its request for proposals (RFP) and listed them in the RFP. Upon receipt of the proposals, MPI scored each vendor on, among other things, their responses to these requirements. MPI also arranged for demonstrations and checked references before ultimately selecting Duck Creek Technologies.

b) MPI will discourage the customization of the COTS system in order to reduce cost and ensure upgrade capability and compatibility. Based on the Project Nova governance model, the Chief Transformation Officer and Chief Executive Officer (CEO) must review and approval all COTS software customizations to ensure they are within project budget limits. MPI will also retain Duck Creek Technologies to perform ‘health-check’ point-in-time reviews of its Property & Casualty Insurance System Integrator Solution to ensure it aligns with its best practices for maintainability, performance and stability. Finally, all COTS software customizations must be funded through the Project NOVA project contingency fund, which is restricted in terms of size and accessibility. In accordance with the project governance model, the CEO may only approve disbursement of up to 5% of this contingency fund over the lifetime of the project. Disbursements in excess of that amount can only be approved by the Board of Directors.

   MPI will not establish a COTS abandonment strategy/criteria as the current governance model provides adequate controls to manage the number and size of COTS customizations and any associated risk.

CAC (MPI) 1-60

Part and Chapter:	**Part IV -- Value Management**	**Page No.:**	**VM Appendix 1, page 12-14**
PUB Approved Issue No:	**10. Project Nova (Legacy Systems Modernization)**		
Topic:	**Project Nova Timeline, costs and benefits**		
Sub Topic:			

Preamble to IR:

"One significant gap that has been identified is the absence of licensing costs in the one-time project funding for the Driver and Vehicle Licensing Administration software, Application Platform software and Integration Platform software. With respect to the Property & Casualty Insurance software platform, the licensing costs were assumed to be an ongoing operational cost due to the model being utilized, SaaS, which resulted in an unplanned ~$12M project costs variance due to the application of MPI accounting rule practices in the separation of Capital (project costs) versus Operational costs. It should be noted that both Legacy Modernization assessment vendors (Avasant & Deloitte) did not identify these costs in the business case assessments, and thus were not accounted for in the final MPI Legacy Systems Modernization business case prepared in January 2019. Once the software RFPs are completed, MPI intends on preparing an updated business case and NPV analysis for presentation to the MPI Board of Directors in October 2020.

In January 2020, a complete review of the 1 business case benefits streams was completed by the Project Nova Steering Committee and confidence is high on all aspects of the operational savings being realized with the exception of FTE reductions and broker commission savings. The broker commission savings are contingent on the outcome of the Insurance Brokers Association of Manitoba (IBAM) and MPI conciliation process and will be included in the October 2020 business case update to the Board of Directors. MPI requires further due diligence and conceptual build-out of the future software platforms to confirm the forecasted operational FTE efficiencies. MPI is currently working towards a spring 2021 milestone date to solidify these benefits in the business case and to update the NPV analysis.

During the planning phase of the project, other elements of the business case have been identified as requiring further due diligence and refinement. The associated analysis and project costs will be finalized as part of the updated October 2020 business case and NPV analysis process."

Question:

a) Per the timeline table on pages 12 and 13 of VM Appendix 1, Project Nova seems to be pushed out by about 2 years (Personal Insurance Modernization) from February 2022 to February 2024. Furthermore, as per the quotes in the Preamble, the current Project Nova budget (and potential cost benefits) of $106.8 million seem to be in doubt and in need of revision and MPI states the budget and cost benefits will be updated in October, 2020. Please confirm that the $106.8 million Project Nova budget is not relevant and to be reconfirmed and/or updated to a more relevant projection in October 2020.

b) Please comment on whether MPI would abandon Project Nova if the project costs would increase by 50% to $160 million. Does MPI have a project's abandonment criteria? If yes, please provide a copy; if not, why not?

c) Please provide the business case for Project Nova filed during last year's General Rate Application. Please provide the January 2020 review of the business case benefits stream.

d) In terms of the at risk benefits related to FTE reductions and broker commission savings, please provide a narrative outlining their expected contribution to the original Project Nova business case including as a percentage of total expected savings. Please outline the magnitude of previously expected savings currently at risk.

Rationale for Question:

To better understand the relevant timelines and cost benefits associated with project Nova. There appears to be a high risk of a significant increase in costs (some unplanned), effort, capacity training, timing and a decreased benefit stream emanating from the 2021 GRA documentation.

RESPONSE:

a) The Project Nova budget of $106.8 million is still relevant from a business case measurement perspective. It is also true that the project costs, timeline, and overall Project Nova budget are under review and scheduled for a business case re-baseline review and approval by the MPI Board of Directors in October 2020. As the information is finalized and approved, it will be shared with the relevant intervenors accordingly.

b) The Project Nova budget and business case are under the purview of the MPI Board of Directors from a project governance perspective. Project Nova must proceed to resolve the associated technology debt, risks, etc.; however, if project costs escalate to the point that a very unfavourable business case is realized, MPI may be required to re-evaluate project scope and/or other project cost escalation drivers to realize a more favourable business case outcome. At this time, a formal abandonment criteria does not exist for Project Nova. In accordance with its value management process, MPI evaluates each business case from a project costs, risks, benefits, ongoing operating costs, cash flow, and NPV perspective in order to determine viability.

c) Please see *PUB (MPI) 1-73(b)* for a copy of the business case for Project Nova filed in the 2020 GRA. The January 2020 review of the business case benefits stream was based on the original business case referenced in *PUB (MPI) 1-73(b)*. The original Project Nova business case was prepared as a final deliverable of the Legacy Modernization Assessment project under a different project leadership team, structure and governance. The January 2020 review was completed to ensure that the new Project Nova leadership team and Steering Committee members, which include the appointed operational business champions (OBCs), understood the expected benefits streams and were capable of achieving them. The timing of the benefits stream savings is under review and will be adjusted in relation to the revised delivery roadmap as part of the October 2020 Project Nova business case re-baseline exercise.

d) The Project Nova forecasted full time equivalent (FTE) reductions and broker commission savings are depicted below. At this time, the associated forecasted benefits have not changed in relation to the original Project Nova business case.

Figure 1 Project Nova - FTE reductions and broker commission savings

Line No.	Fiscal Year	Total Benefits	IT and Operations Net FTE Reductions	Net FTE Reduction as a % of Total Benefits	Adjustment	Broker Commission as a % of Total Benefits
1	2019/20	$ -			$ -	
2	2020/21	$ -			$ -	
3	2021/22	$ -			$ -	
4	2022/23 *	$ 6,822,421	(4,522,231)	-66%	$ -	
5	2023/24 *	$ 27,486,843	(1,877,333)	-7%	6,320,720	23%
6	2024/25	$ 37,147,734	7,275,852	20%	9,710,176	26%
7	2025/26	$ 43,933,822	13,408,353	31%	9,960,529	23%
8	2026/27	$ 44,868,875	13,676,520	30%	10,216,115	23%
9	2027/28	$ 45,812,899	13,950,051	30%	10,467,085	23%
10	2028/29	$ 46,763,519	14,229,052	30%	10,710,788	23%
11	2029/30	$ 47,731,597	14,513,633	30%	10,957,811	23%
12	2030/31	$ 48,717,713	14,803,905	30%	11,208,452	23%
13	2031/32	$ 49,718,630	15,099,983	30%	11,459,184	23%
14	2032/33	$ 50,733,615	15,401,983	30%	11,708,979	23%
15	2033/34	$ 51,763,703	15,710,023	30%	11,958,575	23%

16 * Negative Values indicate that MPI will have an increase in IT related FTE costs while transitioning to the
17 new Nova Technologies (support will be required for both platforms)

CAC (MPI) 1-61

Part and Chapter:	Part IV – Information Technology	Page No.:	IT Appendix 1, page 11 and 13
PUB Approved Issue No:	10. Current IT Strategic Plan		
Topic:	Information and Technology Guiding Principles		
Sub Topic:	IT services managed centrally		

Preamble to IR:

Page 11:

"Investments in 2020/21 include disaster recovery testing, upgrade of corporate e-mail services, and the upgrade and/or replacement of significant parts of the IBM managed IT infrastructure (including network and servers), deployment of data loss prevention (DLP) capabilities, refinement to the MPI infrastructure used for authentication and authorization, better management of user permissions and elevated access, and the upgrade of MPI's major database platform to maintain supportability. These projects will require careful planning and coordination to minimize any downtime associated with the changes."

Page 13

"IT services of MPI shall be governed and managed centrally."

Question:

MPI is planning on managing its 'IT' services centrally. Please elaborate on this change in IT strategy of MPI managing its IT services centrally and provide a financial impact analysis (net savings to MPI) on the IBM and HP master service agreements.

Rationale for Question:

To better understand MPI's IT strategy change and the potential savings relating the IBM and HP IT services contracts, if any.

RESPONSE:

The statement "IT services of MPI shall be governed and managed centrally" is a guiding principle within the Information Technology (IT) Strategy.

The purpose of a guiding principle was highlighted on page 12 of the IT Strategy.

> *"Guiding principles represent distilled organizational knowledge and best practices acquired through experience and are used to support organizational decision-making. This Strategy considers this collected knowledge and will use it to guide the development of business and IT capabilities."*

This reflects the current practice where the management and governance of IT services (operations) are managed by one consolidated operating unit; the IT and Business Transformation (ITBT) division. This includes the oversight of internal capabilities which are delivered using internal staff and externally delivered capabilities provided by third party service providers (such as data centre services provided by IBM or external resources provided by HP / DxC).

The alternative to this principle, is that MPI manages IT in a decentralized fashion. Decentralized management and governance would require an IT department operating within each division. MPI has not explored this model, but would anticipate higher costs (due to more resources and overlaps) than the current centralized model.

The caption referenced above (page 12, IT Appendix 1) discusses projects which result in changes to IT services which are managed by the ITBT division.

CAC (MPI) 1-62

Part and Chapter:	Part IV – Value Management	Page No.:	51 - 53
PUB Approved Issue No:	10. Current IT Strategic Plan		
Topic:	VM.1.9 Finance Re-Engineering (FRE)		
Sub Topic:			

Preamble to IR:

"The project will re-engineer the business processes around budgeting, forecasting and planning to utilize the functionality of dEPM (Dynamic Enterprise Performance Module). The project will also install and implement the project accounting module and re-engineer the business processes around this functionality. Dashboards for reporting will be delivered and there will be a reduction in the reliance on Excel spreadsheets for reporting and budgeting."

Question:

a) The initial budget of the FRE project was $2,918,581 and is currently forecasted to be $1,563,116 (page 53 of 90). Please prepare a cost analysis, by expense type, comparing the initial budget to the revised forecasted amount and explain any changes to the budget.

b) On page 53 it states that there will be an annual increase in operating expenses of $110,000. Please explain why there is no mention of annual cost savings from the project.

c) On page 52 it states: "The project team is currently developing metrics to baseline and measure future process improvements. The metrics address cycle times for various tasks, reduction of spreadsheet usage, efficiencies in budget preparation and financial reporting."

i. Please explain/list the criteria and/or value management principles on which MPI based its decision to proceed with this project starting in March 1, 2019.

d) On page 52 it states: "The dEPM is currently in construction of the application with Infor building reporting cubes and appropriate workflows. The dEPM implementation is scheduled for June 2020, with reporting/dashboards and the budgeting operational in July 2020, and deployment for the 2021/22 corporate budgeting process in September 2020."

i. Please explain why Infor and, not MPI Finance, are building the reporting cubes.

ii. Please provide a narrative explanation on how and who maintains the reporting cubes in production to ensure their currency.

iii. Please file a copy of the reporting/dashboards outputs from the dEPM and compare the dEPM reports to the reports currently provided by Finance and provide a narrative assessment of the improvements achieved.

Rationale for Question:

To understand the rationale for the FRE project and the improvements achieved by MPI from the investment in FRE.

RESPONSE:

a) See *Appendix 1*. The total variance is ($1,355,465). The largest variances are attributed to external labor costs ($1,289,410) and software licensing costs ($184,710), which are offset by the statement of work (SOW) 1 and SOW 2 groupings of vendor costs. At the time of budget preparation, the assumption was made that several resources would require sourcing externally, however the project was successful in resourcing internally. In addition, MPI incremental labor costs are below budget ($381,528) due to cost saving measures to limit backfills for internal resources where possible. There have been no changes to the budget.

b) There is no mention of annual cost savings from the project as it is delivering new tools and access to information, in addition to efficiencies in process and systems that will create capacity to conduct more in-depth analysis and review – savings will be noted as the project progresses. While metrics will be used to quantify improvements in cycle times and processes where possible, any savings anticipated are indirect as a result of more timely, accurate, and accessible information to support decision-making.

c) and d)

The Dynamic Enterprise Performance Module (dEPM) project was approved based on its contribution to the Finance Re-engineering (FRE) program and its alignment with corporate goals to support one source of the truth.

The overall benefits of the FRE project are to:

- Provide timely access to accurate financial information
- Increase efficiency and effectiveness of financial processes and system integration
- Provide appropriate support (through additional financial analysis and information and easier access to financial data) to other Divisions within the Corporation to guide decision making that has a financial impact

Through process changes, increased automation of processes and more utilization of the Infor financial suite, staff savings are envisioned. Although there will be a reduction in the current work conducted (keying of information into spreadsheets), there will not be a reduction in full-time equivalents (FTEs) as the FTEs will shift their time and responsibility to other tasks which will add more value to the business (such as analysis). As a result, there are no FTE reductions in the business case and there is an acknowledgment that there will be skill set changes required from the teams currently looking at financial reporting, budgeting, planning and forecasting.

The overall benefits of dEPM within the FRE program include:

Implementing the recommendations made by Deloitte as they relate to the dEPM module would also improve the data health and governance around the financial information of the corporation. The recommendations are also intended to:

- reduce the possibility of manual errors by decreasing the amount of manual transactions being keyed into the system; and
- reduce the amount of manual paper information that is shared throughout the corporation (move to electronic distribution and exchange of information).

Financial Reporting/Enterprise Planning:

- Supports objective for one source of the truth (as defined in the Deloitte reporting/work) with supporting enterprise planning, budgeting and forecasting. Enables personnel to foster cross-functional collaboration and information sharing.
- Builds connectivity between key activities such as the P&L and Budgeting, Forecasting and Planning and assigns responsibility for results which can be measured and acted upon.
- Develops a culture of ownership for budgeting and forecasting outcomes.
- Flexibility to easily create multiple scenarios for budgeting.
- Additional functionality to produce dashboards and reporting on Key Performance Indicators from the source data rather than through tools overlaid on top of the source data.
- Reduces the use of spreadsheets and databases to reduce risk of inaccurate data and unauthorized/unintentional manipulation of formulae and calculations.
- Reduces reliance on institutional knowledge to maintain and support stand-alone processes.

Project Accounting

- Full integration of Project Accounting within the Infor System, provides "one source of the truth" for project costs and streamlined access to timely and accurate information.
- Reduces the use of spreadsheets and databases to reduce risk of inaccurate data and unauthorized/unintentional manipulation of formulae and calculations.
- Reduces reliance on institutional knowledge to maintain and support stand-alone processes.
- Introduces system-generated financial reporting from the source data and tools, rather than manually prepared in spreadsheets.

e) Infor constructed two of three data cubes with MPI present to learn the technique required. MPI constructed the third data cube with Infor's guidance. The construction of the cubes is necessarily vendor-driven as the format is specific to the vendor.

Data cubes will be jointly maintained by two teams within MPI: the Financial Operations team will be responsible for business-facing maintenance (i.e. configuration of accounts, etc.) and the Application Services team will be responsible for technical maintenance (i.e. servers, etc.). Data loads will occur on a scheduled basis to ensure currency. In addition, the tool will allow functionality for adhoc data loads during periods of rapid changes to data necessary for reporting. Dashboards will be maintained to validate data integrity of the loads from the source systems.

The dEPM solution has not yet been deployed to production; a comparative analysis is therefore not yet possible.

Reporting Period End Date: 29-Feb-20

Project Name: FRE - dEPM
Project Code Number: 2850

Project Costs	Board Approved Original Project Budget	Current Project Budget Incl. CRs	Actuals to Date	Estimate for 2019/20	Estimate for 2020/21	Estimate for 2021/22	Project Estimate at Completion as at 29-Feb-20	Variance Amount to Original Budget
DEFERRED DEVELOPMENT	2,918,581	-	**652,907**	**687,771**	**222,438**	**-**	**1,563,116**	(1,355,465)
External Resources	1,759,361		219,951	33,000	217,000	-	469,951	(1,289,410)
HP Volume Discounts - Current			(434)	-	-	-	(434)	(434)
Enterprise Licensing (dEPM Software)	184,710		-	-	-	-	-	(184,710)
Consultants Travel/Parking			82	-	-	-	82	82
MPI Resources (Incremental)	396,080		9,115	-	5,438	-	14,553	(381,528)
Employees Travel/Parking			495	-	-	-	495	495
IBM (Servers)	92,000		1,540	40,460	-	-	42,000	(50,000)
Infor SOW 1			422,158	107,258	-	-	529,416	529,416
Infor SOW 2			-	455,637	-	-	455,637	455,637
Infor Travel Expenses			-	51,416	-	-	51,416	51,416
Training and Development			-	-	-	-	-	-
Contingency	486,430		-	-	-	-	-	(486,430)
CAPITAL	-	-	-				-	-
Data Processing Equipment			-				-	-
EXPENSE	-	-	**-**	**-**	**-**	**-**	**-**	**-**
External Resources			-	-	-	-	-	-
HP Volume Discounts - Current			-	-	-	-	-	-
HP Volume Discounts - Prior YR Adj			-	-	-	-	-	-
Consultants Travel/Parking			-	-	-	-	-	-
MPI Resources (Incremental)			-	-	-	-	-	-
Employees Travel/Parking			-	-	-	-	-	-
IBM RFS			-	-	-	-	-	-
SOW			-	-	-	-	-	-
Software/Hardware			-	-	-	-	-	-
Total Incremental Deferred Developmen	2,918,581	-	652,907	687,771	222,438	-	1,563,116	(1,355,465)
Total Incremental Capital	-	-	-	-	-	-	-	-
Total Incremental Expense	-	-	-	-	-	-	-	-
Total Project Cost	**2,918,581**		**652,907**	**687,771**	**222,438**	**-**	**1,563,116**	**(1,355,465)**

<u>CAC (MPI) 1-63</u>

Part and Chapter:	**Part IV – Information Technology**	**Page No.:**	**14**
PUB Approved Issue No:	**10. Current IT Strategic Plan**		
Topic:	**IT Appendix 4 Finance Re-Engineering (FRE)—Dynamic Enterprise Performance Management (dEPM)**		
Sub Topic:			

Preamble to IR:

"This project delivers two Lawson/Infor applications: Dynamic Enterprise Performance Management (d/EPM) and Project Accounting (PA).

Overall Project Scope:

- Configuration and implementation of d/EPM
- Adoption and automation of Infor Lawson Project Accounting (PA) module
- Enabling the Finance team to begin re-engineering planning, budgeting and forecasting processes to support dEPM and PA modules, enabling enhanced automation, controls and streamlining the delivery of financial information

The project's health is "Yellow" due to the schedule, which will be extended from a March 2020 end date to a June 2020 target. CR001, with approvals in progress, authorizes the extension and will move the overall health indicator to green upon approval."

Question:

Please elaborate on the third bullet in the "overall project scope" and explain how dEPM and PA will enable Finance to begin re-engineering planning, budgeting and forecasting processes to support dEPM and PA modules and the benefits MPI expects to derive from supporting these two software modules.

Rationale for Question:

To better understand the rationale and the value MPI intends to achieve from supporting DEPM and PA software modules.

RESPONSE:

Project Accounting (PA) centralizes the administration of project expenses into a single system, meaning there is now a single source of the truth. It also automates the time-consuming manual process of transcribing resource timesheet data from the various time tracking systems that MPI employs. The previous method of managing project expenses (i.e. in Microsoft Excel spreadsheets), was prone to human error and required additional time to ensure expenses were consistently recorded by project managers.

Dynamic Enterprise Performance Management (d/EPM) is, at its core, a business intelligence system that consolidates all MPI financial data into a single platform. Through d/EPM, the Finance department will be able to provide the business with timely and accurate information (actuals and budgets) via dashboards and enhanced reporting. These improvements will enhance the decision-making abilities of MPI.

As a direct result of this project, d/EPM will provide the Finance Department with a number of productivity improvements, including:

- Decrease budget cycle times (and potentially forecasting) by enabling faster edits and turnaround time
- Decrease reporting cycle time to provide department managers with monthly financial results
- Increase in self-service reporting capabilities
- Increase in quality and accessibility of financial information (Key Performance Indicators and dashboards)
- Decrease in spreadsheets used to support budgeting
- Decrease in spreadsheets used to support financial reporting
- Decrease in departmental budget overruns

- Increase in project budget change request reporting
- Increase in automated workflows
- Increase in customer service & collaboration

CAC (MPI) 1-64

Part and Chapter:	OV.1, PF-1 to PF-3	Page No.:	3, lines 17-20
PUB Approved Issue No:	4		
Topic:	Budget vs Forecast Base		
Sub Topic:			

Preamble to IR:

Note that the second column from the left in PF-1 through PF-3 is labelled '2021 FB'.

Question:

a) Please confirm that this column does not represent the Basic line of business Budget ('B'), but instead includes updates based on experience to fiscal year end.

b) Please provide the date at which the information within the 'FB' forecast is based, if not based on the Fiscal Year End, March 31, 2020.

Rationale for Question:

To confirm the basis for the forecast.

RESPONSE:

a) Correct. "2021 FB" includes experience to fiscal year end and any subsequent events after current fiscal year end. (Including the 2021 Special Rebate Application).

b) Subject to the subsequent events as mentioned above, the financial forecast is based on the fiscal year end, March 31, 2020.

CAC (MPI) 1-65

Part and Chapter:	**Part I—Overview** **Part IV – VM Appendix 1, Page 14**	**Page No.:**	**9**
PUB Approved Issue No:	**9. Cost operations and containment measures**		
Topic:	**Service Delivery Model**		
Sub Topic:			

Preamble to IR (If Any):

" Service Delivery Model Chapter - previously included to provide background on the provision of customer service by MPI. Although informative, the chapter is not a critical component of the GRA. Also, due to the pressures of the pandemic, MPI does not presently have the capacity to prepare these materials."

Per the 2020 GRA Part IV(i) –Service Delivery Model it states the following at SDM.1 page 4:

"Manitoba Public Insurance (MPI) strives to continuously improve how it does business with partners and customers. Last year, it renegotiated compensation agreements with five of its key partners: repair shops, commercial vehicle repair shops, chiropractors, rental vehicles, and brokers (the existing agreement with IBAM was extended for two years to allow MPI and IBAM to define a future service delivery model). Together with MPI Service Centres, key partners like these make up the delivery platform for the provision of MPI's insurance and driver licensing services. As the multitude of services provided by the key partners impact both costs and customer satisfaction, MPI must properly manage these relationships to maximize efficiency and quality."

Part IV – Appendix 1, page 14:

"The broker commission savings are contingent on the outcome of the Insurance Brokers Association of Manitoba (IBAM) and MPI conciliation process and will be included in the October 2020 business case update to the Board of Directors."

Question:

a) Please provide a detailed update on the IBAM future service delivery model negotiations. Once a final agreement has been executed with IBAM, please file a copy of this agreement.

b) With respect to the agreements relating to repair shops, commercial vehicle repair shops, chiropractors and rental vehicles please advise whether any amendments have been made to these agreements in the past year. If yes, please provide a copy of these amendments.

Rationale for Question:

To better understand and assess the impact of the IBAM agreement on the commission structure for Basic Insurance and basic rates.

RESPONSE:

a) As first indicated in the context of the 2020 GRA, on July 24, 2019, the Government of Manitoba issued a directive instructing Manitoba Public Insurance (MPI) to participate in conciliation with the Insurance Brokers Association of Manitoba with a view to reaching an agreement regarding future service delivery strategies and the modernization of service delivery options. In accordance with the directive, the parties participated in conciliation, which was ultimately unsuccessful to the extent it did not result in an agreement. MPI currently awaits the report of the Conciliator but is not aware of its anticipated release date. Upon receipt, MPI will review the Report and determine next steps.

b) MPI, the Automotive Trades Association (ATA) and the Manitoba Motor Dealers Association (MMDA) agreed to two separate addendums to the Light Vehicle Accreditation Agreement (LVAA). Please refer to *Appendix 1*.

An addendum effective January 1, 2020 updated Schedule A of the Industry Agreement adjusting labour rates, related fees and other compensation payable to accredited motor vehicle body shops in Northern Manitoba. See *Appendix 2*.

An addendum effective June 17, 2020 and ending December 31, 2020 allows for the operation of temporarily erected facilities to perform glass repair only work. Operators must be affiliated with permanent fixed locations in Manitoba, and will be compensated at 50% of the rate paid to accredited glass repair shops. In addition these temporary locations do not qualify for the temporary COVID-19 allowance to clean and disinfect vehicles. See *Appendix 3*.

MANITOBA
PUBLIC INSURANCE

An Agreement dated the 17th day of June, 2020.

BETWEEN:

THE MANITOBA PUBLIC INSURANCE CORPORATION
(called "**Manitoba Public Insurance**")

- and -

THE AUTOMOTIVE TRADES ASSOCIATION OF MANITOBA INC.
(called "**ATA**")

- and –

MANITOBA MOTOR DEALERS ASSOCIATION INC.
(called "**MMDA**")

WHEREAS:

A. The Light Vehicle Accreditation Agreement made effective as of April 15th, 2019 between Manitoba Public Insurance and accredited autobody repair shops (the "**LVAA**") contains a provision under Section 7.9 which prohibits the operation of temporarily erected facilities (e.g. tents) after December 31, 2019;

B. Notwithstanding Section 7.9 and other provisions of the LVAA, due to special circumstances Manitoba Public Insurance has recently permitted an accredited repair shop to operate tent facilities on a temporary basis;

C. In order to give fair treatment to all accredited repair facilities in Manitoba, Manitoba Public Insurance wishes to allow all accredited repair shops to operate temporarily erected facilities for the time period and on the further terms set out herein, provided that they remain in compliance with the remainder of the LVAA;

D. The LVAA contemplates that Manitoba Public Insurance, and the ATA and the MMDA (the ATA and MMDA collectively referred to herein as the "**Industry**") may agree to make changes to the LVAA and that all participating accredited repair shops will agree to be bound by such changes; and

E. The Industry and Manitoba Public Insurance have entered into this Agreement in order to give effect to an addendum for the above changes.

NOW THEREFORE, the Parties hereto agree as follows:

1. INTERPRETATION

1.1 Except as otherwise defined herein, all capitalized terms shall have the meaning given to them in the LVAA.

1.2 Except for the addendum set out herein, all other terms and conditions of the LVAA shall remain unchanged and in full force and effect.

2. ADDENDUM

2.1 The Industry and Manitoba Public Insurance agree that the following addendum shall form part of the LVAA, effective from and after June 17th, 2020:

Addendum to the LVAA:

Notwithstanding the prohibition on the operation of temporarily erected facilities such as tents or temporary kiosks (collectively, "**Temporary Facilities**") under Section 7.9 of the LVAA , in order to treat all accredited repair shops in a fair manner such that they are all afforded the same business opportunities, you are hereby permitted to operate Temporary Facilities to perform only glass repair work from June 17th, 2020 to and including December 31st, 2020 (the "**Permitted Period**"), subject to the following conditions:

1. You must continue to have a fixed permanent location with glass repair and glass replacement capability, in addition to all other accreditation requirements. You are not permitted to only operate Temporary Facilities; any Temporary Facilities you operate must be affiliated with your fixed permanent location.
2. Any repair issues or customer service issues that cannot be sufficiently and appropriately handled at your Temporary Facilities must be handled at your fixed permanent location.
3. You will not be entitled to the ordinary compensation paid to accredited shops for glass repair work performed at your Temporary Facilities. Manitoba Public Insurance will pay you 50% of the accredited rates for all glass repair work performed at your Temporary Facilities, and Manitoba Public Insurance will not pay you any further compensation for such work. If additional work is completed at your fixed permanent facility to correct or address any repair issues initially performed at your Temporary Facilities, you will be paid 50% of the accredited rates for such additional work.

4. Temporary Facilities do not qualify for and are not entitled to receive the temporary COVID-19 $50.00 allowance to clean and disinfect vehicles.

5. During the Permitted Period you may direct-bill Manitoba Public Insurance for glass repair work performed at your Temporary Facilities. You must notify Manitoba Public Insurance of each of your Temporary Facility locations, and provide Manitoba Public Insurance with the requested contact information related to each such location. Manitoba Public Insurance will set up a separate billing account for each of your Temporary Facility locations. You must use the billing account for the location that corresponds to where the glass repair work was performed.

6. Manitoba Public Insurance will not do direct business with any Temporary Facilities after the Permitted Period. It shall be deemed to be a breach of the LVAA if you attempt to directly bill Manitoba Public Insurance for any work performed after the Permitted Period at your Temporary Facilities. Doing so may result in Manitoba Public Insurance suspending your fixed permanent facility's accreditation status.

7. Manitoba Public Insurance reserves the right to refuse to do direct business with any Temporary Facilities that do not comply with this addendum or with the remainder of the LVAA.

8. This addendum forms an integral part of the LVAA and shall automatically be terminated in the event your LVAA is terminated.

3. GENERAL

3.1 The above addendum in Section 2.1 shall be provided to all accredited repair shops in a notice to the trade shortly after this Agreement has been executed by the parties.

3.2 This Agreement may be executed in multiple counterparts, each of which shall be deemed an original document and all of which shall constitute one and the same Agreement. The counterparts of this Agreement may be executed by electronic signature (including portable document format or digital signature) and delivered by electronic transmission (including facsimile or email) by any of the parties. The receiving parties may rely on the receipt of such document so executed and delivered as if the original had been received.

This Agreement has been executed on behalf of Manitoba Public Insurance, the ATA and the MMDA (by their duly authorized representatives) effective the date first above written.

for **THE MANITOBA PUBLIC INSURANCE CORPORATION**

Per: ______________________
Benjamin Graham
President & CEO

Per: ______________________
Curtis Wennberg
Vice President, Customer Service and Chief Operating Officer

for **THE AUTOMOTIVE TRADES ASSOCIATION OF MANITOBA INC.**

Per: ______________________
Johnny Vernaus
President

for **MANITOBA MOTOR DEALERS ASSOCIATION INC.**

Per: ______________________
Geoff Sine
President

Manitoba Public Insurance

Light Vehicle Repair Industry Agreement
Schedule A: Compensation
Effective January 1, 2020 to April 14, 2021

SOUTHERN MANITOBA LABOUR RATES

Labour				Material & Other Fees		
Labour Rate (Body, Refinish & Mechanical)		Frame Labour Rate	Designated Repairs Labour Rate	Shop Material	Paint Material	Toxic Waste
Accredited	Not Accredited					
per Hr	per Hr	per Hr	per Hr	per Hr	per Hr	per Paint Estimate
$74.43	$35.68	81.56	$100.71	$6.71	$38.20	$4.97

NORTHERN MANITOBA LABOUR RATES

Thompson, Flin Flon, The Pas, Churchill, Lynn Lake, Leaf Rapids, Gillam, Norway House

Labour				Material & Other Fees		
Labour Rate (Body, Refinish & Mechanical)		Frame Labour Rate	Designated Repairs Labour Rate	Shop Material	Paint Material	Toxic Waste
Accredited	Not Accredited					
per Hr	per Hr	per Hr	per Hr	per Hr	per Hr	per Paint Estimate
$89.32	$41.09	$97.87	$120.85	$9.91	$38.20	$5.46

* The designated repairs labour rate was previously named the mechanical specialty labour rate.

Accreditation Agreement Effective Date and Application to Rates:

Accredited Shops that sign a new Accreditation Agreement with an effective date on or after April 15, 2019:

- shall start being paid the rates under this schedule upon the effective date of their new Accreditation Agreement.
- shall have access to the rates and fees under this schedule during the effective term of this schedule.

Administration Fee:

For completed repairs where the vehicle has been returned to the customer with body, frame, mechanical, and/or designated repair labour, a $15.00 administration fee may be charged. In the event this schedule expires or is terminated, Manitoba Public Insurance is not obliged to pay for any such administration fees incurred after such expiry or termination.

DR Premium Amount Terminated:

The DR Premium Amount that was previously paid to DR Shops under the Old Industry Agreement is no longer in effect and will no longer be paid to DR Shops effective April 15 2019. However, the DR Premium will continue for a grace period from April 15, 2019 until May 31, 2019 to allow shops to complete work in progress as of April 14, 2019. The criteria for the claims to be eligible for the DR Premium during the grace period are: the claim must have been pulled before April 15, 2019 **and** paid by May 31, 2019. For clarity, these criteria are in addition to the existing criteria for DR Premium eligibility found on the MPI Partners Website. Claims paid after May 31, 2019 will not be eligible for the DR Premium.

Recovery of Costs for Errors and Repair Deficiencies

MPI reserves the right to recover administrative costs from Accredited Shops for administrative billing errors, errors in application of Policies & Procedures, and for correcting repair deficiencies discovered through inspections and customer referrals, all in accordance with the procedures set out in the Accreditation Agreement. In particular, for repair deficiencies, MPI reserves the right to charge Accredited Shops:

- $1000 per repair deficiency identified via a repair accuracy inspection;
- $2000 per repair deficiency identified via a Customer referral.

<u>SOUTHERN MANITOBA GLASS LABOUR RATES</u>

Labour				Discount on NAGS Price List		Material & Other Fees	
Windshield (Safety)		Tempered Glass		Windshield (Safety)	Tempered Glass	Material*	Sealant Allowance
Accredited	Not Accredited	Accredited	Not Accredited				
per Hr	per Hr	per Hr	per Hr	Applied per Estimate	Applied per Estimate	per Hr	per item
$55.31	$27.66	$69.15	$34.58	20.0%	20.0%	$6.71	$32.00

* Material is paid for side & back glass only (tempered)

<u>NORTHERN MANITOBA GLASS LABOUR RATES</u>

Thompson, Flin Flon, The Pas, Churchill, Lynn Lake, Leaf Rapids, Gillam, Norway House

Labour				Discount on NAGS Price List		Material & Other Fees	
Windshield (Safety)		Tempered Glass		Windshield (Safety)	Tempered Glass	Material*	Sealant Allowance
Accredited	Not Accredited	Accredited	Not Accredited				
per Hr	per Hr	per Hr	per Hr	Applied per Estimate	Applied per Estimate	per Hr	per item
$66.37	$32.61	$82.98	$39.81	0%	0%	$9.91	$32.00

Cracks & Windshield Repairs

Windshield Repairs									
Windshield - Repairs				Windshield - Cracks					
Accredited		Not Accredited		Accredited			Not Accredited		
Up to 2 (Total)	per Additional Instance	Up to 2 (Total)	per Additional Instance	First 4 inches	Next 4 inches	Maximum Cost Payable (8 inch crack)	First 4 inches	Next 4 inches	Maximum Cost Payable (8 inch crack)
$80.00	$20.00	n/a	n/a	$94.50	$14.50	$109.00	n/a	n/a	n/a

Job Maximums:

- The first two instances of a windshield repair are included in the initial fee.
- Cracks are paid for units of 4 inches each.
- Cracks are capped at the amount for an 8 inch repair, made up of the initial 4 inches and up to 4 more inches.

Manitoba
Public Insurance

An Amendment Agreement dated the 1st day of January, 2020.

BETWEEN:

THE MANITOBA PUBLIC INSURANCE CORPORATION
(called "**Manitoba Public Insurance**")

- and -

THE AUTOMOTIVE TRADES ASSOCIATION OF MANITOBA INC.
(called "**ATA**")

- and –

MANITOBA MOTOR DEALERS ASSOCIATION INC.
(called "**MMDA**")

WHEREAS:

A. The ATA and MMDA ("**Industry**") and Manitoba Public Insurance entered into an agreement dated April 15, 2019 in order to set out the agreed-upon labour rates and related fees and other compensation payable to accredited and not accredited motor vehicle body shops in Manitoba, to establish an Accreditation Agreement template, and to address other issues within the collision repair industry in Manitoba (the "**Industry Agreement**").

B. The Parties wish to amend Schedule A of the Industry Agreement in order to update the labour rates and related fees and other compensation payable to accredited motor vehicle body shops in Northern Manitoba.

C. Section 6.5 of the Industry Agreement provides that no amendment or change to, or modification of this Industry Agreement shall be valid unless it is in writing and signed by all Parties.

D. The Parties now wish to enter into this Amendment Agreement in order to reflect and give effect to the desired amendments to Schedule A of the Industry Agreement.

NOW THEREFORE, the Parties hereto agree as follows:

1. All capitalized terms used herein shall have the same meaning assigned to them in the Industry Agreement, unless otherwise specifically defined herein.

2. Effective as of January 1, 2020, the Agreement is hereby amended as follows:

   Schedule A of the Industry Agreement is deleted and replaced with the newly attached Schedule A.

3. All other terms and conditions of the Industry Agreement remain unchanged and in full force and effect.

This Amendment Agreement has been executed on behalf of the Parties (by their duly authorized representatives) effective the date first above written.

for **THE MANITOBA PUBLIC INSURANCE CORPORATION**

Per: ______________________
Benjamin Graham
President & CEO

8/1/20.
Date

Per: ______________________
Curtis Wennberg
Vice President, Customer Service and Chief Operating Officer

Jan 3/20
Date

for **THE AUTOMOTIVE TRADES ASSOCIATION OF MANITOBA INC.**

Per: ______________________
Johnny Vernaus
President

Dec 23/19
Date

for **MANITOBA MOTOR DEALERS ASSOCIATION INC.**

Per: ______________________
Geoff Sine
Executive Director

Dec 20/19
Date

Manitoba Public Insurance

Light Vehicle Repair Industry Agreement
Schedule A: Compensation
Effective January 1, 2020 to April 14, 2021

SOUTHERN MANITOBA LABOUR RATES

Labour				Material & Other Fees		
Labour Rate (Body, Refinish & Mechanical)		Frame Labour Rate	Designated Repairs Labour Rate	Shop Material	Paint Material	Toxic Waste
Accredited	Not Accredited					
per Hr	per Hr	per Hr	per Hr	per Hr	per Hr	per Paint Estimate
$74.43	$35.68	81.56	$100.71	$6.71	$38.20	$4.97

NORTHERN MANITOBA LABOUR RATES

Thompson, Flin Flon, The Pas, Churchill, Lynn Lake, Leaf Rapids, Gillam, Norway House

Labour				Material & Other Fees		
Labour Rate (Body, Refinish & Mechanical)		Frame Labour Rate	Designated Repairs Labour Rate	Shop Material	Paint Material	Toxic Waste
Accredited	Not Accredited					
per Hr	per Hr	per Hr	per Hr	per Hr	per Hr	per Paint Estimate
$89.32	$41.09	$97.87	$120.85	$9.91	$38.20	$5.46

* The designated repairs labour rate was previously named the mechanical specialty labour rate.

Accreditation Agreement Effective Date and Application to Rates:

Accredited Shops that sign a new Accreditation Agreement with an effective date on or after April 15, 2019:

- shall start being paid the rates under this schedule upon the effective date of their new Accreditation Agreement.
- shall have access to the rates and fees under this schedule during the effective term of this schedule.

Administration Fee:

For completed repairs where the vehicle has been returned to the customer with body, frame, mechanical, and/or designated repair labour, a $15.00 administration fee may be charged. In the event this schedule expires or is terminated, Manitoba Public Insurance is not obliged to pay for any such administration fees incurred after such expiry or termination.

DR Premium Amount Terminated:

The DR Premium Amount that was previously paid to DR Shops under the Old Industry Agreement is no longer in effect and will no longer be paid to DR Shops effective April 15 2019. However, the DR Premium will continue for a grace period from April 15, 2019 until May 31, 2019 to allow shops to complete work in progress as of April 14, 2019. The criteria for the claims to be eligible for the DR Premium during the grace period are: the claim must have been pulled before April 15, 2019 **and** paid by May 31, 2019. For clarity, these criteria are in addition to the existing criteria for DR Premium eligibility found on the MPI Partners Website. Claims paid after May 31, 2019 will not be eligible for the DR Premium.

Recovery of Costs for Errors and Repair Deficiencies

MPI reserves the right to recover administrative costs from Accredited Shops for administrative billing errors, errors in application of Policies & Procedures, and for correcting repair deficiencies discovered through inspections and customer referrals, all in accordance with the procedures set out in the Accreditation Agreement. In particular, for repair deficiencies, MPI reserves the right to charge Accredited Shops:

- $1000 per repair deficiency identified via a repair accuracy inspection;
- $2000 per repair deficiency identified via a Customer referral.

SOUTHERN MANITOBA GLASS LABOUR RATES

Labour				Discount on NAGS Price List		Material & Other Fees	
Windshield (Safety)		Tempered Glass		Windshield (Safety)	Tempered Glass	Material*	Sealant Allowance
Accredited	Not Accredited	Accredited	Not Accredited				
per Hr	per Hr	per Hr	per Hr	Applied per Estimate	Applied per Estimate	per Hr	per item
$55.31	$27.66	$69.15	$34.58	20.0%	20.0%	$6.71	$32.00

* Material is paid for side & back glass only (tempered)

NORTHERN MANITOBA GLASS LABOUR RATES

Thompson, Flin Flon, The Pas, Churchill, Lynn Lake, Leaf Rapids, Gillam, Norway House

Labour				Discount on NAGS Price List		Material & Other Fees	
Windshield (Safety)		Tempered Glass		Windshield (Safety)	Tempered Glass	Material*	Sealant Allowance
Accredited	Not Accredited	Accredited	Not Accredited				
per Hr	per Hr	per Hr	per Hr	Applied per Estimate	Applied per Estimate	per Hr	per item
$66.37	$32.61	$82.98	$39.81	0%	0%	$9.91	$32.00

Manitoba Public Insurance

Cracks & Windshield Repairs

Windshield Repairs									
Windshield - Repairs				Windshield - Cracks					
Accredited		Not Accredited		Accredited			Not Accredited		
Up to 2 (Total)	per Additional Instance	Up to 2 (Total)	per Additional Instance	First 4 inches	Next 4 inches	Maximum Cost Payable (8 inch crack)	First 4 inches	Next 4 inches	Maximum Cost Payable (8 inch crack)
$80.00	$20.00	n/a	n/a	$94.50	$14.50	$109.00	n/a	n/a	n/a

Job Maximums:

- The first two instances of a windshield repair are included in the initial fee.
- Cracks are paid for units of 4 inches each.
- Cracks are capped at the amount for an 8 inch repair, made up of the initial 4 inches and up to 4 more inches.

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Part and Chapter:	Part III – Benchmarking Appendix 1	Page No.:	2
PUB Approved Issue No:	14. Operational Benchmarking		
Topic:	Gartner's Recommendations – Status Report		
Sub Topic:			

Preamble to IR:

"4. In order for Manitoba Public Insurance (MPI) to be more effective and innovative, MPI should consider:

Description	2021 Application Status	2020 Application Status	Current Status
4.13 Use a Pace-Layered Application strategy to balance maturity based Information Technology Infrastructure Library (ITIL) and Capability Maturity Model Integration (CMMI) processes with evolution towards Agile, DevOps, and Automation Reusable used in development for cloud implementation	In progress (Ongoing activity)	In progress (Completion planned for (Q4-2019/20)	MPI continues to leverage ITIL processes for its IT operations and measures in ways that are consistent with CMMI. MPI significantly expanded its use of Agile to deliver business value in 2019 with 6 product teams developed to support Bodily Injury Case Management, Insurance Issuance and Driver Licensing. MPI has engaged an experienced Agile coach to assist MPI in the maturing of its Agile capability and governance. MPI anticipates further adoption of DevOps and automation of key processes such as unit testing and code deployments. Trials will occur in 2020/21 on these

			capabilities before actively leveraging on NOVA. These will be important to technologies at a physical data centre and deployed in the cloud. An update on this specific recommendation will be available for the 2022 GRA”

Question:

a) Please describe the business value delivered in 2019 by the expanded use of ‘Agile’ in supporting Bodily Injury Case Management, Insurance Issuance and Driver Licensing.

b) Please describe the lessons learned to-date from the use of Agile and MPI’s preparedness to use Agile for implementing project Nova.

Rationale for Question:

To obtain a greater understanding of MPI’s preparedness for project Nova as the $106 million dollar budget (last year) for project Nova could morph into a significantly higher value if IT capabilities are lacking.

RESPONSE:

a) The Bodily Injury Case Management Agile team had 18 successful sprints in 2019 and implemented the following changes:

- MPI-13· Search for BI Claims history in FINEOS (decustomization)
- MPI-29 -Maintain and manage contact details Part B (decustomization)
- Enhance User Efficiency Part A - Shortcuts to most frequently added docs and tasks (User Experience Improvement)
- 2019 PIPP Indexation (Annual update)
- Fineos Point Release for 26533, 26534 and 26786 – B (Bug fixes)

- Enhance User Efficiency Part B - List view adjustments and remove validation banner bounce (User Experience Improvement)
- MPI-16 -Create and assign request for service (decustomization)
- MPI-21-Claim Investigation and Evaluation Plan Definition (decustomization)
- PI Assessment Report Received Tasks rerouting, UI access clean-up and defect fixes (User Experience Improvement, bug fixes)
- MPI-11-Communicate Results of NOL, Triage and Assignment (decustomization)
- Consolidation of IRI Cover Codes and Addition of new activity periods Part A (User Experience Improvement, system maintenance)
- Consolidation of IRI Cover Codes and Addition of new activity periods Part B (User Experience Improvement, system maintenance)
- Ambulance rate update, incoming Police Report document category change, other defect fixes and templates (Rate updates and bug fixes)
- Party address data clean-up, WebSphere upgrade, template, update to IRI Tax table and minimum wage, Bug 14311 and 15301 (User Experience Improvements, bug fixes)
- Part 2 of the Party address data clean-up (User Experience Improvement, system maintenance)
- Fineos Release 30 – C (Base product update)
- New Autoclose Functionality - Part A (User Experience Improvement)
- New Autoclose Functionality - Part B (User Experience Improvement)

The Insurance and Licensing teams implemented the following changes:

- Automated Report Distribution
- Customer Self Service Stabilization
- Renewal Doc Redesign
- PUB - Implement Changes identified in 2020/21 GRA (2869)
- New Car Protection - New Comment
- Remove Ignition Interlock Financing
- COVID-19-Digitize Reports
- Decommission AOL Reports
- Update to IWS Generated Forms

- System Change for Driver Testing Appointment Scheduling - Motorcycle Road Test, Oral Knowledge Test, and General Driver Assessment
- New Plate Format - ORV & Snopass ORV
- Certified Mail changes
- Madox's Warriors Specialty Plates
- Vehicle Registration Fee Reduction
- Fiscal Year End Changes
- Information Extract changes
- New encryption certificate for banking
- Data Field Masking
- 2020 Annual CPI Increase
- Upgrade IWS to PowerBiulder Version 2017 R3
- Class 5 RT restriction for Wpg Customers
- IRP Fee Schedule Changes 2019
- System support and bug fixes

b) Project Nova will use a hybrid agile approach and has established the business governance and roles necessary to deliver the work for the pre-discovery phase. Project Nova will is also use Agile (backlog based) planning processes and follow an Agile sprint cadence to document the future state requirements before system integrators are on site from November 2020 until the end of January 2021. Adopting Agile-related processes for documenting business requirements allows the Nova team to become more familiar with Agile concepts and MPI to practice "Agile governance" under the hybrid Agile approach and, more specifically, on a project as large as Nova.

This was driven by a few lessons learned from Agile experience to date, such as:

i. Planning is critical – Agile teams can start delivering, but without a clear 'backlog' for teams to work through, momentum can be slowed down.

ii. Clarity of roles – the Agile experience to date, along with training of leaders in Agile principles, have allowed for clearer role definition for business leaders and IT roles. Project Nova leaders and team members require more training, which will occur as MPI awaits the arrival of System Integrators and Vendors.

iii. Business engagement – Agile experience to date has highlighted the importance of business engagement in the planning and prioritization of work and has clarified the roles and expectations of the business leaders and subject matter experts in an Agile based delivery model.

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Part and Chapter:	**Part V Expenses** **Part V CI Appendix 8 (PDF page 855)**	**Page No.:**	**5**
PUB Approved Issue No:	**9. Cost of operations and cost containment measures**		
Topic:	**Transfer and re-categorization of direct claims incurred expenses**		
Sub Topic:			

Preamble to IR:

Part V – CI Appendix 8 indicates that a number of expense categories reported as actual in 2019/20 fiscal year are not carried forward to the forecast periods of 2020/21 through to 2024/25. The following expenses categories are reported in 2019/20 (actual) but not carried forward:

Expense Category	**2019/20 amount**
Automated Estimating	$5,368,805
Security Services	872,274
Direct Repair	1,350,516
Collection Agency Fees	334,462
Apprenticeship Grant Level IV	164,000
Apprenticeship Grant Level II	14,000
Total Allowance Level IV	108,353
Investigations	753,641

Part V – Expenses, Executive Summary, Exp.1, page 5 states the following:

- *"the increase to the overall operating expenses of Basic universal compulsory automobile insurance (Basic), when compared to the 2020 GRA, is solely a result of the transfer/recategorization of direct claims incurred expenses;"*

Question:

a) Please describe each expense category listed in the Preamble and explain why these expenses are eliminated from CI Appendix 8.

b) Please describe the claims incurred expenses, by expense category, transferred and/or re-categorized and into which operating account they were transferred. Also explain the rationale for this action.

Rationale for Question:

To better understand the rationale for reclassifying claims incurred expenses.

RESPONSE:

a) Please see below for a description of each expense category:

Automated Estimating	Costs associated with license fees for operational software.
Security Services	Security personnel costs during salvage auctions.
Direct Repair	Costs paid to Direct Repair facilities on services performed.
Collection Agency Fees	Costs related to collection of policy and non-policy in arrears.
Apprenticeship Grants	Training grants provided to service center technicians.
Tool Allowance	Tool allowance provided to service center technicians.
Investigations	Costs associated with third party claims investigations.

An operational review of the Claims Incurred Expenses concluded that the expenses described above were more closely categorized as operational claims costs than unallocated costs directly related to claims incurred.

b) Please see (a) for a description of the expenses and a rationale for why they were reclassified. These expenses were reclassified to Operating Expenses within either Special Services or Data Processing expense category and classified as a claims expense on the Statement of Operations. Please see table below for Reclassified Operational Expenses under the Cost Allocation Methodology in *CAC (MPI) 1–71*, which shows the operating expense account into which each expense was reclassified.

Reclassified Operational Expenses under the Cost Allocation Methodology

Expense Description	Expense Category	Line of Business Allocation	Cost Category
Automated Estimating	Data Processing	Basic, Non-Basic	Claims Expense
Security Services	Special Services	Basic, Non-Basic	Claims Expense
Collection Agency Fees	Special Services	Basic, Non-Basic	Claims Expense
Apprenticeship Grant Level IV	Special Services	Basic, Non-Basic	Claims Expense
Apprenticeship Grant Level II	Special Services	Basic, Non-Basic	Claims Expense
Tool Allowance Level IV	Special Services	Basic, Non-Basic	Claims Expense
Tool Allowance Level II	Special Services	Basic, Non-Basic	Claims Expense
Crown Prosecutor	Special Services	Basic, Non-Basic	Claims Expense
Investigations	Special Services	Basic, Non-Basic	Claims Expense

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Part and Chapter:	Part V Expenses	Page No.:	6
PUB Approved Issue No:	9. Cost of operations and cost containment measure		
Topic:	Claims expenses Figure Exp – 2.		
Sub Topic:			

Preamble to IR:

Question:

Per Figure EXP – 2 Claims Expenses increased significantly from fiscal year 2019/20A to 2020/21FB from $132.0 million to $143.5 million, an increase of $11.5 million or 8.7%. Please provide a detailed explanation, by expense account category, of this significant increase year over year.

Rationale for Question:

To understand and examine the significant, year over year, claims expense increase.

RESPONSE:

Basic claims expense is determined via the corporate expense allocation process. Increases or decreases in this expense are based on either the change in Corporate expenses or a change in the allocators. The increase in the claims expense is mainly due to an increase in overall Corporate expenses. Corporate operating expenses are expected to increase from $288.8 million in the fiscal year 2019/20 to $306.1 million in 2020/21. This $17.3 million corporate operating expense increase includes approximately $8.4 million of recategorized Claims Incurred expenses. This is the primary reason for the overall $11.5 million increase attributable to claims expenses.

Another small contributing factor includes a slight increase in the allocator used to allocate claims and operating expenses (please see *Expenses Chapter, page 46*).

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Part and Chapter:	Part V Expenses	Page No.:	11
PUB Approved Issue No:	9. Cost of operations and cost containment measure		
Topic:	Data Processing Expenses Figure EXP -4		
Sub Topic:			

Preamble to IR:

Data processing costs are increasing significantly for fiscal years 2019/20 (actual) to 2020/21 (forecast/budget) from $31.1 million to 38.0 million, an increase of $6.9 million or 22.2% year over year.

As well the forecast periods 2022/23 through to 2024/25 data processing expenses are increasing significantly.

Question:

a) Please provide a detailed explanation, by expense account category, of the significant increase in data processing expenses of $6.9 million from 2019/20 to 2020/21.

b) Please provide a detailed analysis and explanations of the forecasted data processing expenses for the years 2022/23 through to 2024/25.

Rationale for Question:

To understand and examine the significant, year over year, data processing expense increases as these expenses impact basic insurance rates.

RESPONSE:

a) The primary reason for the increase in Data Processing expenses of $6.9 million from 2019/20 to 2020/21 is due to the transfer of the estimating software ($5.9 million) from claims incurred expenses into corporate operating expenses. For a detailed analysis of data processing expenditures please see *Expenses Appendix 19*.

For clarity; total costs incurred by the Corporation are not increasing as a result of this reclassification but rather there is a decrease to net claims incurred, an increase in claims expenses, and a neutral impact on Total Claims Costs.

b) Please refer to *Expenses Appendix 19* for a detailed analysis of data processing expenditures.

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Part and Chapter:	**EXP.3.1.2**	**Page No.:**	**Page 18** **Figure EXP-11**
PUB Approved Issue No:	**4.b)**		
Topic:	**Expenses**		
Sub Topic:	**Vacancy Allowance**		

Preamble to IR:

At page 18, MPI states

> *Vacancy Allowance - Vacant positions arise from staff turnover related to job changes, retirements, resignations, eliminations, etc. This results in a number of positions being vacant at any given period. Vacancy means that salary dollars are not paid which, in effect, reduces salary expense. In order to accurately reflect budgeted and forecasted salary expenses, MPI accounts for cumulative non-remunerative vacancies via a vacancy allowance provision. The budgeted and forecasted vacancy allowance is provided in Figure EXP -11.*

Question:

a) Please provide a narrative description of the methodology used to forecast the vacancy allowance, and provide supporting schedules as necessary.

b) Referencing Figure EXP-10, please explain if MPI has encountered any significant operating challenges while staffing levels have been at two to three times historic vacancy for the past 24 months.

c) Please quantify the average duration of a vacancy? Have any vacancies persisted for 6 months or more?

d) Please explain if MPI has considered reducing budgeted staffing levels, to more closely reflect actual staffing levels over the past 24 months. If so, please provide details. If not, please explain why.

e) Please describe what consideration has been given to the improving trends in collision frequency, declining volume factor, or other industry wide trends when developing the budget for normal operations staffing?

Rationale for Question:

To understand the significant ongoing vacancy in the Corporation, and MPI's approach to forecasting Vacancy Allowance.

RESPONSE:

a) The 2020/21 budgeted vacancy allowance calculation reflects the average vacancy full time equivalent (FTE) and the average compensation amount with an adjustment factor for vacancies at higher levels in the organization.

b) Management regularly prioritized work to ensure that essential functions were completed. Staffing levels maintained at this level would lead to falling behind in work that while not critical in the immediate short term, is important to complete regularly and timely in order to maintain appropriate records, processes and overall quality of service.

c) MPI does not have the ability to compute the average vacancy duration by position. Most vacancies would have existed for a period less than 6 months.

d) Yes, the budgeting process includes a review of all budget and filled FTEs on an annual basis. The budget accounts for some vacancy through the corporate vacancy provision budget amount, ensuring that unfilled roles are properly accounted for.

e) Budgeting for normal operations considers all factors, including claims trends.

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Part and Chapter:	EXP CI Appendix 8	Page No.:	p.5 p.1
PUB Approved Issue No:			
Topic:	Claims and Operating Expenses		
Sub Topic:	Re-categorized claims expenses		

Preamble to IR:

At page 5, MPI states:

> *The following highlights the key assumptions and changes processed within the corporate operating expense forecast:*
>
> *the increase to the overall operating expenses of Basic universal compulsory automobile insurance (Basic), when compared to the 2020 GRA, is solely a result of the transfer/recategorization of direct claims incurred expenses;*

Question:

a) Please confirm that line items in CI Appendix 8 with forecast values of "N/A" are the items transferred from claims expense to operating expense. If not confirmed, please provide a complete list of claims expenses recategorized to operating expense.

b) Please provide the amounts for individual line items transferred from the claims expense in the current year (B or FB) and the forecast amounts through the test years, and beyond.

c) Please provide a rational for why each of the transferred claims incurred expenses was deemed a better fit in the operating expense.

d) Was the transfer of forecast costs from Claims Expense to Operating expense impacted in any way by the cost allocation methodology. If so, please explain and quantify the impact.

e) Please provide a narrative description and rational for the forecast of the 5 largest Claims incurred expenses in CI Appendix 8.

f) Please explain why some forecast costs in CI Appendix 8, are static and do not vary across the test years. Please explain for example, why Freon Removal would not be directly correlated with the Collision total loss forecast? Please also comment on the Dental Consultants forecast.

g) Please confirm that the total costs under CI Appendix 8 is contained within line 18, Claims Expense of PF-1 (or otherwise in "Figure EXP App 2-3 Total"). If confirmed, please reconcile the variance between Line 18 Claims Expense, and Claims Incurred Expenses in CI Appendix 8. If not confirmed, please indicate where CI Appendix 8 costs are contained within the PFs.

Rationale for Question:

To understand the details of the transfer of Claims expense to Operating Expense, and the Details of the Claims Incurred Expense Forecast.

RESPONSE:

a) Confirmed.

b) Please see Figure 1 below for a list of reclassified accounts and subsequent budget/forecast amounts:

Figure 1 Claims Incurred Expenses reclassified to Operational Expenses

Line No.	Expense Description	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast
1	*($dollars)*					
2	**Automated Estimating**	5,882,244	5,882,244	5,882,244	5,999,889	6,119,887
3	**Security Services**	751,490	891,490	891,490	909,320	927,506
4	**Collection Agency Fees**	338,100	338,100	338,100	344,862	351,759
5	**Apprenticeship Grant Level IV**	154,000	154,000	154,000	157,080	160,222
6	**Apprenticeship Grant Level II**	28,000	28,000	28,000	28,560	29,131
7	**Tool Allowance Level IV**	145,000	145,000	145,000	147,900	150,858
8	**Tool Allowance Level II**	25,300	25,300	25,300	25,806	26,322
9	**Crown Prosecutor**	-	-	-	-	-
10	**Investigations**	663,641	900,000	900,000	918,000	936,360
11	**Total**	**7,987,775**	**8,364,134**	**8,364,134**	**8,531,417**	**8,702,045**

c) An operational review of the Claims Incurred Expenses concluded that the above costs were more closely categorized as operational claims costs than unallocated costs directly related to claims incurred.

d) Yes, the costs were previously classified as unallocated loss adjustment expenses (ULAE) and part of the claims incurred forecast. 100% of these costs were previously assigned to Basic.

The re-classified costs are now considered operating costs and are assigned to the respective line of business under the cost allocation methodology. The expense/cost category and percentage of costs now assigned to Basic (as shown in part (a) is shown in the table below and Figure 2, respectively:

Reclassified Operational Expenses under the Cost Allocation Methodology

Expense Description	Expense Category	Line of Business Allocation	Cost Category
Automated Estimating	Data Processing	Basic, Non-Basic	Claims Expense
Security Services	Special Services	Basic, Non-Basic	Claims Expense
Collection Agency Fees	Special Services	Basic, Non-Basic	Claims Expense
Apprenticeship Grant Level IV	Special Services	Basic, Non-Basic	Claims Expense
Apprenticeship Grant Level II	Special Services	Basic, Non-Basic	Claims Expense
Tool Allowance Level IV	Special Services	Basic, Non-Basic	Claims Expense
Tool Allowance Level II	Special Services	Basic, Non-Basic	Claims Expense
Crown Prosecutor	Special Services	Basic, Non-Basic	Claims Expense
Investigations	Special Services	Basic, Non-Basic	Claims Expense

Figure 2 Basic's Share of Claims Incurred Expenses reclassified to Operational Expenses

Line No.	Expense Description	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast
1	*($dollars)*					
2	Automated Estimating	5,110,494	5,096,964	5,085,200	5,141,905	5,247,803
3	Security Services	652,895	772,476	770,693	779,287	795,337
4	Collection Agency Fees	293,741	292,964	292,287	295,547	301,634
5	Apprenticeship Grant Level IV	133,795	133,441	133,133	134,618	137,390
6	Apprenticeship Grant Level II	24,326	24,262	24,206	24,476	24,980
7	Tool Allowance Level IV	125,976	125,643	125,353	126,750	129,361
8	Tool Allowance Level II	21,981	21,922	21,872	22,116	22,571
10	Investigations	576,571	779,850	778,050	786,726	802,929
11	**Total**	**6,939,779**	**7,247,522**	**7,230,794**	**7,311,424**	**7,462,004**

e) A narrative description and rationale for the forecast of the 5 largest Claims Incurred expenses in CI Appendix 8 are provided below:

Figure 3 Top 5 largest Claims incurred expenses in *CI Appendix 8*

Line No.		2019/20 Actual	2020/21 Forecast Base	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast
1	**Manitoba Health Services Commission**	**30,073,792**	30,355,706	30,976,682	31,709,978	32,833,890	34,305,570
2	**Towing**	**3,206,383**	3,286,201	3,368,357	3,452,565	3,538,878	3,627,350
3	**Non-Registered GST**	**(1,884,284)**	(2,016,000)	(2,052,000)	(2,088,000)	(2,124,000)	(2,172,000)
4	**Medical Consultants**	**1,868,885**	1,786,000	1,821,900	1,858,300	1,895,500	1,933,445
5	**Personal Property Registry**	**735,530**	488,000	498,000	508,000	508,000	508,000

Manitoba Health Services Commission – Payments made to Manitoba Health Services Commission. Forecast is based on a prescribed formula using Manitoba CPI and Health Care cost index.

Towing – Transportation services for motor vehicles involved in a collision. Forecast is based on negotiated contracts.

Non-Registered GST – Credit on claims paid to claimants who were not entitled to GST on the total loss of their motor vehicle. Forecast assumes a modest growth rate throughout the forecast.

Medical Consultants – Services provided for review of and advice on PIPP claims. Forecast is based on negotiated contract.

Personal Property Registry – Costs for application of liens on the personal property of a claimant. Forecast is based on historical averages.

f) Some forecasts have shown historical variability with no suitable driver to build a forecast. As such, MPI has applied a naïve forecast. In particular with Freon Removal, in consultation with the business unit, there were fewer total loss vehicles which required the removal of freon. As a result, MPI applied a naïve forecast. In regards to the dental consultants forecast, in consultation with the business unit, there were no growth rates applied to the forecast costs for dental consultants.

g) *Claims Incurred Appendix 8* is contained within line 14, Claims Incurred of PF-1.

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Part and Chapter:	**Part V Expenses**	**Page No.:**	
PUB Approved Issue No:	**9. Cost of operations and cost containment measure**		
Topic:	**Special Services**		
Sub Topic:			

Preamble to IR:

Question:

Please prepare a Special Services detailed expense analysis, by expense type, comparing fiscal year 2019/20 (actual) of $5.3 million to 2020/21 (FB) of $7.2 million and provide the rationale for each expense type.

Rationale for Question:

To understand, clarify and rationalize the expenses contained in Special Services.

RESPONSE:

See *Figure 1* below for a list of major Special Services expenses by category. The increase of $1.9 million in 2020/21 budget is mainly due to the transfer of claims expenses to operating expenses. These include Security Services, Collection Agency Fees, Private Investigation and Apprenticeship Grants & Allowance.

Figure 1 Special Services Expenses

Line No.	Special Services Category	2019/20A	2020/21B	Difference
1	*(C$000s, except where noted)*			
2	Auctioneer Fees	34	37	3
3	Auditor Fees	228	225	(3)
4	Internal Audit Fees	200	310	110
5	Actuary Fees	85	94	9
6	Credit Rating Service	15	18	3
7	Security Services	1,037	1,302	265
8	PIPP Mediation Pilot	388	450	62
9	Employee Opinion Survey	43	50	7
10	Workplace Safety	83	107	24
11	AEI/Diversity Employment Strategy	151	164	13
12	Wellness Initiatives	89	10	(79)
13	Vehicle & Economic Data Service	103	95	(8)
14	Medical Assessments	9	-	(9)
15	Customer Service Standard	112	80	(32)
16	Surveys/Evaluations	398	352	(46)
17	Special Services - Other	2,275	2,518	243
18	Collection Agency Fees	-	338	338
19	Private Investigation	-	664	664
20	Apprenticeship Grant & Allowance	-	352	352
21	Total Special Services	5,250	7,166	1,916

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Part and Chapter:	Part V Expenses	Page No.:	18
PUB Approved Issue No:	9. Cost of operations and cost containment measure		
Topic:	Staffing		
Sub Topic:			

Preamble to IR:

Question:

Figure EXP – 10, Normal Operations Staffing includes a note **"From 2017/18 and onward includes staff related to Specialty Programs".** Please elaborate as to what is meant by 'staff related to Specialty Programs' as well please detail the number of staff comprising the Specialty Program.

Rationale for Question:

To clarify and quantify Specialty Program staffing.

RESPONSE:

Specialty programming includes Apprenticeship or Co-op students, Divisity, PIPP Mediation and Vulnerable Road User Summer Students. These numbers would vary dependent on the time of year. For the 2020/21 budget, 11.0 FTE have been included within Specialty Programs.

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Part and Chapter:	**Part V Expenses**	**Page No.:**	**20**
PUB Approved Issue No:	**9. Cost of operations and cost containment measure**		
Topic:	**Annual overall salary change and average salary per FTE change**		
Sub Topic:			

Preamble to IR:

"*Figure EXP-12* illustrates the year–over-year dollar and percentage changes along with 5 the corresponding dollar and percentage changes in average salary. The figure shows 6 that in 2019/20, the Corporate Annual Salary change **was +3.87%** or approximately $4.8 million greater versus 2018/19, while the change in the Average Salary per FTE increased by +1.81% as compared to the prior year."

Also, the Average Salary per FTE increased by 3.88% from 2017/18 to 2018/19.

Question:

a) Please explain, in detail, the Corporate Annual Salary increase of 3.87% in 2019/20 and the 3.88% increase in the average salary per FTE increase in 2018/19.

b) Please provide the following operating statistics comparing CPI to various operational drivers and explain significant variations from CPI.

Fiscal Year	CPI Change (%)	Basic Rate Change (%)	Volume /Upgrade change (%)	Operating Expenses change (%)	Claims Expenses change (%)	Physical Damage claims incurred change (%)	PIPP claims incurred change (%)
2013/14 A							
2014/15 A							
2015/16 A							
2016/17 A							
2017/18 A							
2018/19 A							
2019/20 A							
2020/21 F							
2021/22 F							

Rationale for Question:

To clarify the salary increases presented in Figure EXP – 12 and examining and comparing various operational drivers' changes, year over year, to changes in CPI.

RESPONSE:

a) In 2019/20 the corporate normal operations salary expenses increased by approximately $4.9 million or 3.87% as compared to the 2018/19 fiscal year. The primary driver for this increase is the annual mandated increase related to the economic increase and the step-in-scale (merit) increase. The remainder of the increase can be explained via various drivers, primarily Full Time Equivalent (FTE) changes and turnover of staff, which may in some cases trigger retirement allowances.

b) Please see below figure:

Figure 1 Operational Statistics

Line No.	Fiscal Year	*CPI Change (%)	*Basic Rate Change (%)	*Volume/ Upgrade Change (%)	Operating Expenses Change (%)	Claims Expenses Change (%)	Physical Damage Claims Incurred Change (%)	PIPP Claims Incurred Change %
1	2013/14 A	2.2%	0.0%	4.1%	6.8%	4.7%	14.7%	9.7%
2	2014/15 A	1.9%	0.9%	4.6%	9.0%	0.4%	-15.4%	30.5%
3	2015/16 A	1.2%	3.4%	4.0%	-3.7%	2.9%	22.8%	-54.4%
4	2016/17 A	1.3%	0.0%	3.7%	3.1%	1.4%	9.8%	96.9%
5	2017/18 A	1.6%	3.7%	3.9%	-3.9%	17.2%	-4.8%	-22.6%
6	2018/19 A	2.5%	2.6%	3.4%	7.8%	-11.6%	0.9%	53.6%
7	2019/20 A	2.2%	1.8%	2.9%	-7.4%	4.1%	-3.2%	-32.8%
8	2020/21 FB	2.0%	-0.6%	2.7%	3.3%	7.4%	6.3%	22.2%
9	2021/22 F	2.0%	-10.5%	4.3%	0.3%	1.4%	8.2%	5.5%
10	* Rate change not change % provided for these columns							

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Part and Chapter:	**Part V Expenses** **Part V – EXP Appendix 5**	**Page No.:**	**6**
PUB Approved Issue No:	**9. Cost of operations and cost containment measure**		
Topic:	**Regulatory and Appeal Expenses**		
Sub Topic:			

Preamble to IR:

During the 2020 GRA process, MPI filed Undertaking #2, MPI Exhibit #61 which provided a detailed analysis and growth in expenses relating Regulatory and Appeal Expenses for the fiscal years 2014/15 through to 2021/22 forecasts (Figure 1) and 2014/15 through to 2018/19 (Figure 2).

The Regulatory/Appeal expenses for the 2021 GRA are contained in Appendix 5 at line item 15.

Question:

Please file an updated MPI Exhibit #61 from the 2020 GRA using the 2021 GRA updated Regulatory/Appeal Expenses as shown in Appendix 5.

Rationale for Question:

To understand the changes in regulatory and appeal expenses as they relate to the 2021 GRA.

RESPONSE:

Please see *PUB (MPI) 1-57*.

CAC (MPI) 1-76

Part and Chapter:	**Part V-- Expenses**	**Page No.:**	
PUB Approved Issue No:	**9. Cost of operations**		
Topic:	**2019 Compensation report**		
Sub Topic:			

Preamble to IR:

Per the Public Sector Compensation Disclosure Act the corporation prepares a compensation report.

Question:

Please file a copy of the latest public compensation report prepared in accordance with the Compensation Disclosure Act together with the Auditor's report.

Rationale for Question:

To assess and understand compensation costs paid, by the corporation, in 2019 to employees.

RESPONSE:

The information is publicly available at MPI's website[1] and also attached as *Appendix 1.*

[1] See *Compensation disclosure reports*, in https://www.mpi.mb.ca/pages/Financial-reports.aspx - https://www.mpi.mb.ca/Documents/2019-Compensation-Report.pdf.

Manitoba Public Insurance

SCHEDULE OF COMPENSATION IN ACCORDANCE WITH THE PUBLIC SECTOR COMPENSATION DISCLOSURE ACT TOGETHER WITH AUDITOR'S REPORT

FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2019

COMPENSATION DISCLOSURE FOR 2019

The Public Sector Compensation Disclosure Act requires Crown Corporations to disclose to the public the total compensation of the Chairperson of the Board, officers and employees who earned $75,000 or more in a year as well as the aggregate compensation received by the Board of Directors. In compliance with the Act, Manitoba Public Insurance has prepared this disclosure schedule for the year ended December 31, 2019.

For the 2019 income tax year, Manitoba Public Insurance issued 2,185 T4 slips to full-time, part-time and temporary employees and officers. Manitoba Public Insurance had a monthly average of 1,819 employees during 2019. This schedule lists the compensation paid to 563 officers and employees in managerial, technical and professional support positions.

The schedule lists the employees and officers in alphabetical order, along with their position and total compensation. In each case, the most recent position that the employee or officer held during 2019 is given. Total compensation includes the officer's and employee's regular salary, taxable benefits, retiring allowances, retroactive pay, vacation pay and severance pay.

This schedule is available to the public upon request. For additional information, contact our Human Resources Department at 204-985-8770 ext. 7653.

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Independent auditor's report

To the Board of Directors of the Manitoba Public Insurance Corporation

Our opinion

In our opinion, the accompanying financial information of the Manitoba Public Insurance Corporation (the Corporation) for the calendar year ended December 31, 2019 is prepared, in all material respects, in accordance with the basis of preparation as described in the note to the financial information.

What we have audited
The Corporation's financial information comprises the schedule of compensation in accordance with the Public Sector Compensation Disclosure Act of Manitoba for the calendar year ended December 31, 2019, and the notes to the financial information, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial information* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial information in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – basis of accounting

We draw attention to the note to the financial information, which describes the basis of accounting. The financial information is prepared to assist the Corporation to comply with the specified requirements criteria established within the Public Sector Compensation Disclosure Act of Manitoba. As a result, the financial information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 204 926 2400, F: +1 204 944 1020

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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Responsibilities of management and those charged with governance for the financial information

Management is responsible for the preparation of the financial information in accordance with the basis of preparation as described in the note to the financial information, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

In preparing the financial information, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 29, 2020

Name	Position Title	Total Compensation	
Abraham, A	Manager, IT Service Management	104,298.37	
Adams, S	Sr Case Manager	87,118.57	
Addison, K	Manager, Special Accounts & Subrogation	138,543.11	
Adolphe, L	Assistant Manager, Subrogation & Control	92,961.74	
Agnew, R	Manager, Service Centre (Small)	113,318.21	
Ahlbaum, C	Manager, Vehicle Safety	106,930.75	
Ahmad, A	Sr Analyst	89,716.98	
Akoh, B	Organizational Development Consultant	78,047.64	
Alarie, M	Sr Business Analyst	84,025.52	
Albig, J	IT Analyst	76,539.13	
Ali, H	Sr IT Security Event Coordinator	81,222.10	
Andersen, G	Director, Injury Claims Management	138,109.50	
Anderson, L	Analyst	79,531.80	
Anderson, M	Research & Training Technician - Autobody	84,357.69	
Andres, R	Supervisor, Rural Service Centre	97,433.86	
Angus, C	Special Investigator	88,970.59	
Arabsky, H	Manager, Service Centre (Large)	117,804.32	
Arendt, E	Supervisor, Application Services	109,124.32	
Armour, T	Supervisor, Driver Testing	83,004.71	
Armstrong, J	Sr Case Manager	84,854.48	
Arvidson, B	Supervisor, Rural Service Centre	88,853.37	
Awoyemi, O	Advanced Analytics Specialist	81,232.70	
Backstrom, J	Estimatics Coordinator	88,344.01	
Bailer, K	Organizational Development Consultant	85,797.15	
Baker, D	Special Investigator	81,815.06	
Balmer, R	IT Managed Services Controller	83,001.01	
Bannon, T	Special Investigator	82,687.52	
Baran, T	Supervisor, Driver Testing	88,182.61	
Barbour, G	Sr Case Manager	136,883.39	*
Barbour, M	Accountant 2	82,234.37	
Barker, D	Manager, Broker Support & Autopac Services	116,688.06	
Barnett, P	Special Advisor	109,278.38	
Barrault, S	Accountant 2	79,697.98	
Beaudoin, G	Injury Management Coordinator	82,523.69	
Beaumont, R	Business Analyst	79,020.23	
Bell, R	Fair Practices Analyst	78,675.00	
Beltran, L	IRI Analyst	78,089.50	
Bernier, M	Research & Training Technician Lead - Autobody	85,837.14	
Beron, D	Medical Fitness Administrator	77,326.46	
Betker, C	Analyst	81,419.81	
Betker, J	Analyst	81,277.57	
Betker, M	Project Manager	80,081.02	
Birch, G	Manager, Service Centre (Small)	119,983.69	
Birss, S	Facilities/Premises Administrator	89,673.51	*

Name	Position Title	Total Compensation
Blackman, J	Medical Fitness Administrator	77,570.87
Blain, S	Sr Business Analyst - Workforce Management Coordinator	77,206.04
Boblinski, T	Director, Talent & Organizational Development	142,349.96
Bodnarchuk, G	Estimating Supervisor	75,599.69
Bodz, V	Manager, Serious & Long Term Case Management	111,327.10
Boisjoli, J	Sr IT Analyst	88,794.34
Boitsov, O	Analyst	79,269.49
Bouchard, R	Sr Case Manager	83,516.93
Bouchard, R	Estimatics Coordinator	79,039.93
Bourgouin, C	SME - Project Manager	89,725.39
Bowering, J	SME - Manager, Service Centre Operational Analytics	98,398.58
Boyd, G	Business Analyst	79,333.21
Brannan, S	Tech Communications Lead	76,918.89
Braun, K	Analyst	75,205.18
Bravi, D	Information Security Architect	118,564.41
Breedon, E	Supervisor, Rural Service Centre	89,991.29
Brennan, T	Injury Management Coordinator	109,643.97 *
Briscoe, A	Internal Review Officer	88,551.42
Brisson, P	Special Investigator	85,008.71
Brooker, D	Research & Training Technician - Autobody	81,942.54
Brown, A	Injury Management Coordinator	90,473.30
Brown, T	Legal Counsel 4	133,347.61
Bruce, D	Building Systems Integration Specialist	83,395.56
Bryden, S	Project Coordinator	83,931.71
Buchan, L	Organizational Change Management Consultant	86,849.65
Buchanan, M	Organizational Development Consultant	89,000.76
Buchberger, K	Sr Case Manager	89,888.80
Buizer, K	Special Investigator	91,139.69
Bunko, B	Vice President, IT, Business Transformation & CIO	234,217.12
Bunkowsky, S	Director, Loss Prevention	82,210.09
Bunston, G	Manager, Investments	125,525.33
Burke, J	Corporate Application Architect	92,185.53
Burns, D	SME - Business Analyst	78,755.03
Burns, K	IRI Analyst	79,852.19
Burt, J	Director, Special Risk Extension	122,748.46
Cabral, L	Sr Case Manager	85,228.52
Caillier, T	Sr Case Manager	90,348.71
Caligiuri, C	Sr Business Analyst	84,392.69
Cameron, E	Facilities/Premises Administrator	79,956.88
Campbell, C	Corporate Controller	165,281.91
Campbell, S	Sr Applications Architect	130,671.64
Carias, H	Payroll Coordinator	92,807.18
Carton, V	Underwriting Supervisor	89,788.70
Castaneda, Y	Sr Analyst	83,041.34

Name	Position Title	Total Compensation	
Castro, E	Analyst	77,590.45	
Chalmers, C	Out of Province Sr Adjuster	101,110.19	*
Charles, D	Commercial Specialist	78,861.82	
Chartrand, M	Sr Case Manager	79,383.28	
Chastko, D	Compensation Analyst	92,969.25	
Chaudhuri, A	Analyst	80,372.28	
Cheadle, A	Sr Business Analyst	84,566.00	
Chicoine, C	Sr IT Analyst	99,612.28	
Chimuk, D	Director, PDC Claims Operations	136,340.07	
Cholod, D	Internal Review Officer	87,718.76	
Chomski, A	Sr Investment Analyst	84,918.36	
Chopp, J	Sr Case Manager	76,250.41	
Christoph, J	PD Claim Audit Coordinator	90,043.93	
Chuatoco, B	Sr Process Analyst	84,107.76	
Clark, K	Sr Case Manager	79,388.47	
Clarke, K	Sr Legislation Analyst	82,489.09	
Clearwater, T	Actuarial Analyst	81,417.59	
Clemens, D	Supervisor, IT Services	104,832.84	
Cole, K	Manager, Service Centre (Small)	156,691.06	*
Corley, J	Commercial Specialist	77,235.07	
Cormier, V	Project Manager	79,263.87	
Cosyns, P	IT Change Management Specialist	78,207.62	
Court, T	Assistant Manager, Special Investigation Unit	94,296.07	
Cowley, T	Assistant Manager, Special Investigation Unit	86,185.94	
Crittenden, R	Manager, Security Operations Centre	132,349.07	
Crocker, K	Commercial Specialist	77,385.01	
Crocker, W	Shop Relationship Advisor	89,029.34	
Crozier, J	Director, Regulatory Affairs	126,586.17	
Cruz, R	IT Managed Services Analyst	82,875.11	
Cudden, F	IRI Analyst	79,137.12	
Cullen, C	Manager, Service Centre (Small)	105,780.99	
Cupples, J	Sr Case Manager	76,938.72	
Curtaz, J	SME - Sr Business Analyst	86,709.66	
Dalman, J	Community Relations Specialist Lead	78,723.59	
Damasco, M	Business Analyst	78,474.35	
Danais, A	Supervisor, Application Services	105,123.27	
Davey, P	Fleet Vehicle Administrator	75,754.50	
Davis, T	Estimator-City	77,679.68	
Dayman, C	Supervisor, Rural Service Centre	86,435.03	
de Jesus, E	Sr IT Analyst	94,265.89	
Debeuckelaere, T	Special Investigator	92,915.49	
Decock, T	Claims Supervisor	81,152.08	
Demianiw, M	Supervisor, Rural Service Centre	88,119.67	
Deogun, A	Sr Sharepoint Analyst	97,869.55	

Name	Position Title	Total Compensation	
Dessler, G	Corporate System Architect	178,234.45	
Diduch, C	Sr Case Manager	84,451.77	
Dirks, P	Manager, Service Operations Policy & Control	104,729.55	
Dittmar, W	Injury Management Coordinator	88,441.88	
Dixon, B	Analyst	97,089.52	
Dixon, N	Legislation Coordinator	91,068.36	*
Domish, C	Sr Case Manager	84,360.38	
Doskoch, M	Accountant 2	76,939.81	
Doucette, D	Analyst	76,250.99	
Ducharme, M	Special Investigator	76,454.87	
Dufault, L	Sr Case Manager	76,253.96	
Dunlop, D	Vehicle Registrations Coordinator	84,340.54	
Dunstone, D	Manager, Reinsurance and Forecasting	113,886.83	
Dunstone, D	Manager, KMS, Technical Writing and Communications	108,048.04	
Dutka, C	Sr Policy Analyst	84,425.53	
Dvorak, J	Manager, Production Support	120,844.23	
Dyck, J	Investigator	88,140.19	
Dyer, G	Analyst	83,439.02	
Eden, C	Manager, Road Safety Program Development	109,386.73	
Edginton, G	Corporate Application Architect	95,108.32	
Edwards, A	Accredited Repair Inspector	76,039.43	
Eisner, R	Sr Case Manager	83,635.78	
Ekdahl, S	Sr Business Analyst	84,384.80	
Empey, G	Service Centre Representative	81,638.72	*
Enns, L	Medical Assessment Supervisor	89,920.19	
Estares, J	Sr Business Analyst	89,615.08	
Faingold, D	Manager, Business Analytics	76,400.80	
Faria, P	Information Architect	94,704.27	
Fernando, S	Analyst	99,770.32	
Ferreira, R	Manager, Physical Damage Programs	102,216.95	
Ferris, C	Sr Injury Claims Adjuster	75,082.22	
Fillion, K	Sr Case Manager	83,589.41	
Fisher, D	Analyst	82,851.61	
Fisher, L	Assistant Manager, Service Centre	80,886.97	
Flikweert, L	Claims Supervisor	78,674.42	
Fontaine, D	Supervisor, Driver Testing	78,964.27	
Frazer, D	Manager, Estimating & Salvage Operations	97,668.76	
Frederickson, F	SME - Sr Instructional Designer	85,505.58	
Freeman, B	Digital Learning Specialist	75,087.18	
Friesen, K	Sr Business Continuity Coordinator	94,071.91	
Froelich, S	IT Remedy Administration & Reporting Specialist	80,412.44	
Froese, G	Manager, Accredited Repair	100,677.05	
Fuz, J	Commercial Specialist	78,376.22	
Gallant, N	Supervisor, Commercial Claims	89,579.65	

Name	Position Title	Total Compensation	
Garn, P	Manager, Sharepoint & Application Services	105,316.73	
Garofoli, D	Product Specialist	87,853.21	
Garwood, M	Internal Review Officer	86,589.18	
Gaudry, G	Manager, Financial Reporting	107,434.86	
Gendreau, L	Director, Human Resources	120,995.28	
Germaniuk, F	Strategic Communications Coordinator	77,920.44	
Ghuman, I	Actuarial Analyst	77,872.56	
Gibson, T	Business Analyst	76,031.17	
Giesbrecht, B	Claims Cost Controller	96,566.00	
Giesbrecht, M	Vice President, Finance & CFO	256,427.12	
Gillies, G	Sr Applications Architect	141,758.39	
Glenday, C	Assistant Manager, Contact Centre Operations	81,595.65	
Goddard, S	Injury Management Coordinator	90,333.76	
Goertzen, C	Special Investigator	91,019.47	
Goertzen, I	Claims Cost Controller	96,986.44	
Gomez-Sanchez, K	Sr Case Manager	79,708.02	
Goodine, K	Special Investigator	87,163.44	
Goos Berard, A	Strategic Communications Coordinator	78,795.02	
Gowen, T	Commercial Estimating Supervisor	85,457.01	
Graham, B	President & CEO	358,279.87	
Grantham, D	Analyst	80,245.03	
Grausdin, E	Respectful Workplace Specialist	81,009.52	
Green, D	Sr Case Manager	81,702.27	
Greig, R	Vehicle Safety Officer	75,366.47	
Guerra, A	Legal Counsel 3	115,491.99	
Gunn, C	Manager, Service Centre (Small)	105,302.98	
Haire, S	Tech Communications Lead	78,779.75	
Halabiski, J	IT Analyst	86,137.91	
Halliday, B	Underwriting Supervisor	75,211.43	
Hallock, J	Assistant Manager, Purchasing	167,122.89	*
Hannah, H	Injury Management Coordinator	85,891.14	
Hansell, C	Sr Case Manager	83,401.28	
Harkness, K	Director, Organizational Change Management	129,787.84	
Harron, P	Underwriting Supervisor	86,349.52	
Hartwich, S	Medical Fitness Administrator	79,246.41	
Hauser, T	Assistant Manager, Rehabilitation Management	95,773.92	
Heinrichs, C	Supervisor, IT Services	108,224.22	
Heintz, D	Accredited Repair Inspector	80,484.50	
Henderson, K	Sr Case Manager	86,838.39	
Hendricks, C	Sr Business Analyst	80,706.11	
Hildawa, R	Manager, Enterprise Project Management Office	97,292.48	
Hildebrand, K	Accredited Repair Inspector	77,814.69	
Hindmarsh, C	Supervisor, Customer Service Centre	97,843.24	*
Hobson, K	Claims Supervisor	110,336.03	*

Name	Position Title	Total Compensation	
Hocken, C	Registrar of Motor Vehicles	99,181.55	*
Hoffman, M	Legal Counsel 4	143,993.95	
Hogue, I	Estimating Systems Administrator	78,880.66	
Hooper, S	Estimating Supervisor	78,029.75	
Hopkins, D	Manager, Financial Reporting	128,020.46	
Hora, C	Director, Service Delivery & Broker Operations	137,235.90	
Hoy, K	Business Analyst	81,167.49	
Hrabliuk, C	Injury Management Coordinator	90,163.46	
Hughes, J	Underwriting Supervisor	97,179.21	
Humble, J	SME - Value Management Coordinator	94,350.19	
Huppe, G	Fair Practices & Customer Relations Coordinator	89,321.30	
Huzel, J	Business Analyst	78,995.04	
Insch, K	Manager, Contact Centre Operations	99,165.50	
Isfjord, S	Sr HRMS Information Analyst	81,196.56	
Isfjord, T	Sr Business Analyst	93,277.46	
Ismail, M	Assistant Manager, Financial Operations	104,659.33	
Izzard, R	Accountant 2	82,828.17	
Jagger, H	Internal Review Officer	84,568.23	
Jatana, S	Vice President, HR & Corporate Services and CHRO	216,811.51	
Jeffrey, K	Manager, Identity Verification and Data Integrity	107,095.43	
Jia, H	Sr IT Analyst	96,005.31	
Johnson, D	IT Knowledge Management & Training Specialist	83,885.54	
Johnson, L	Special Investigator	83,796.20	
Johnston, L	Chief Actuary & Vice President, Product and Risk	233,199.40	
Jubinville, D	Enterprise Print Operations Lead	76,200.95	
Jurkowski, L	Manager, Budgeting	103,631.67	
Kacher, M	Director, DVPA & Registrar of Motor Vehicles	152,000.06	
Kalomiris, H	Analyst	84,809.77	
Kamenkovich, M	Enterprise Data Warehouse Specialist	75,648.06	
Kaspersion, D	Accredited Repair Coordinator	77,724.38	
Kaspick, J	Shop Relationship Advisor	88,359.00	
Katz Robert, S	Manager, Communications & Campaigns	92,758.57	
Kaushal, M	Manager, HR Business Partnerships	109,215.52	
Kehler, R	Supervisor, Rural Service Centre	95,605.10	*
Keith, W	Vice President, Business Development & Communications & CAO	271,386.97	*
Keller, J	Manager, Driver Testing Policy & Evaluation	82,381.31	
Kernaghan, B	Sr Business Analyst	86,113.22	
Kintop, K	Vendor Management Contract Advisor	90,068.31	
Klassen, C	Analyst	85,279.27	
Klingbell, S	Sr Analyst	98,047.83	
Klippenstein, E	Sr Underwriter	77,998.46	
Kluner, R	Administrative Officer-Identity Verification& Data Integrity	111,171.76	*
Kokan, D	Corporate Application Architect	92,267.20	
Koolage, L	Injury Management Coordinator	88,507.37	

Name	Position Title	Total Compensation	
Koos, W	Manager, Estimatics	88,028.59	
Koroscil, D	Manager, Service Centre (Small)	115,883.44	
Korozsi, B	Estimator-City	77,055.90	
Korsunsky, A	Legal Counsel 2	99,103.38	
Koscielny, K	Sr Underwriter	80,913.36	
Kowalchuk, M	Sr Case Manager	76,829.54	
Krahn, M	Sr Injury Claims Adjuster	81,602.61	
Krasnowski, G	Sr Analyst	100,337.93	
Kravetsky, M	Case Manager 2	75,285.35	
Krawchuk, M	IT CMDB Specialist	78,628.50	
Krueger, K	Regulatory Accountability Officer	129,321.38	
Krupinski, J	Manager, Budgeting	171,912.54	*
Kryschuk, W	Clerk 3	79,050.38	*
Kumka, J	Occupational Therapist	90,716.38	
Kwiatkowski, B	Corporate Application Architect	92,503.34	
Kyliuk, T	Sr Analyst	83,072.47	
Lacroix, P	Privacy, Infornation & Corporate Access Officer	92,666.22	
Laferriere, M	Sr Analyst	102,365.35	
Lagace, C	Claims Supervisor	79,957.06	
Lamb, D	Supervisor, Driver Records Processing	83,525.83	*
Lambrecht, K	Analyst	85,883.35	
Lansard, S	Supervisor, Rural Service Centre	90,429.48	
Lapina, J	Injury Claims Analyst 2	84,248.91	
Lapointe, J	Sr IT Analyst	94,309.69	
Lasuik, B	Manager, Service Centre (Large)	100,477.23	
Lawrence, M	IT Analyst	86,052.44	
Laxdal, G	Business Analyst	78,827.52	
Lazarko, L	Director, Information Technology	164,289.96	
Lea, M	Manager, IT Support & Operations	103,384.88	
Leach, K	Collection Supervisor	78,742.50	
Lee, R	Business Analyst	80,473.74	
Lee, S	Disaster Recovery Coordinator	79,262.33	
Lehmann, K	Supervisor, Rural Service Centre	95,396.26	
Leitold, K	Special Investigator	87,721.41	
Lepki, G	Shop Relationship Advisor	79,340.17	
Lewis, J	Special Investigator	94,904.76	
Lindenberg, L	Sr Analyst	86,613.98	
Link, C	Manager, Rehabilitation Management	116,734.14	
Litke, D	Accountant 2	78,585.94	
Loechner, M	Assistant Manager, Service Centre	96,154.97	
Loeppky, G	Internal Review Officer	91,951.13	
Loewen, D	Research & Training Technician - Mechanical	80,985.84	
Lokke, A	Business Analyst	79,492.15	
Loster, J	Sr Identity & Access Management Specialist	89,824.50	

Name	Position Title	Total Compensation	
Lovering, A	Medical Assessment Policy Analyst	86,647.31	
Ludba, D	Information Security Officer	105,187.24	
Lupky, S	Director, Physical Damage	126,776.50	
Ly, N	Actuarial Analyst	80,545.62	
Lyburn, L	Supervisor, Commercial Claims	87,135.19	
Lyle, K	Claims Supervisor	83,741.56	
Lyons, J	Sr Communications Specialist	86,963.81	
Lysy, C	Sr Analyst	103,082.09	
MacBeth, R	Analyst	85,156.35	
MacCutcheon, S	Internal Review Officer	91,728.22	
Machado, N	Business Analyst	75,613.65	
MacKay, A	Sr Analyst	89,518.48	
MacKeen, M	Fair Practices Analyst	78,150.05	
Madhosingh, T	Business Analyst	81,470.11	
Maeren, D	Driver Records Coordinator	86,746.60	
Major, R	Analyst	80,145.03	
Manzano, B	Assistant Manager, Contact Centre Operations	75,370.88	
Marchant, J	Facilities/Premises Administrator	86,572.67	
Martineau, B	Sr Case Manager	83,875.52	
Maryalaya Nelson, J	Business Architect	97,039.19	
Maslanka, M	Legal Counsel 3	128,585.75	
Matkowski, R	Adjuster/Driver Examiner	75,508.30	
Matlashewski, L	Manager, Total Rewards	94,611.63	
Matson, G	Manager, Driver Fitness	118,674.97	
McComb, L	Sr Subrogation Specialist	79,608.48	
McDonald, C	Corporate Information Security Officer	161,469.45	
McFadyen, K	Manager, Quality Control & Metrics	111,653.33	
McGrath, C	Sr Information Security Analyst	84,812.97	
McIntyre, H	Sr Analyst	90,310.49	
McKee, J	Business Analyst	82,387.53	
McKinnon, S	Executive Assistant to M. Giesbrecht and L. Johnston	75,131.25	
McLennan, K	Manager, Financial Operations	130,099.92	
Meakin, L	Vehicle Safety Officer	85,335.68	*
Melnyk, C	Sr Business Analyst	105,945.44	
Melnyk, R	Sr Business Analyst	84,266.00	
Melo, L	Assistant Manager, Rehabilitation Management	110,447.31	*
Mestdagh, L	Manager, Special Investigation Unit	123,693.67	
Meyer, A	SME - Technical Communicatons Lead	83,900.62	
Michie, S	Business Analyst	78,397.97	
Middlestead, W	Supervisor, Application Services	112,287.41	
Minenna, M	Manager, Driver Education & Training	105,074.39	
Mitchell, B	Sr Functional Support Analyst	84,329.89	
Mitra, S	Chief Transformation Officer	160,359.67	
Mohr, A	Manager, Accounting Services	124,459.25	

Name	Position Title	Total Compensation
Mohr, T	Sr Analyst	91,533.45
Moins, M	Shop Relationship Advisor	86,478.29
Molinski, D	Shop Relationship Advisor	88,651.00
Monikandan, C	Project Coordinator	85,903.01
Moorehead, D	Out of Province Claims Supervisor	90,537.56
Morgan, M	Sr Project Manager	98,166.07
Moroz, B	Supervisor, Driver Testing	78,259.38
Morrison, T	Vehicle Safety Supervisor	78,181.29
Mosiuk, B	Business Analyst	78,479.75
Murray, P	Workplace Safety Advisor	86,067.24
Mutter, J	Accountant 2	78,734.31
Mwanza, O	Manager, Customer Insights	107,797.64
Napier, B	Special Investigator	86,131.07 *
Natt, G	Business Analyst	75,453.01
Neiser, S	Sr Case Manager	83,955.54
Nelson, H	Medical Fitness Administrator	78,567.78
Newton, K	Assistant Manager, Rehabilitation Management	99,202.33
Newton, T	Manager, Special Risk Extension	105,188.16
Nickel, D	Sr Business Analyst	82,669.99
Novak, D	Sr Case Manager	85,799.90
Oberholtzer, J	Assistant Manager, Service Centre	86,240.31
Oertel, E	Facilities Service Technician	76,328.61
Olsen, C	Manager, HR Systems & Support	102,709.92
Onofreychuk, L	Sr Business Analyst	85,848.66
Oravec, D	Product Specialist	93,349.00
Osborne, B	Claims Controller – Injury	100,013.72
Overwater, D	Director, Product and Pricing	163,465.87
Owen, R	Injury Management Coordinator	90,525.58
Ozouf, R	IT Analyst	82,630.81
Palatino, R	Value Management Coordinator	89,643.31
Pankratz Wieler, S	Sr Business Analyst	81,033.22
Pantel, S	Adjuster/Driver Examiner	77,053.73
Pariyasamy, K	Manager, Application Services	125,757.25
Patton, J	Business Analyst	76,161.56
Patton, S	Sr Business Analyst	84,213.86
Pellatt, K	HR Business Partner	82,451.23
Peniuk, K	Commercial Specialist	78,355.00
Pereira, D	Sr Case Manager	84,377.86
Peterson, B	Manager, Administrative Services	95,982.65
Peterson, D	Sr Case Manager	75,717.24
Philippot, C	Facilities Service Technician	81,966.92
Phoa, T	Manager, Pricing	94,695.70
Picard, M	Sr Analyst	104,689.27
Picard, P	Estimator-City	86,461.31

Name	Position Title	Total Compensation	
Picard, V	Century Warehouse Supervisor	76,249.98	*
Piec, D	Supervisor, Rural Service Centre	75,134.18	
Piec, M	Manager, KMS Projects	92,164.96	
Pilawski, C	Facilities/Premises Administrator	85,425.65	
Pitt, A	Accredited Repair Inspector	78,588.18	
Pitzel, S	Legal Counsel 4	139,040.90	
Pollock, D	Sr Analyst	100,771.78	
Prasek, W	IT Managed Services Controller	95,976.93	
Price, R	Manager, Service Centre (Large)	115,771.17	
Prozyk, C	Assistant Manager, Financial Operations	87,410.52	
Puchailo, D	Vehicle Safety Officer	76,999.42	
Pudlo, K	Injury Management Coordinator	89,968.21	
Pursaga, J	Organizational Change Management Consultant	83,156.13	
Rabichuk, C	Special Investigator	81,949.73	
Rak, T	Business Analyst	77,879.75	
Ramani Gopal, A	Analyst	81,836.32	
Ramchandar, S	Business Relationship Manager	100,779.70	
Ramirez, A	Manager, Vendor Management	118,946.64	
Reddy, B	Sr Information Security Analyst	82,453.26	
Reeves, B	SME - Project Resource	111,572.43	
Reilly, C	Corporate Application Architect	92,199.19	
Reis, D	Sr Case Manager	83,749.16	
Rekrut, J	Business Relationship Manager	101,361.22	
Remillard, J	Program Director	177,390.83	
Rempel, E	Estimator-Rural	81,751.07	*
Reynante, A	Employee & Labour Relations Specialist	90,932.26	
Reynante, J	IT Analyst	91,787.99	
Rhodes, T	Sr Business Analyst	84,535.24	
Riddell, J	Analyst	87,950.59	
Riel, J	Sr Value Management Specialist	118,662.34	
Rieu, D	Business Analyst	76,535.31	
Ring, M	Manager, Service Centre (Small)	102,158.02	
Ripak, D	Analyst	86,555.27	
Robertson, A	Legal Counsel 3	117,507.64	
Robertson, R	Project Coordinator	89,581.84	
Robins, C	Accredited Repair Inspector	80,266.24	
Robinson, D	Legal Counsel 3	127,627.90	
Robinson, P	Risk Management Specialist	103,791.68	
Rogers, A	Manager, Service Centre (Small)	88,498.45	
Rosario, M	Injury Claims Analyst 2	92,923.83	
Rosche, R	Sr IT Analyst	98,917.42	
Rosin, J	Legal Counsel 2	92,568.49	
Ross, K	Analyst	84,841.43	
Rowan, C	Disability Management Specialist	83,433.26	

Name	Position Title	Total Compensation	
Ruffeski, D	Manager, Purchasing	107,797.52	
Rusak, D	Sr Case Manager	85,253.46	
Russo, M	Financial Forecasting Specialist	80,583.77	
Rutter, C	Business Analyst	79,079.75	
Ryz, C	Injury Management Coordinator	90,791.20	
Safruk, D	Government Relations Officer	84,381.17	
Saini, P	Analyst	87,047.59	
Saluk, G	Supervisor, Application Services	101,953.39	
Sam, S	Manager, Organizational Change Management	96,910.56	
Sarginson, P	Deputy Registrar	102,795.25	
Sass, J	Director, Service Centre Operations	136,205.51	
Savard, G	Sr Case Manager	84,529.77	
Sawatzky, L	Research & Training Technician - Mechanical	80,131.11	
Sawatzky, N	Sr Policy Analyst	84,110.52	
Sawatzky, P	Specialist, Strategic Research	175,042.28	*
Scaletta, D	Director, Legal Services	163,311.33	*
Scarff, N	Assistant Manager, Service Centre	81,167.57	
Scarfone, S	Legal Counsel 4	134,803.64	
Schwab, D	Sr Business Analyst	83,439.41	
Scott, J	Supervisor, Commercial Claims	79,888.66	
Seddon, K	Injury Management Coordinator	97,961.11	*
Seddon, T	Sr Case Manager	81,797.98	
Selch, J	Research & Training Technician Lead - Mechanical	89,467.82	
Sellar, E	Sr Program Delivery Coordinator	77,073.91	
Senkowsky, M	Manager, Compulsory Insurance	108,273.35	
Sentner, C	Manager, Design & Digital Media	88,084.30	
Shemeluk, G	Shop Relationship Advisor	87,983.81	
Shimoda-Loechner, L	Sr IRI Calculator	103,078.09	*
Shostak, M	Sr Instructional Designer	84,453.57	
Siepman, K	Research & Training Technician – Autobody	85,738.83	
Sierhuis, T	Assistant Manager, Accounting Services	91,829.68	
Sigurdson, D	Sr Case Manager	84,541.65	
Simmons, A	Sr Case Manager	83,425.52	
Skarpias, S	Sr Case Manager	84,245.69	
Skelton, C	Sr Case Manager	83,425.52	
Skiba, K	IT Analyst	82,419.39	
Skitcko, L	Sr Case Manager	83,338.96	
Sladek, J	Accredited Repair Inspector	78,261.38	
Sloggett, P	Medical Fitness Administrator	80,209.06	
Smart, S	Research & Training Technician - Mechanical	80,790.96	
Smiley, B	Media Relations Coordinator	111,366.99	
Smit, R	Sr Underwriter	79,774.80	
Smith, C	Claims Supervisor	88,893.77	
Soares, A	Claims Supervisor	83,081.44	

Name	Position Title	Total Compensation
Solomon, R	HR Business Partner	78,518.65
Soucy, M	Claims Supervisor	84,427.63
Spencer, I	Special Investigator	88,781.81
Sprenger, W	Enterprise Risk Management Specialist	111,344.32
Sproule, R	Supplier Management Program Coordinator	92,300.64
St. Godard, D	Commercial Specialist	78,128.21
St. Vincent, K	Sr Case Manager	80,292.72
Stade, S	Sr Case Manager	86,753.33
Stephens, A	Business Analyst	77,170.85
Sterzer, C	Estimatics Coordinator	79,261.45
Stonyk, R	Legal Counsel 4	139,475.34
Stoyka, E	Assistant Manager, Physical Damage Programs	80,318.21
Stuart, C	Medical Fitness Administrator	79,879.96
Su, Y	Sr Actuarial Analyst	91,727.80
Subramaniam, T	IT Managed Services Analyst	75,288.95
Tackaberry, W	Claims Controller - Injury	98,630.66
Tam, S	Executive Assistant to M. Triggs	76,214.29
Tan, K	Corporate Application Architect	93,920.63
Tanchak, P	Sr Analyst, Web Development	96,701.31
Taylor, B	Injury Management Coordinator	90,994.08
Taylor, C	Director, Corporate Services	120,041.36
Taylor, S	Manager, Licensing Services	102,013.72
Telfer, D	Business Analyst	79,020.23
Thomassen, R	Internal Review Officer	89,539.86
Thompson, P	Supervisor, Rural Service Centre	89,578.07
Thompson, T	Commercial Specialist	76,378.17
Thorsteinson, D	Manager, KMS, Instructional Design	111,068.80
To, C	IRI Supervisor	85,905.32
Travica, D	Sr Case Manager	76,584.98
Treichel, A	Sr Talent Acquisition Consultant	90,323.28
Triggs, M	General Counsel & Corporate Secretary	218,303.17
Trudeau, J	Injury Management Coordinator	90,328.21
Trudel, P	Sr Application Services Technical Advisor	106,881.75
Turnley, C	Manager, Premises	89,188.36
Valliani, R	Information Security Officer	117,566.95
Van Landeghem, D	Injury Management Coordinator	90,390.28
Vandall, A	HR Business Partner	84,744.52
Vandurme, B	Business Analyst	76,418.22
Vassart, M	Data Architect	83,950.96
Venton, B	Business Analyst	78,792.73
Verghetti, T	Sr Subrogation Specialist	78,953.52
Vermette, D	IT Analyst	92,093.28
Vermette, R	Sr IT Analyst	93,211.68
Vieira, P	Director, Communications & Customer Experience	106,569.22

Name	Position Title	Total Compensation
Vital, A	Business Analyst	79,025.49
Von Dohren, R	Value Management Coordinator	79,489.43
Waddington, R	IT Remedy Administration & Reporting Specialist	118,493.16 *
Wagner, B	Accredited Repair Inspector	91,689.33
Wai, E	Analyst	93,034.01
Waldner, E	Supervisor, IT Services	96,943.79
Wang, F	Analyst	83,082.22
Wang, J	Business Analyst	79,339.22
Wang, X	Special Investigation Controller	92,744.13
Wannamaker, M	Assistant Manager, Special Risk Extension	83,205.32
Way, C	Manager, PIPP Support Services	104,435.25
Wennberg, C	Vice President, Customer Service & COO	257,584.50
Weselake, S	Manager, Community & Customer Relations	116,665.86
Weselowski, N	Business Analyst	77,681.68
Whalen, G	Manager, Injury Claims Management	112,444.86
White, C	Sr Injury Claims Adjuster	78,575.87
White, S	Manager, Total Loss and Evaluation	92,351.35
Wiebe, B	Manager, Specialized Risk Claims	118,449.83
Wiebe, R	Injury Management Coordinator	89,612.73
Wieler, D	Sr IT Analyst	83,699.69
Wityshyn, W	Analyst	85,821.05
Wong, P	Claims Cost Controller	90,656.79
Worboys, C	Analyst	88,300.62
Wu, R	Accredited Repair Inspector	78,709.45
Wyche, C	Manager, Organizational Development	94,686.60
Wycislak, F	Injury Management Coordinator	90,232.82
Wyrzykowski, C	Analyst	87,917.23
Yakel, J	Director, Enterprise System Support	143,955.57
Yewdall, H	Manager, Bodily Injury Centre	105,622.87
Youell, D	Sr Business Analyst	81,110.81
Yu, E	Manager, Autopac Extension & Special Programs	108,873.35
Zadnepreannii, L	Data Architect	84,552.83
Zarrillo, D	Business Relationship Manager	100,387.30
Zeaton, G	Manager, Service Centre (Small)	103,790.27
Zhao, L	Business Analyst	77,707.70
	Aggregate Total Board of Directors	90,422.69

*Denotes inclusion of severance pay/retiring allowance

NOTE TO SCHEDULE

Basis of presentation

The schedule lists employees or individuals affiliated with Manitoba Public Insurance Corporation who received compensation and benefits in excess of $75,000 for the year ended December 31, 2019. The amounts reported were calculated in accordance with the definition of compensation provided in Section 1 of The Public Sector Compensation Disclosure Act.

MANITOBA PUBLIC INSURANCE CORPORATION
NOTE TO SCHEDULE OF COMPENSATION IN ACCORDANCE WITH THE PUBLIC SECTOR COMPENSATION DISCLOSURE ACT
FOR THE YEAR ENDED DECEMBER 31, 2019

The Public Sector Compensation Disclosure Act requires public sector bodies to disclose:

- the compensation paid to the Chairperson of its Board of Directors, if the Chairperson's compensation is $75,000 or more;
- the aggregate of the benefits paid to the members of the Board of Directors;
- the individual compensation paid to its officers and employees whose compensation is $75,000 or more.

The compensation amount is calculated in accordance with the requirements of The Public Sector Compensation Disclosure Act.

Compensation includes but is not limited to:

- regular salary;
- all payments for overtime, acting pay, statutory holiday pay, retirement/severance payments, lump sum payments and vacation pay-outs; and
- value of the taxable benefits to board members, officers and employees.

CAC (MPI) 1-77

Part and Chapter:	**Part V -- Expenses**	**Page No.:**	**23**
PUB Approved Issue No:	**9. Cost of operations**		
Topic:	**Employee future benefits**		
Sub Topic:			

Preamble to IR:

"Forecasting Assumptions

7 Each benefit is forecasted based on individual behaviors, expected rate

8 increases/decreases, and discussions and advice from benefit consultants."

Question:

Please file a copy of the actuarial pension and other benefit plans valuation reports prepared as at December 31, 2019 (or if the date has changed due to year end change, please file the most recent valuation reports).

Rationale for Question:

To review the pension and other benefits plans actuarial valuation reports and the financial impact on basic insurance operations.

RESPONSE:

Please see *Attachments A*, *B*, and *C*.

Attachment A
Agenda B.2
June 29, 2020

Actuarial Valuation Report as at December 31, 2019

Pension Liabilities of Manitoba Public Insurance (As a result of participation of its employees in the Civil Service Superannuation Act)

Submitted: March, 2020

Ellement
Pensions | Benefits | Investments

TABLE OF CONTENTS

APPENDICES

1. PURPOSE

The purpose of this Actuarial Valuation Report (Report) is to:

- indicate the liabilities which the Manitoba Public Insurance (M.P.I.) has as at December 31, 2019 (Valuation Date), as a result of the participation of its employees in the Civil Service Superannuation Act (CSSA), and
- provide a formula which can be used by the management of M.P.I. to estimate the increase in these liabilities in the following 12 to 18 months after December 31, 2019.

These liabilities are an estimate of the present value of the future payments which M.P.I. is expected to make to the Civil Service Superannuation Fund (CSSF).

The liabilities have been computed on a going concern basis. This basis contemplates the continued existence of the pension plan and the funding arrangements for the benefits under the pension plan.

The guidance for the calculation of the liabilities and the preparation of this Report are the Practice-Specific Standards for Pension Plans of the Canadian Institute of Actuaries and IAS 19 Employee Benefits issued by the International Accounting Standards Committee.

2. DATA

It is anticipated no amendments will be made to the CSSA.

The data used in the calculations includes the portion of each pension, currently in payment or which is expected to be in payment, that M.P.I. is responsible for.

The data for all the pensions in payment and the accrued pensionable service of all employees participating in the CSSA was provided by the Civil Service Superannuation Board (Superannuation Board).

Information on the pensions and benefits paid by M.P.I. and the employee contributions for 2019 were obtained from M.P.I., as reported by the Superannuation Board.

Due to time constraints, the data provided by the Superannuation Board was sent without performing their normal annual edit checks. However, the data was checked for missing information, illogical information and reconciled with the prior valuation data. A few minor changes to the data resulted from the checks made.

3. MEMBERSHIP

The data provided indicated that M.P.I. was the employer of record for the following participants:

	31-Dec-2019			31-Dec-2018		
	Males	Females	Total	Males	Females	Total
Contributors	801	1,114	1,915	797	1,101	1,898
Deferred Pensioners	93	123	216	81	121	202
Reciprocal Transfers	1	-	1	1	-	1
Pensioners & Survivors	520	547	1,067	499	508	1,007
Total	1,415	1,784	3,199	1,378	1,730	3,108

A reconciliation of the number of member records used in the calculations is shown in Appendix I.

The numbers shown for pensioners includes 77 beneficiary records as at December 31, 2019 and 76 as at December 31, 2018.

4. ASSUMPTIONS

The assumptions used in this Report and assumptions used in the last actuarial valuation report of the M.P.I. pension liabilities are shown in Appendix II.

The demographic assumptions have been developed from the accumulated experience of the CSSF. This experience is reflected in the demographic assumptions adopted for the actuarial valuations of the CSSF. Changes to these assumptions were made for the actuarial valuation of the CSSF as at December 31, 2018 (CSSF AVR 2018).

The economic assumptions have been chosen by management. The specific choices are made after a review with internal staff and the actuary. The existing economic assumptions were confirmed to us on February 25, 2020 by management after management's review of the assumptions.

The demographic assumptions overall represent a reasonable best estimate basis for these assumptions. The economic assumptions, overall, represent M.P.I.'s best estimate basis for those assumptions.

5. M.P.I. SHARE OF BENEFIT PAYMENTS

The benefits expected to be paid are based on the provisions of the CSSA.

M.P.I. is expected to make payments due to:

- pensions in payment as at December 31, 2019 where M.P.I. is the last employer of record,
- pensions expected to become payable to former employees who retained the right to a deferred paid-up pension, and
- pensions and other benefits expected to become payable to existing employees as a result of service completed up to the Valuation Date.

At present, M.P.I. is contributing to the CSSF based on the pay-as-you-go method of funding. Under this method, no advance funding payments for the employer share of the cost of pensions are made to the CSSF. M.P.I. has, however, established a reserve against general assets which is being increased to match the increase in its pension liabilities.

Each month, M.P.I. makes payments to the CSSF to reimburse it for:

- a portion (currently about 44%) of each pension payment to retired employees,
- a portion (currently about 44%) of each pension payment to a beneficiary of a deceased pensioner or the survivor of an employee who dies in service,
- a portion of any amounts transferred to other pension plans under reciprocal agreements,
- a portion of any commuted values paid out as a result of employees terminating service or as a result of marriage breakdowns, and
- a portion of the administrative costs of operating the CSSF in respect of M.P.I. records.

Pensions in payment are indexed to 2/3 of the increases in the cost of living, provided sufficient funds exist to finance such increases. Former employees who retain a right to a deferred paid-up pension have their pensions indexed during both the deferral period and the payout period.

The employer share of each pension is based on when the pension starts. For pensions which commenced:

(a) prior to March 31, 1961, the employer is responsible for a portion of each increase in that pension and

(b) after March 31, 1961, the employer is responsible for a portion (currently about 44%) of the pension paid.

Pursuant to CSSA subsection 22(11), employer funding for employees who have service with more than one non-matching Agency shall be on a pro rata basis. This proration of the benefits assigned to an employer is based on the proration of service allocated to the employer. This proration assignment was made effective for events on or after January 1, 1998. This may decrease or increase the pension obligations in the absence of CSSA subsection 22(11). However, for enhanced benefits, it is the administrative practice to bill all of the enhanced benefits to the current employer.

6. VALUATION PROCEDURE

The projected unit credit actuarial cost method has been used to determine the accrued liabilities and the current service cost applicable to each year after the Valuation Date.

The liabilities are computed separately for each employee and each potential benefit in the future for that employee. For each benefit, we determine:

- the probability of that benefit becoming payable each year in the future based on the assumptions outlined in Appendix II,
- a discount factor which makes allowance for the interest expected to be earned between the valuation date and the date of payment to finance a portion of the future payment, and
- the amount of the future benefit. Pensions are based on service completed prior to the valuation date and projected salaries immediately prior to the event causing the pension to be paid.

The liability for each benefit for an employee is the sum of the product of these three factors for each year in the future. The sum of these liabilities obtained for all employees is the liability for that benefit in respect of employees.

The liabilities for pensioners and deferred pensioners is determined by a similar process except that the amount of payment is based on the pension in payment or the pension of record in the case of deferred pensioners.

For accounting purposes, the service-to-date pension obligations have been shown.

7. VALUATION RESULTS

The following table shows the liabilities which M.P.I. has as at December 31, 2019 and December 31, 2018 as a result of the participation of its employees and former employees in the CSSA:

Pension Liabilities with Allowance Made for Indexing of Pensions

	After Change in assumptions 31-Dec-2019	Before change in assumptions 31-Dec-2019	31-Dec-2018
Contributors	$ 200,781,400	$ 167,178,200	$ 165,830,600
Deferred Pensioners	9,236,100	6,671,600	6,022,200
Pensioners & Survivors	243,758,900	222,243,000	208,232,500
Total	$ 453,776,400	$ 396,092,800	$ 380,085,300

For this valuation, the liabilities were $4,844,500 more than projected prior to reflecting changes in actuarial accounting assumptions. The detailed breakdown of all experience is shown in Appendix III.

The liabilities were also affected by the change made to anticipated future experience. The decrease in the discount rate from 3.94% to 3.15% increased the liabilities by $60.1 million.

The expected average remaining service life (EARSL) of employees is 15.0 years.

8. PROJECTION FORMULA FOR LIABILITIES

The application of the projection formula is shown in Appendix III.

The following formula can be used to project the estimated increase in liabilities in the 12 to 18 months after the Valuation Date:

- Add interest at the rate of 3.15% per year to the liabilities at the beginning of the period, the contributions for the period, and the benefit payments for the period. The interest addition for the contributions and the benefit payments should be prorated to recognize investment for half the period on average.
- Add employer contributions at the rate of 155.6% of the employee contributions required to be made for the period.
- Deduct the actual employer pension and benefit payments made to the CSSF for the period.

9. MATURITY ANALYSIS

The following table shows the estimated future pensions as at December 31, 2019 and December 31, 2018:

	Less than 1 year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
31-Dec-2019	$ 13,270,000	$ 14,541,900	$ 51,257,200	$ 705,954,500	$ 785,023,600
31-Dec-2018	12,455,700	13,719,700	48,742,700	656,135,600	731,053,700

10. ACCOUNTING FOR PENSION OBLIGATIONS

A reserve against general assets has been established and is being increased to match the accrued pension liability. This reserve should eventually reflect the existence of assets in the Employer Trust Account held in the CSSF.

The pension expense for a period is equal to:

(a) the change in the reserve, plus

(b) the actual benefit payments, plus

(c) the amounts for the amortization of previous gains and losses.

The above formula takes no credit for interest that may have been earned on assets supporting the liabilities.

11. ACTUARIAL OPINION

In our opinion, for the purposes of this Report:

- The membership data on which the Report is based are sufficient and reliable.
- The assumptions are appropriate for the purpose of determining the accounting requirements of the Plan on a going concern basis.
- The methods employed in the valuation are appropriate for the purpose of determining the accounting requirements of the Plan on a going concern basis.
- There is a risk that the liabilities may be exposed to adverse demographic experience in the future (e.g. retirement, mortality, etc.).
- We are not aware of any other matters or events occurring since the completion of this Report, which will materially affect the financial position of the liabilities as at December 31, 2019.
- This Report has been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada.

Dated at Winnipeg, this 4th day of March, 2020.

ELLEMENT CONSULTING GROUP

Dennis Ellement		Brandon Ellement

Dennis Ellement, FSA, FCIA		Brandon Ellement, FSA, FCIA

APPENDIX I

Summary of Data

- Reconciliation of Membership

TOTAL	ACTIVES	DEFERREDS	RECIPROCAL	PENSIONERS	SURVIVORS
Opening 31-Dec-2018	1,898	202	1	931	76
New Entrants	149	-	-	-	-
Retirements	(66)	-	-	66	-
Terminations - Deferred	(43)	43	-	-	-
Terminations - Refunds	(23)	(29)	-	(5)	(1)
Terminations - Deaths	-	-	-	-	-
Death - Survivors	-	-	-	(2)	2
Closing 31-Dec-2019	1,915	216	1	990	77

MALES	ACTIVES	DEFERREDS	RECIPROCAL	PENSIONERS	SURVIVORS
Opening 31-Dec-2018	797	81	1	484	15
New Entrants	60	-	-	-	-
Retirements	(26)	-	-	26	-
Terminations - Deferred	(17)	17	-	-	-
Terminations - Refunds	(13)	(5)	-	(5)	-
Terminations - Deaths	-	-	-	-	-
Death - Survivors	-	-	-	(1)	1
Closing 31-Dec-2019	801	93	1	504	16

FEMALES	ACTIVES	DEFERREDS	RECIPROCAL	PENSIONERS	SURVIVORS
Opening 31-Dec-2018	1,101	121	-	447	61
New Entrants	89	-	-	-	-
Retirements	(40)	-	-	40	-
Terminations - Deferred	(26)	26	-	-	-
Terminations - Refunds	(10)	(24)	-	-	(1)
Terminations - Deaths	-	-	-	-	-
Death - Survivors	-	-	-	(1)	1
Closing 31-Dec-2019	1,114	123	-	486	61

▪ Contributors

CONTRIBUTORS - MALES 31-Dec-2019

MALES		Average			Number of Members in Each Years of Service Cell								
Age	Count	Age	Service	Salary	00 - 04	05 - 09	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 - 44
15 - 19	-	-	-	$ -	-	-	-	-	-	-	-	-	-
20 - 24	9	22.78	1.18	46,844.33	9	-	-	-	-	-	-	-	-
25 - 29	47	27.38	2.59	58,249.83	39	7	1	-	-	-	-	-	-
30 - 34	105	32.03	5.59	63,901.41	50	38	17	-	-	-	-	-	-
35 - 39	137	37.09	7.46	71,531.47	43	45	43	6	-	-	-	-	-
40 - 44	134	41.97	9.82	81,734.31	27	45	34	26	2	-	-	-	-
45 - 49	121	46.98	12.24	81,798.28	26	24	20	28	20	3	-	-	-
50 - 54	105	52.18	16.94	85,168.32	19	12	14	20	16	6	18	-	-
55 - 59	93	56.65	20.09	82,840.92	11	12	13	13	9	3	25	7	-
60 - 64	39	61.69	18.89	86,768.36	3	4	8	7	8	1	5	2	1
65 - 69	10	66.50	19.85	72,518.90	-	1	2	3	1	1	2	-	-
70 - 74	1	70.00	18.90	93,628.00	-	-	-	1	-	-	-	-	-
2019 Total/Avg	801	43.86	11.41	$ 76,614.80	227	188	152	104	56	14	50	9	1
2018 Total/Avg	797	44.08	11.65	$ 75,338.27	230	192	134	108	48	22	52	9	2

CONTRIBUTORS - FEMALES 31-Dec-2019

MALES		Average			Number of Members in Each Years of Service Cell								
Age	Count	Age	Service	Salary	00 - 04	05 - 09	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 - 44
15 - 19	-	-	-	$ -	-	-	-	-	-	-	-	-	-
20 - 24	19	23.16	1.50	48,018.68	19	-	-	-	-	-	-	-	-
25 - 29	98	27.40	2.98	52,370.18	78	20	-	-	-	-	-	-	-
30 - 34	179	32.26	5.70	60,387.64	75	78	26	-	-	-	-	-	-
35 - 39	187	36.95	7.67	64,923.98	55	70	56	6	-	-	-	-	-
40 - 44	157	42.00	9.62	70,657.52	34	48	47	26	2	-	-	-	-
45 - 49	126	46.95	12.47	70,872.86	11	37	31	32	11	4	-	-	-
50 - 54	162	52.15	18.50	72,388.31	12	23	27	25	24	31	20	-	-
55 - 59	128	56.88	20.52	65,754.07	9	10	23	23	22	7	25	9	-
60 - 64	46	61.65	17.21	59,633.22	2	11	9	11	4	-	5	3	1
65 - 69	12	67.00	20.48	58,775.42	1	-	3	1	3	2	1	-	1
70 - 74	-	-	-	-	-	-	-	-	-	-	-	-	-
2019 Total/Avg	1,114	42.81	11.24	$ 65,179.42	296	297	222	124	66	44	51	12	2
2018 Total/Avg	1,101	43.04	11.56	$ 63,518.74	281	324	191	117	61	54	55	16	2

- Deferred Pensioners

DEFERREDS - MALES 31-Dec-2019

MALES Age	Count	Average Monthly Basic Pension	Count	Average Monthly Cola Pension
15 - 19	-	$ -	-	$ -
20 - 24	-	-	-	-
25 - 29	1	330.39	-	-
30 - 34	4	252.37	-	-
35 - 39	15	995.74	-	-
40 - 44	15	909.47	-	-
45 - 49	17	888.74	-	-
50 - 54	17	1,142.25	-	-
55 - 59	13	906.95	-	-
60 - 64	10	660.13	-	-
65 - 69	1	381.92	-	-
70 - 74	-	-	-	-
2019 Total/Avg	93	$ 894.82	-	$ -
2018 Total/Avg	81	$ 936.22	-	$ -

DEFERREDS - MALES 31-Dec-2018

MALES Age	Count	Average Monthly Basic Pension	Count	Average Monthly Cola Pension
15 - 19	-	$ -	-	$ -
20 - 24	-	-	-	-
25 - 29	-	-	-	-
30 - 34	3	192.52	-	-
35 - 39	13	1,001.63	-	-
40 - 44	14	995.93	-	-
45 - 49	15	815.83	-	-
50 - 54	18	1,354.27	-	-
55 - 59	13	499.12	-	-
60 - 64	4	1,203.18	-	-
65 - 69	1	376.92	-	-
70 - 74	-	-	-	-
2018 Total/Avg	81	$ 936.22	-	$ -
2017 Total/Avg	81	$ 883.85	-	$ -

DEFERREDS - FEMALES 31-Dec-2019

FEMALES Age	Count	Average Monthly Basic Pension	Count	Average Monthly Cola Pension
15 - 19	-	$ -	-	$ -
20 - 24	-	-	-	-
25 - 29	2	350.67	-	-
30 - 34	5	386.29	-	-
35 - 39	17	430.16	-	-
40 - 44	26	864.22	-	-
45 - 49	18	873.45	-	-
50 - 54	17	1,200.95	-	-
55 - 59	25	885.45	-	-
60 - 64	12	437.34	-	-
65 - 69	1	520.87	-	-
70 - 74	-	-	-	-
2019 Total/Avg	123	$ 784.22	-	$ -
2018 Total/Avg	121	$ 758.76	-	$ -

DEFERREDS - FEMALES 31-Dec-2018

FEMALES Age	Count	Average Monthly Basic Pension	Count	Average Monthly Cola Pension
15 - 19	-	$ -	-	$ -
20 - 24	-	-	-	-
25 - 29	2	348.81	-	-
30 - 34	5	487.12	-	-
35 - 39	19	433.51	-	-
40 - 44	25	660.51	-	-
45 - 49	13	709.42	-	-
50 - 54	22	1,587.06	-	-
55 - 59	19	707.86	-	-
60 - 64	14	389.11	-	-
65 - 69	2	446.31	-	-
70 - 74	-	-	-	-
2018 Total/Avg	121	$ 758.76	-	$ -
2017 Total/Avg	115	$ 844.46	-	$ -

- ## Pensions in Payment

PENSIONERS & SURVIVORS - MALES 31-Dec-2019

MALES Age	Count	Average Monthly Basic Pension	Count	Average Monthly Cola Pension
40 - 44	-	$ -	-	$ -
45 - 49	-	-	-	-
50 - 54	1	1,030.22	-	(0.01)
55 - 59	56	2,988.41	47	60.10
60 - 64	124	2,503.77	113	124.75
65 - 69	139	2,201.56	133	218.19
70 - 74	100	2,205.64	100	325.00
75 - 79	56	1,638.04	56	351.81
80 - 84	28	1,471.45	28	491.14
85 - 89	10	768.67	10	424.87
90 - 94	5	1,064.04	5	457.16
95 - 99	1	804.03	1	352.79
100 -105	-	-	-	-
2019 Total/Avg	520	$ 2,215.71	493	$ 240.94
2018 Total/Avg	499	$ 2,214.44	453	$ 229.57

PENSIONERS & SURVIVORS - MALES 31-Dec-2018

MALES Age	Count	Average Monthly Basic Pension	Count	Average Monthly Cola Pension
40 - 44	-	$ -	-	$ -
45 - 49	-	-	-	-
50 - 54	2	1,328.53	1	109.40
55 - 59	64	3,056.38	42	55.67
60 - 64	125	2,359.03	107	120.60
65 - 69	135	2,285.47	132	218.70
70 - 74	88	2,122.69	86	308.92
75 - 79	43	1,508.47	43	348.74
80 - 84	25	1,483.81	25	451.60
85 - 89	13	955.29	13	446.21
90 - 94	3	447.59	3	262.05
95 - 99	1	804.03	1	335.00
100 -105	-	-	-	-
2018 Total/Avg	499	$ 2,214.44	453	$ 229.57
2017 Total/Avg	464	$ 2,137.80	434	$ 212.83

PENSIONERS & SURVIVORS - FEMALES 31-Dec-2019

FEMALES Age	Count	Average Monthly Basic Pension	Count	Average Monthly Cola Pension
40 - 44	-	$ -	-	$ -
45 - 49	-	-	-	-
50 - 54	1	162.60	1	16.89
55 - 59	102	2,490.58	72	50.96
60 - 64	122	1,876.85	113	104.82
65 - 69	144	1,421.99	135	134.84
70 - 74	92	1,005.89	91	151.62
75 - 79	37	915.13	37	203.10
80 - 84	22	740.34	22	249.27
85 - 89	17	772.62	17	374.84
90 - 94	6	586.48	6	252.28
95 - 99	2	461.49	2	232.66
100 -105	2	285.63	2	148.04
2019 Total/Avg	547	$ 1,551.70	498	$ 138.91
2018 Total/Avg	508	$ 1,525.79	454	$ 132.90

PENSIONERS & SURVIVORS - FEMALES 31-Dec-2018

FEMALES Age	Count	Average Monthly Basic Pension	Count	Average Monthly Cola Pension
40 - 44	-	$ -	-	$ -
45 - 49	-	-	-	-
50 - 54	1	162.60	1	14.49
55 - 59	86	2,652.73	49	53.31
60 - 64	130	1,751.71	116	89.73
65 - 69	133	1,451.27	130	125.90
70 - 74	73	840.20	73	136.01
75 - 79	38	919.53	38	202.39
80 - 84	19	660.31	19	247.98
85 - 89	18	649.95	18	309.75
90 - 94	6	533.61	6	237.52
95 - 99	2	393.61	2	178.83
100 -105	2	777.18	2	622.58
2018 Total/Avg	508	$ 1,525.79	454	$ 132.90
2017 Total/Avg	468	$ 1,448.10	427	$ 122.21

Note:

Both the pension amounts and cost-of-living (cola) amounts shown in the above table are the total amounts paid.

APPENDIX II

Summary of Actuarial Accounting Assumptions

		31-Dec-2019	31-Dec-2018
1.	Annual Discount Rate	3.15%	3.94%
	Annual Rate of Inflation Included in Rate of Return	1.80% for 2.00 years, 2.00% thereafter	1.70% for 1.00 year, 2.20% for 1.00 year, 2.00% thereafter
2.	General Salary Increases (service and merit is separate and age specific)	0.00% for 1.75 years, 0.75% for 1.00 year, 1.00% for 1.00 year, 2.00% thereafter	2.00% for 0.75 years, 0.00% for 2.00 years, 0.75% for 1.00 year, 1.00% for 1.00 year, 2.00% thereafter
3.	Annual Salary Merit Increases	see TABLE	same
4.	Indexing of Pensions (2/3 of the assumed rate of inflation)	1.20% for 2.00 years, 1.33% thereafter	1.13% for 1.00 year, 1.47% for 1.00 year, 1.33% thereafter
5.	Annual Increase in Earnings under Canada Pension Plan	same as general salary increases	same
6.	Annual Increase in Maximum Pension under Income Tax Act	2020: $3,092.22 Indexed ≥ 2021: same as 5. above	2019: $3,025.56 Indexed ≥ 2020: same as 5. above
7.	Annual Rate of Interest Credited to Employee Contributions	1.35% for 2.00 years, 1.15% thereafter	2.24% for 1.00 year, 1.74% for 1.00 year, 1.94% thereafter
8.	Employer's Portion of Administrative Costs - % of Employee Contributions	0.00%	same
9.	Annual Rates of Death	CPM 2014 Public Mortality Projected using Scale B (see TABLE)	same
10.	Proportion of Employees with a Spouse	see TABLE	same
11.	Annual Rates of Termination of Service	see TABLE	same
12.	Annual Rates of Disability	see TABLE	same
13.	Annual Rates of Retirement	see TABLE	same

	Mortality*		Termination		Disability		Retirement	
Age	Males	Females	Males	Females	Males	Females	Males	Females
20	0.08%	0.02%	10.15%	12.60%	-	-	-	-
25	0.10	0.02	6.60	9.20	-	-	-	-
30	0.11	0.03	4.63	6.88	-	-	-	-
35	0.11	0.04	3.39	5.31	0.01%	0.01%	-	-
40	0.13	0.06	2.58	4.26	0.04	0.06	-	-
45	0.18	0.09	2.06	3.64	0.09	0.13	-	-
50	0.25	0.13	1.71	3.22	0.23	0.30	-	-
55	0.36	0.21	-	-	0.66	0.76	24.86%	24.49%
60	0.53	0.35	-	-	-	-	27.10	21.45
65	0.76	0.56	-	-	-	-	100.00	100.00
70	1.17	0.88	-	-	-	-	-	-
75	2.00	1.46	-	-	-	-	-	-
80	3.74	2.71	-	-	-	-	-	-
85	7.22	5.32	-	-	-	-	-	-
90	13.54	10.23	-	-	-	-	-	-
95	24.27	18.86	-	-	-	-	-	-
100	36.64	31.78	-	-	-	-	-	-

* CPM 2014 Public Mortality Projected using Scale B

	Service and Merit		Married Proportions	
Age	Males	Females	Males	Females
20	3.41%	3.41%	33.00%	35.00%
25	2.90	2.90	69.00	55.00
30	2.40	2.40	90.00	68.40
35	1.89	1.89	92.70	70.50
40	1.37	1.37	93.30	70.00
45	0.94	0.94	93.50	67.80
50	0.70	0.70	90.00	71.00
55	-	-	90.00	71.00
60	-	-	90.00	71.00
65	-	-	90.00	71.00

Plus allowance for use of accrued vacation in calculation of average annual salary at date of retirement: 3.45%.

APPENDIX III

Projection of M.P.I. Pension Liabilities for 2019

1.	**Actuarial Liabilities as at 31-Dec-2018**	$ 380,085,300
2.	Interest on liabilities and cash flow (3.94%)	14,901,700
3.	Current Service Cost for Active Members	12,420,300
4.	Employer Benefit Payments	(16,159,000)
5.	**Projected Liabilities as at 31-Dec-2019**	$ 391,248,300
6.	ACTUAL LIABILITIES as at 31-Dec-2019 before change in economic assumptions	$ 396,092,800
7.	ACTUAL LIABILITIES as at 31-Dec-2019 after change in economic assumptions	$ 453,776,400
	GAIN/(LOSS) due to actual experience: [5] - [6]	$ (4,844,500)
	GAIN/(LOSS) due to change in accounting assumptions: [6] - [7]	(57,683,600)
	NET GAIN/(LOSS)	$ (62,528,100)

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Actuarial Valuation Report as at December 31, 2019

Liabilities for Post-Retirement Health Benefits for Out-of-Scope Employees of Manitoba Public Insurance

Submitted: March, 2020

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APPENDICES

1. PURPOSE

The purpose of this Actuarial Valuation Report (Report) is to:

- indicate the liabilities which the Manitoba Public Insurance (M.P.I.) has at December 31, 2019 (Valuation Date) as a result of the provision of Post-Retirement Health Benefits to out-of-scope employees, and

- provide a formula that can be used by the management of M.P.I. to estimate the increase in these liabilities in the following 12 to 18 months after December 31, 2019.

These liabilities are an estimate of the present value of the future premiums that M.P.I. is expected to pay to provide Post-Retirement Health Benefits to out-of-scope employees after their retirement. The Post-Retirement Health Benefits include Ambulance/Hospital Benefits, Extended Health Benefits, Vision Care Benefits and Dental Benefits. M.P.I. pays premiums to Blue Cross to provide these benefits.

A summary of the Post-Retirement Health Benefits is provided in Appendix I.

The liabilities have been computed on a going concern basis. This basis contemplates the continued existence of the Post-Retirement Health Benefits and the funding arrangements for the benefits.

The guidance for the calculation of the liabilities and the preparation of this Report are the Practice-Specific Standards for Post-Employment Benefit Plans of the Canadian Institute of Actuaries and IAS 19 Employee Benefits issued by the International Accounting Standards Committee.

2. DATA

It is anticipated no amendments will be made to the Post-Retirement Health Benefits.

The data used in the calculations includes the premiums currently in payment or those that are expected to be in payment.

Information on each out-of-scope employee covered by the Post-Retirement Health Benefits was obtained from M.P.I. For current out-of-scope employees, this information included employee number, name, birth date, and single or family coverage.

For retired out-of-scope employees, similar information was provided and, as well, the amount of monthly premium for the coverage. The premium rates effective July 1, 2019 are $184.40 per month for family coverage and $93.22 per month for single coverage.

The data was checked for missing information and illogical information. As a result of these checks, the data was found to be sufficient and reliable.

3. POST-RETIREMENT HEALTH BENEFITS PARTICIPATION

The data provided indicated that M.P.I. was the employer of record for the following participants:

	EMPLOYEES			PENSIONERS & SURVIVORS		
	Males	Females	Total	Males	Females	Total
Participants as at 31-Dec-2018	162	120	282	165	58	223
New employees	14	26	40	-	-	-
Retirements	(10)	(4)	(14)	10	4	14
Terminations	(9)	(7)	(16)	-	-	-
Deaths	-	-	-	(2)	-	(2)
Adjustments	-	-	-	-	-	-
Participants as at 31-Dec-2019	157	135	292	173	62	235

4. ASSUMPTIONS

The actuarial accounting assumptions used in this valuation are shown in Appendix II.

The demographic assumptions are the same as those used for the actuarial valuation report on the pension liabilities that the Manitoba Public Insurance has as at December 31, 2019. In addition, the marital status at the date of retirement was assumed to be the same as the marital status at the Valuation Date.

The economic assumptions have been chosen by management. The specific choices are made after a review with internal staff and the actuary. The existing economic assumptions were confirmed on February 25, 2020 by management after management's review of the assumptions. The assumptions are the same as those adopted for the actuarial valuation report on the pension liabilities as at December 31, 2019.

For purposes of future increases in premium rates, it was assumed that the premium rates currently in force at the Valuation Date would increase at the assumed rate of inflation. The assumed rate of inflation is 2.00%. However, based on information from various sources on the escalating cost of health benefits, it is anticipated that the current premiums will increase at 4.70% per year. For 2018, the rate of escalation of the cost of health benefits was 5.50%.

The demographic assumptions overall represent a reasonable best estimate basis for these assumptions. The economic assumptions, overall, represent M.P.I.'s best estimate basis for those assumptions.

5. M.P.I. SHARE OF PREMIUMS

It has been anticipated that M.P.I. will continue to pay 100% of the premiums required to finance the Post-Retirement Health Benefits for out-of-scope employees.

6. VALUATION PROCEDURE

The projected benefit method prorated on service has been used to determine the accrued liabilities and the current service cost applicable to each year after the Valuation Date.

For each out-of-scope employee, the present value of the expected post-retirement premiums was determined. The proportion of this amount held as the accrued liability is equal to the ratio of the completed service as at the Valuation Date divided by the total service expected to be completed at the date of retirement.

For each retired out-of-scope employee, the present value of the expected post-retirement premiums was determined. This full amount is held as the accrued liability.

7. VALUATION RESULTS

The following table shows the liabilities that M.P.I. has as at December 31, 2019 and December 31, 2018 as a result of the provision of Post-Retirement Health Benefits to out-of-scope employees:

Category	Amount at 31-Dec-2019	Amount at 31-Dec-2018
Current Employees	$ 12,959,000	$ 12,515,200
Retired Employees	12,897,000	12,454,100
Total	$ 25,856,000	$ 24,969,300

For this valuation, the liabilities were $935,300 less than projected prior to reflecting changes in actuarial accounting assumptions. The detailed breakdown of the experience is shown in Appendix III.

8. PROJECTION FORMULA FOR LIABILITIES

The following formula can be used to project the estimated increase in liabilities in the 12 to 18 months after the Valuation Date:

- Add interest at the rate of 3.15% per year to the liabilities at the beginning of the period, the current service cost for the period, and the premium payments for the period. The interest addition for the current service cost and the premium payments should be prorated to recognize investment for half the period, on average.
- Add employer current service cost at the rate of $4,568 per covered current out-of-scope employee per year for the period.
- Deduct the actual premiums to Blue Cross for the period.

9. SENSITIVITY OF RESULTS TO DIFFERENT ASSUMPTIONS

The results obtained are based on the assumptions outlined in Appendix II.

The accrued liability would increase by approximately $1.351 million or 5.23% for each ¼ of 1% increase in the health cost inflation rate. The current service cost would increase by a similar percentage.

The accrued liability would increase by approximately $1.377 million or 5.33% for each ¼ of 1% decrease in the assumed rate of return. The current service cost would increase by a similar percentage.

10. MATURITY ANALYSIS

The following table shows the estimated future benefits as at December 31, 2019 and December 31, 2018:

	Less than 1 year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
31-Dec-2019	$ 504,600	$ 557,100	$ 1,985,800	$ 44,749,600	$ 47,797,100
31-Dec-2018	477,400	524,200	1,853,000	51,103,500	53,958,100

11. ACCOUNTING FOR POST-RETIREMENT OBLIGATIONS

The cost for a period, including the assumed interest, is equal to:

(a) the change in the reserve plus

(b) the premium payments plus

(c) the amounts for the amortization of the previous unfunded liability.

The above formula takes no credit for interest that may have been earned on assets supporting the liabilities.

12. ACTUARIAL OPINION

In our opinion, for the purposes of this Report:

- The membership data on which the Report is based are sufficient and reliable.
- The assumptions are appropriate for the purpose of determining the accounting requirements of the Plan on a going concern basis.
- The methods employed in the valuation are appropriate for the purpose of determining the accounting requirements of the Plan on a going concern basis.
- We are not aware of any other matters or events occurring since the completion of this Report, which will materially affect the calculation of the liabilities as at December 31, 2019.
- This Report has been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada.

Dated at Winnipeg, this 4th day of March, 2020.

Respectfully submitted,
ELLEMENT CONSULTING GROUP

Dennis Ellement, FSA, FCIA

Brandon Ellement, FSA, FCIA

APPENDIX I

SUMMARY OF BENEFITS

AMBULANCE/HOSPITAL BENEFITS

The Plan provides for complete coverage for Ambulance and Hospital Semi-Private charges in Manitoba.

Full payment for reasonable and customary charges for ambulance services provided within the province, and payment of up to $250 per trip, (based on provincial rates) for ambulance services provided elsewhere.

Full payment for the charge of a semi-private room in a Manitoba hospital if the hospital does not normally provide the semi-private room, without charge to any patient.

EXTENDED HEALTH CARE BENEFITS

Prescription drugs are reimbursed at 70%.

Other necessary health expenses are reimbursed at 80%. Various limits and benefit periods apply for these other health expenses.

An annual deductible of $20 per person to a maximum of $40 applies.

Other necessary health expenses include expenses incurred for: travel health care, dental treatment due to accident, athletic therapy, paramedical practitioner, physiotherapy, chiropody, clinical psychology, nutritional counseling, private duty nursing, prosthetic appliances and miscellany, wigs, rental or purchase of medical equipment and cardiac rehabilitation.

VISION CARE BENEFITS

Eligible eye care expenses are reimbursed at 100% up to $150 per person per 24-month benefit period.

Eligible eye care expenses include the cost of eyeglasses, replacement glasses, repairs to existing glasses and contact lenses which are prescribed as a result of an eye examination by a licensed medical doctor, ophthalmologist or optometrist. Various limits and exclusions apply.

DENTAL BENEFITS

Basic Dental Services are reimbursed at 80%.

Major Dental Services are reimbursed at 50%.

Reimbursement for dental services is subject to an annual maximum of $800.

If the cost of the treatment is expected to exceed $500, then pre-treatment authorization is required.

Benefit payments are based on the Dental Fee Guide established by the Manitoba Dental Association.

Various exclusions apply. The exclusions depend on the type of dental treatment or the conditions giving rise to the charges.

SURVIVOR BENEFITS

The surviving spouse of a retired member receives the benefits under the Plan for up to 24 months following the death of the member.

APPENDIX II

SUMMARY OF ACTUARIAL ACCOUNTING ASSUMPTIONS

	31-Dec-2019	31-Dec-2018
1. Annual Discount Rate:	3.15%	3.94%
2. Post-Retirement Premium Rates (at valuation date):		
- increase in post-retirement premium rates	4.70%	5.50%
- family rate per month	$184.40	$184.40
- single rate per month	$93.22	$93.22
3. Marital Status at Retirement:	same as at Valuation Date	same
4. Annual Rates of Death:	CPM 2014 Public Mortality Projected using Scale B (see TABLE)	same
5. Annual Rates of Termination of Service:	(see TABLE)	same
6. Annual Rates of Disability:	(see TABLE)	same
7. Annual Rates of Retirement:	(see TABLE)	same

The age specific rates for the demographic assumptions are shown in the following table:

	Mortality*		Termination		Disability		Retirement	
Age	Males	Females	Males	Females	Males	Females	Males	Females
20	0.08%	0.02%	10.15%	12.60%	-	-	-	-
25	0.10	0.02	6.60	9.20	-	-	-	-
30	0.11	0.03	4.63	6.88	-	-	-	-
35	0.11	0.04	3.39	5.31	0.01%	0.01%	-	-
40	0.13	0.06	2.58	4.26	0.04	0.06	-	-
45	0.18	0.09	2.06	3.64	0.09	0.13	-	-
50	0.25	0.13	1.71	3.22	0.23	0.30	-	-
55	0.36	0.21	-	-	0.66	0.76	24.86%	24.49%
60	0.53	0.35	-	-	-	-	27.10	21.45
65	0.76	0.56	-	-	-	-	100.00	100.00
70	1.17	0.88	-	-	-	-	-	-
75	2.00	1.46	-	-	-	-	-	-
80	3.74	2.71	-	-	-	-	-	-
85	7.22	5.32	-	-	-	-	-	-
90	13.54	10.23	-	-	-	-	-	-
95	24.27	18.86	-	-	-	-	-	-
100	36.64	31.78	-	-	-	-	-	-

* CPM 2014 Public Mortality Projected using Scale B

APPENDIX III

PROJECTION OF M.P.I. POST-RETIREMENT HEALTH BENEFITS LIABILITIES FOR 2019

1.	**Actuarial Liabilities as at 31-Dec-2018**	24,969,300
2.	Interest on liabilities and cash flow (3.94%)	999,700
3.	Current Service Cost for Active Members	1,286,000
4.	Premium Payments for Retired Members	(478,400)
5.	Adjustment for new entrants	-
6.	Adjustment for data	-
7.	**Projected Liabilities as at 31-Dec-2019**	26,776,600
8.	ACTUAL LIABILITIES as at 31-Dec-2019 before change in economic assumptions	25,841,300
9.	ACTUAL LIABILITIES as at 31-Dec-2019 after change in economic assumptions	25,856,000
	GAIN/(LOSS) due to actual experience: [7] - [8]	935,300
	GAIN/(LOSS) due to change in accounting assumptions: [8] - [9]	(14,700)
	NET GAIN/(LOSS)	920,600

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Attachment B
Agenda B.3
June 29, 2020

Actuarial Valuation Report as at December 31, 2019

Liabilities for Post-Retirement Health Benefits for In-Scope Employees of Manitoba Public Insurance

Submitted: March, 2020

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TABLE OF CONTENTS

APPENDICES

1. PURPOSE

The purpose of this Actuarial Valuation Report (Report) is to:

- indicate the liabilities which the Manitoba Public Insurance (M.P.I.) has at December 31, 2019 (Valuation Date) as a result of the provision of Post-Retirement Health Benefits to in-scope employees, and

- provide a formula that can be used by the management of M.P.I. to estimate the increase in these liabilities in the following 12 to 18 months after December 31, 2019.

These liabilities are an estimate of the present value of the benefits that M.P.I. is expected to pay to provide Post-Retirement Health Benefits to in-scope employees after their retirement. The Post-Retirement Health Benefits include eligible health benefits.

A summary of the Post-Retirement Health Benefits is provided in Appendix I.

The liabilities have been computed on a going concern basis. This basis contemplates the continued existence of the Post-Retirement Health Benefits and the funding arrangements for the benefits.

The guidance for the calculation of the liabilities and the preparation of this Report are the Practice-Specific Standards for Post-Employment Benefit Plans of the Canadian Institute of Actuaries and IAS 19 Employee Benefits issued by the International Accounting Standards Committee.

2. DATA

It is anticipated no amendments will be made to the Post-Retirement Health Benefits, other than those described in Appendix I.

The data used in the calculations includes the benefits currently in payment or those that are expected to be in payment.

Information on each in-scope employee covered by the Post-Retirement Health Benefits was obtained from M.P.I. For current in-scope employees, this information included employee number, name, and birth date.

For retired in-scope employees, similar information was provided.

The data was checked for missing information and illogical information. As a result of these checks, the data was found to be sufficient and reliable.

3. POST-RETIREMENT HEALTH BENEFITS PARTICIPATION

The data provided indicated that M.P.I. was the employer of record for the following participants (new entrants, and separately terminations, may include or exclude temporary employees as provided by M.P.I.):

	EMPLOYEES			PENSIONERS & SURVIVORS		
	Males	Females	Total	Males	Females	Total
Participants as at 31-Dec-2018	588	863	1,451	198	267	465
New employees	85	185	270	-	-	-
Retirements	(13)	(33)	(46)	13	33	46
Terminations	(24)	(52)	(76)	-	-	-
Deaths	-	-	-	-	(1)	(1)
Adjustments	-	-	-	-	-	-
Participants as at 31-Dec-2019	636	963	1,599	211	299	510

4. ASSUMPTIONS

The actuarial accounting assumptions used in this valuation are shown in Appendix II.

The demographic assumptions are the same as those used for the actuarial valuation report on the pension liabilities that the Manitoba Public Insurance has as at December 31, 2019. In addition, the marital status at the date of retirement was assumed to be the same as the marital status at the valuation date.

The economic assumptions have been chosen by management. The specific choices are made after a review with internal staff and the actuary. The existing economic assumptions were confirmed on February 25, 2020 by management after management's review of the assumptions. The assumptions are the same as those adopted for the actuarial valuation report on the pension liabilities as at December 31, 2019.

For purposes of future increases in premium (benefit) rates, it was assumed that the benefits currently in force at the Valuation Date would increase at the assumed rate of inflation. Based on information from various sources on the escalating cost of health benefits, it is anticipated that the current benefits will increase at 2.00% per year.

The demographic assumptions overall represent a reasonable best estimate basis for these assumptions. The economic assumptions, overall, represent M.P.I.'s best estimate basis for those assumptions.

5. M.P.I. SHARE OF PREMIUMS

It has been anticipated that M.P.I. will continue to pay 100% of the premiums (benefits) required to finance the Post-Retirement Health Benefits for in-scope employees.

6. VALUATION PROCEDURE

The projected benefit method prorated on service has been used to determine the accrued liabilities and the current service cost applicable to each year after the Valuation Date.

For each in-scope employee, the present value of the expected post-retirement premiums (benefits) was determined. The proportion of this amount held as the accrued liability is equal to the ratio of the completed service as at the Valuation Date divided by the total service expected to be completed at the date of retirement.

For each retired in-scope employee, the present value of the expected post-retirement premiums (benefits) was determined. This full amount is held as the accrued liability.

7. VALUATION RESULTS

The following table shows the liabilities that M.P.I. has as at December 31, 2019 and December 31, 2018 as a result of the provision of Post-Retirement Health Benefits to in-scope employees:

Category	Amount at 31-Dec-2019	Amount at 31-Dec-2018
Current Employees	$ 3,364,400	$ 2,679,700
Retired Employees	2,565,500	2,150,300
Total	$ 5,929,900	$ 4,830,000

For this valuation, the liabilities were $57,100 more than projected prior to reflecting changes in actuarial accounting assumptions. The detailed breakdown of the experience is shown in Appendix III.

8. PROJECTION FORMULA FOR LIABILITIES

The following formula can be used to project the estimated increase in liabilities in the 12 to 18 months after the Valuation Date:

- Add interest at the rate of 3.15% per year to the liabilities at the beginning of the period, the current service cost for the period, and the premium (benefit) payments for the period. The interest addition for the current service cost and the premium (benefit) payments should be prorated to recognize investment for half the period, on average.
- Add employer current service cost at the rate of $187 per covered current in-scope employee per year for the period.

9. SENSITIVITY OF RESULTS TO DIFFERENT ASSUMPTIONS

The results obtained are based on the assumptions outlined in Appendix II.

The accrued liability would increase by approximately $0.304 million or 5.12% for each ¼ of 1% increase in the health cost inflation rate. The current service cost would increase by a similar percentage.

The accrued liability would increase by approximately $0.302 million or 5.08% for each ¼ of 1% decrease in the assumed rate of return. The current service cost would increase by a similar percentage.

10. MATURITY ANALYSIS

The following table shows the estimated future benefits as at December 31, 2019 and December 31, 2018:

	Less than 1 year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
31-Dec-2019	$ 124,300	$ 140,900	$ 522,100	$ 9,973,600	$ 10,760,900
31-Dec-2018	113,500	128,900	479,400	9,258,100	9,979,900

11. ACCOUNTING FOR POST-RETIREMENT OBLIGATIONS

The cost for a period, including the assumed interest, is equal to:

(a) the change in the reserve plus

(b) the premium (benefit) payments plus

(c) the amounts for the amortization of the previous unfunded liability.

The above formula takes no credit for interest that may have been earned on assets supporting the liabilities.

12. ACTUARIAL OPINION

In our opinion, for the purposes of this Report:

- The membership data on which the Report is based are sufficient and reliable.
- The assumptions are appropriate for the purpose of determining the accounting requirements of the Plan on a going concern basis.
- The methods employed in the valuation are appropriate for the purpose of determining the accounting requirements of the Plan on a going concern basis.
- We are not aware of any other matters or events occurring since the completion of this Report, which will materially affect the calculation of the liabilities as at December 31, 2019.
- This Report has been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada.

Dated at Winnipeg, this 4th day of March, 2020.

Respectfully submitted,
ELLEMENT CONSULTING GROUP

Dennis Ellement

Dennis Ellement, FSA, FCIA

Brandon Ellement

Brandon Ellement, FSA, FCIA

APPENDIX I

SUMMARY OF BENEFITS

An annual post-retirement health benefits spending account is available, in the amount of $200, for eligible in-scope employees who retired after September 27, 2008.

Effective January 1, 2015, all eligible in-scope retirees who retired after September 27, 2008 had their post-retirement health benefits spending account increased from $200 to $350.

APPENDIX II

SUMMARY OF ACTUARIAL ACCOUNTING ASSUMPTIONS

	31-Dec-2019	31-Dec-2018
1. Annual Discount Rate:	3.15%	3.94%
2. Post-Retirement Benefit Rates (as at valuation date):		
- increase in post-retirement benefit rates	1.80% for 2.00 years, 2.00% thereafter	1.70% for 1.00 year, 2.20% for 1.00 year, 2.00% thereafter
- family rate (benefit) per year	\$350	same
- single rate (benefit) per year	\$350	same
3. Marital Status at Retirement:	same as at Valuation Date	same
4. Annual Rates of Death:	CPM 2014 Public Mortality Projected using Scale B (see TABLE)	same
5. Annual Rates of Termination of Service:	(see TABLE)	same
6. Annual Rates of Disability:	(see TABLE)	same
7. Annual Rates of Retirement:	(see TABLE)	same
8. Portion of Health Spending Account Expected to be Utilized:	65%	same

The age specific rates for the demographic assumptions are shown in the following table:

	Mortality*		Termination		Disability		Retirement	
Age	Males	Females	Males	Females	Males	Females	Males	Females
20	0.08%	0.02%	10.15%	12.60%	-	-	-	-
25	0.10	0.02	6.60	9.20	-	-	-	-
30	0.11	0.03	4.63	6.88	-	-	-	-
35	0.11	0.04	3.39	5.31	0.01%	0.01%	-	-
40	0.13	0.06	2.58	4.26	0.04	0.06	-	-
45	0.18	0.09	2.06	3.64	0.09	0.13	-	-
50	0.25	0.13	1.71	3.22	0.23	0.30	-	-
55	0.36	0.21	-	-	0.66	0.76	24.86%	24.49%
60	0.53	0.35	-	-	-	-	27.10	21.45
65	0.76	0.56	-	-	-	-	100.00	100.00
70	1.17	0.88	-	-	-	-	-	-
75	2.00	1.46	-	-	-	-	-	-
80	3.74	2.71	-	-	-	-	-	-
85	7.22	5.32	-	-	-	-	-	-
90	13.54	10.23	-	-	-	-	-	-
95	24.27	18.86	-	-	-	-	-	-
100	36.64	31.78	-	-	-	-	-	-

* CPM 2014 Public Mortality Projected using Scale B

APPENDIX III

PROJECTION OF M.P.I. POST-RETIREMENT HEALTH BENEFITS LIABILITIES FOR 2019

1.	**Actuarial Liabilities as at 31-Dec-2018**	4,830,000
2.	Interest on liabilities and cash flow (3.94%)	191,600
3.	Current Service Cost for Active Members	244,600
4.	Premium Payments for Retired Members	(178,500)
5.	Adjustment for new entrants	-
6.	Adjustment for data	-
7.	**Projected Liabilities as at 31-Dec-2019**	5,087,700
8.	ACTUAL LIABILITIES as at 31-Dec-2019 before change in economic assumptions	5,144,800
9.	ACTUAL LIABILITIES as at 31-Dec-2019 after change in economic assumptions	5,929,900
	GAIN/(LOSS) due to actual experience: [7] - [8]	(57,100)
	GAIN/(LOSS) due to change in accounting assumptions: [8] - [9]	(785,100)
	NET GAIN/(LOSS)	(842,200)

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Part and Chapter:	**Part V, Pro Formas**	**Page No.:**	
PUB Approved Issue No:	**16. Risk Assessment and Management**		
Topic:	**MPI risk profile changes, if any**		
Sub Topic:			

Preamble to IR:

Question:

a) Please indicate, list and explain any technical, process, information technology or management constraints that the PUB should take into consideration in issuing its 2021 GRA ruling effective April 1, 2021, if any.

b) Please indicate, list and explain any financial transactions under consideration or in progress that have not been explicitly reported in the 2021 GRA, either by management, the Board of Directors or Government, which could impact the 2021 GRA proposed rates, if any.

c) Please discuss and elaborate on any material changes to the Corporation's risk profile since last year's GRA, with respect to financial risk, operational risk, continuation of service risk, unpaid claims risk, information technology risk, and investment risk or with respect to any other risk factors, if any.

d) Please discuss and elaborate whether the Corporation expects any changes to its risk profile going forward through the outlook period.

Rationale for Question:

Assess material risk profile changes or material transactions in progress or outstanding potentially impacting the 2021 GRA forecasts, if any.

RESPONSE:

a) Please refer to the *Overview*. This section emphasizes the uniqueness of the 2021 General Rate Application and the operational constraints related to the pandemic.

From an organizational perspective, the Board of Directors has announced Benjamin Graham's departure as President & CEO of Manitoba Public Insurance, effective September 30, 2020. Before Mr. Graham's departure, the Board of Directors expects to select his successor.

MPI has submitted this Application based on best estimate forecasts at the time of preparing the Application, and is seeking approval of rates on that basis. If the financial circumstance of Basic change sufficiently as to have a material impact upon MPI and its ratepayers, MPI will notify the parties of its intention to amend the Application in response to the those circumstances unfolding.

b) While referring to the 2021 GRA filing for ongoing transactions, MPI affirms that there is not any financial transactions under consideration or in progress that have not been explicitly reported herein. MPI is committed to respond to specific questions interveners may have.

c) Basic's risk profile is well documented in its MCT calculation found in *Rate Stabilization Reserve Appendix 1*, and will be part of the *Financial Condition Test* chapter. See *Risk Management Framework Appendix 3* for the ERM risk scorecards for more information on the described risks in the question.

d) MPI does not expect material changes to its risk profile over the forecasted outlook period. The internal implementation of Enterprise Risk Management is ongoing and will improve risk management throughout the organization, which should positively impact the risk profile of MPI over time.

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Part and Chapter:	**Part VII – Risk Management Framework**	**Page No.:**	**6 to 7**
PUB Approved Issue No:	**16. Risk Assessment and Risk Management**		
Topic:	**Risk Appetite Statement**		
Sub Topic:			

Preamble to IR:

RMF.3 Risk Appetite

"The Risk Appetite Statement provides direction on the level of risk acceptable to MPI,

7 and influences how MPI assessed and treats different risks. MPI, through its Board of

8 Directors (BoD), will establish and confirm its appetite for risk on an annual basis. The BoD established the following Risk Appetite Statement on October 10, 2019:"

Question:

a) Please elaborate and explain the application of the following risk appetite statements for Corporate Net Income:

   i. Low overall appetite for net income volatility, which should not exceed +/- $50M over 4 years relative to budget.

   ii. One year net income should not fall to be less than -$60M relative to budget, based on the 1-in-5 year scenario.

b) Please elaborate and explain the application of the following risk appetite statements for Basic and Extension Lines of Business:

i. Low appetite for inaccurate estimation of policy liabilities with unfavourable Personal Injury Protection Plan runoff of no more than +/-1.5%, which represents approximately +/- $27M.

ii. Please compare 2.a) to actual experience for fiscal years 2015/16 through to 2019/20 and comment on significant variations, if any.

c) Please elaborate and explain the application of the following risk appetite statements for Investment Risk:

i. Basic claims interest rate risk must not exceed +/-$10M of budgeted impact after non-recurring items per year.

d) Please outline the consumer or other stakeholder engagement and research that was undertaken by MPI in support of the Risk Appetite Statement

Rationale for Question:

To better understand the impact of the application of the Risk Appetite Statements on basic insurance operations and how the application of these statements mitigate inherent risks.

RESPONSE:

a) The low appetite of MPI for net income volatility is tied to the objective of the Rate Stabilization Reserve (RSR) of ensuring the maintenance of sufficient levels of capital such that Basic remains healthy and in an actuarially determined state of satisfactory financial condition. The RSR portfolio requires sufficient capital to withstand plausible adverse events and to deliver rate stability and predictability. If actual net income is significantly lower than budget (over a 1 and 4 year basis), rate increases and/or capital builds will likely be required. Conversely, if actual net income is significantly higher than budget, rate decreases and/or capital releases will likely be required.

b) Underestimation of policy liabilities risk is identified and discussed in DCAT section 5.9 Analysis of All Property and Casualty Insurer Risk Categories. The threshold of +/- 1.5%, representing approximately $27 million, indicates a low risk appetite of the Board of Directors.

The table below indicates the Personal Injury Protection Plan (PIPP) runoff amounts since 2015/16:

PIPP Runoff

Fiscal Year	PIPP Runoff
2015/16	1.2%
2016/17	2.3%
2017/18	1.4%
2018/19	1.0%
2019/20	-1.7%

Commentary on significant variations:

2016/17: significant strengthening of case reserves for Weekly Indemnity.

2019/20: implementation of centralized reserving for non-Income Replacement Indemnity coverages was a new process in 2017. MPI anticipated that initial case reserves for these coverages may be conservative (i.e. higher than necessary). Evidence now supports that centralized case reserves are adequate.

c) MPI has a low tolerance for interest rate risk in respect of Basic claims, which tolerance is consistent with the objectives of the Asset Liability Management study for the Basic Claims investment portfolio. The Study determined the $10 millionthreshold to be a reasonable amount (based on the discretion of management). The Risk Appetite Statement informs the overall management of the Basic portfolio relative to Basic claims.

d) The Risk Appetite Statement was developed by the Enterprise Risk Management Committee and approved by the MPI Board of Directors, within the context of its business strategy and environment.

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Part and Chapter:	**Part VI - Risk Management Framework**	**Page No.:**	**RMF Appendix 1, page 11**
PUB Approved Issue No:	**16. Risk Assessment and Risk Management**		
Topic:	**Risk Management Process, Communication and Consultation**		
Sub Topic:			

Preamble to IR:

"**Communication and Consultation**: Is required for an effective ERM program and requires information to be obtained from all levels of the Corporation for identifying, assessing and responding to risk. MPI staff will be encouraged to identify risks that are both internal and external to the institution. The knowledge gained through ERM will be communicated with stakeholders in a relevant and timely manner."

Question:

a) Please identify MPI's key ERM stakeholders and file a copy of the ERM risk process/program communications provided to the key ERM stakeholders during the last year.

b) Please also provide an analysis of the feedback received from the ERM stakeholders on the MPI ERM risk program.

Rationale for Question:

To assess and understand the acceptance/understanding of MPI's stakeholders of MPI's ERM program and their support in the event of an incident.

RESPONSE:

a) Key Enterprise Risk Management (ERM) stakeholders of MPI are listed in section 5 of *Risk Management Framework Appendix 1 ERM Policy*. Section 7 of the ERM Policy also provides the risk management process communicated to these stakeholders.

b) To date no formal feedback has been provided from ERM Stakeholders on the MPI ERM program.

<u>CAC (MPI) 1-81</u>

Part and Chapter:	**Part VII – Rate Stabilization Reserve**	**Page No.:**	
PUB Approved Issue No:	**7. Capital Management Plan**		
Topic:			
Sub Topic:			

Preamble to IR:

Question:

Please provide an updated CMMG (MPI) 1-19 from last year's GRA—RSR Basic Program Amounts.

Rationale for Question:

To review the historical RSR financial activity.

RESPONSE:

Please refer to *<u>CMMG (MPI) 1-12</u>*.

MANITOBA PUBLIC INSURANCE

2021 GENERAL RATE APPLICATION

Round 1 Information Requests

Confidential Questions - Public Responses

August 5, 2020

Consumers' Association of Canada (Manitoba)

MANITOBA PUBLIC INSURANCE

CAC (MPI) CI 1-4 - Confidential

Part and Chapter:	**Part IV – VM Appendix 3**	**Page No.:**	**19**
PUB Approved Issue No:	**10. Project Nova**		
Topic:	**Duck Creek architecture fit with MPI architecture**		
Sub Topic:			

Preamble to IR:

> ***"Development of detailed Technical Architecture:***
>
> *The Conceptual Architecture defined for the business case is holding*
>
> - *Duck Creek OnDemand selected as our P&C Solution*
>   - *SaaS solution as originally planned*
>   - *Duck Creek Architecture fits with MPI's"*

Question:

Please provide a narrative discussion of the alignment and fit of Duck Creek's architecture with MPI's architecture.

Rationale for Question:

To better understand the alignment and fit of Duck Creek architecture to MPI's architecture.

RESPONSE:

Duck Creek's Architectures align to the Manitoba Public Insurance Architecture on a number of points:

1. The Duck Creek architecture is built from the ground up using Application Programming Interfaces (APIs). This will allow MPI to call insurance services running on the Duck Creek platform from any point in the MPI architecture. MPI developers have many years of experience with the Duck Creek technology.

2. The Duck Creek architecture is built using a modular design pattern, allowing for implementation in smaller pieces, thereby reducing delivery risk.

3. The Duck Creek architecture is built on top of the Microsoft technology stack. MPI has used Microsoft technologies for many years, giving the technology team a good understanding of the base technology.

CAC (MPI) CI 1-5 - Confidential

Part and Chapter:	**Part IV – VM Appendix 3**	**Page No.:**	**32**
PUB Approved Issue No:	**10. Project Nova**		
Topic:	**General Updates -- Challenges**		
Sub Topic:			

Preamble to IR:

> ***"General Updates - Challenges***
>
> - *Nova Procurement process and required resource efforts significantly underestimated*
> - *COVID-19 Impacts*
> - *Corporate Agile adoption rate and maturity level "*

Question:

Please provide a narrative discussion of each one of the challenges listed in the preamble.

Rationale for Question:

To better understand the financial and timeline impacts of Project Nova caused by the challenges as listed in the preamble.

RESPONSE:

Please see <u>*PUB (MPI) 1-84*</u> for the requested narrative regarding:

- Nova Procurement process and required resource efforts significantly underestimated
- COVID-19 Impacts

Regarding corporate Agile adoption rate and maturity level in relation to Project Nova, the context of this referenced 'challenge' is associated with the level of adoption, experience and maturity of MPI and its business stakeholders in utilizing an Agile delivery methodology on a project as large as Nova. To-date, MPI has applied an expanded Agile delivery model on small technical and business changes, and system defect resolution to its Insurance and Driver Licensing related systems, and to the Fineos system. The Agile delivery model has yet to experience a scope of significant business change; however, there are two projects planned for fall 2020 that will fall into this category to expand that knowledge and experience.

MPI is also in the process of formalizing the types of critical roles for an Agile delivery model; Product Managers, Products Owners, and Scrum Masters. In relation to the Product Manager role, Project Nova has recently completed a recruitment process for the three Product Managers required and has now successfully filled those critical roles. The next steps include the finalization and recruitment for the Product Owner roles for Project Nova.

One of the overall risk mitigating factors is that the system integrator partners that MPI will be engaging for the Property & Casualty Insurance (P&C), Driver and Vehicle Administration (DVA) and Application Platform all have extensive Agile delivery experience. Incrementally, these partners will have overall accountability for the delivery of their respective domains from a work/task management perspective, and the resources on those teams will primarily be from the vendor for the P&C and DVA platform implementations. MPI business resources (Subject Matter Experts) will be integrated into those vendor teams and related MPI IT resources will be sporadically assigned to the Agile vendor teams to complement the overall team structure and allow MPI resources to learn the new technology platforms while allowing the vendors to manage their respective delivery risks.

Project Nova resources now also use Agile delivery approaches for some of the planning phase-related work. The remaining challenges will be:

- scalability;

- the complexity of having many Agile teams working in parallel towards individual team goals and objectives;
- inter-dependent program related deliverables, goals, objectives and business/technical capabilities; and
- training of staff and ensuring their readiness to meet the requirements of the Agile delivery model that Project Nova will leverage in order to mitigate delivery risks and excessive delivery milestone slippage.