MANITOBA PUBLIC INSURANCE

2022 GENERAL RATE APPLICATION Round 1 Information Requests August 17, 2021

Consumers' Association of Canada (Manitoba) (CAC)



CAC (MPI) 1-1

Part and Chapter:	Part I Overview	Page No.:	3
PUB Approved Issue No:	5. Annual Business Plan		
Topic:	Working From Home Strategy—Long Term		
Sub Topic:			

Preamble to IR:

The Covid-19 pandemic caused most people to work from home. On page 3 Part I (Overview) it states:

- 8 "Despite these challenges, MPI, like Manitobans, adapted to this new reality. It
- 9 repurposed MPI Service Centers into COVID-19 Testing Sites, transitioned the majority
- of MPI employees to working remotely and seconded others to assist the Government
- of Manitoba in its Pandemic response. During this period, MPI, its staff and business
- 12 partners, established new and innovative ways to safely deliver services to customers."

QUESTION:

- a) In general, please provide a narrative analysis on MPI's experience relating to working remotely and the impact on service delivery, employee productivity, customer feedback, service interruptions, etc.
- b) Post pandemic, is MPI considering a remote from home working model; if yes please provide a narrative discussion on how this model will be executed and operationalized.

RATIONALE FOR QUESTION:

To better understand and assess the impact of a future remote working model if MPI has considered such a model.

RESPONSE:

a) MPI experienced minor interruptions at the very start of the Pandemic, as services such as driver testing ceased and various broker or MPI service center locations closed and could not accept payments or inquiries as before. However, within weeks, MPI restored many of these services by successfully transitioning staff to remote working. In so doing, MPI received very few complaints from its customers.

As the frequency of collisions fell below normal, so too did the number of collision-related calls received by the MPI Contact Centre. Pressure also eased on MPI estimators and adjusters, which allowed MPI to second a number of staff to Manitoba Health without further disrupting its business and without laying off staff. While demand for driver testing services remains high, MPI notes that this is not a phenomenon that is unique to Manitoba and should eventually subside as operations return to normal.

MPI actively measured employee productivity for many operational and customer service roles. For the most part, MPI did not observe productivity declines in these areas. In fact, absenteeism across many areas fell to well-below normal levels.

Many brokers also worked remotely and were not physically present when conducting insurance transactions. According to the insurance industry partners of MPI, few customers complained about receiving these services remotely. MPI remains interested in assessing how to incorporate the lessons learned from this Pandemic into its future operations.

b) MPI is implementing a flexible work program where employees will have greater freedom to choose their work location going forward, subject to the suitability of the position and operational requirements. This program is in the final stages of

being developed and will be shared with staff this fall. Managers will be provided with guidelines and tools to manage flexible work requests and to ensure a safe and productive work environment. Today approximately 75% of MPI staff are working remotely.

MPI will also monitor the business model for the remote delivery of broker services with the Insurance Council of Manitoba as their rules continue to evolve. MPI will factor any such changes into expectations for the delivery of auto insurance services going forward.

CAC (MPI) 1-2

Part and Chapter:	Part I—Overview	Page No.:	5
PUB Approved Issue No:	5. Annual Business Plan	1	
Topic:	President's business str	ategy	
Sub Topic:			

Preamble to IR:

On January 4, 2021 Mr. Eric Herbelin accepted the great responsibility to lead MPI as President and Chief Executive Officer.

On page 5 of Part I (Overview) it states:

- 11 "Mr. Herbelin dedicated his first six months with MPI to developing a strategy that will
- 12 enable MPI to meet its Mission and Vision Statements."

QUESTION:

- a) Please provide a narrative discussion on the business strategy developed thus far compared to the current strategy.
- b) Please file a copy of this updated business strategy.

RATIONALE FOR QUESTION:

To obtain a greater understanding of MPI's updated business strategy meeting its Mission and Vision Statements.

RESPONSE:

a) Mr. Herbelin and the executive team of MPI continue to view the existing mission and vision as providing the right direction for MPI. In order to meet this mission and vision, the leadership team gathered various inputs and assessed market demands, existing disruptive technologies and changing customer expectations.

MPI created a 5-year ambition by building on the already strong foundation of transparency, customer service, and fiscal prudence. To meet future needs, MPI will become more customer-centric, data driven and employee empowered over the next five years.

The 5-year ambition focuses on what matters most to MPI: its people, its customers and its stakeholders. NOVA remains an important part of this ambition. MPI 2.0 will be guided by the following principles:

- · Customer experience drives improvements;
- Improvements must make financial sense;
- Create a culture of continuous improvement though empowerment and automation;
- Be a fast follower of industry best practices and trends; and
- Engage stakeholders actively along the way.
- b) Please see Appendix 1.

MPI Strategic Information Package





1971

Before

- Insurance companies denied some people coverage.
- There were gaps in coverage.
- Private insurers used tactics to reduce their financial exposure, rather than adjusting claims in a manner that compensated people for their actual losses.
- Rates charged in Manitoba were impacted by claims costs in the rest of Canada. The rating system was complex and confusing.

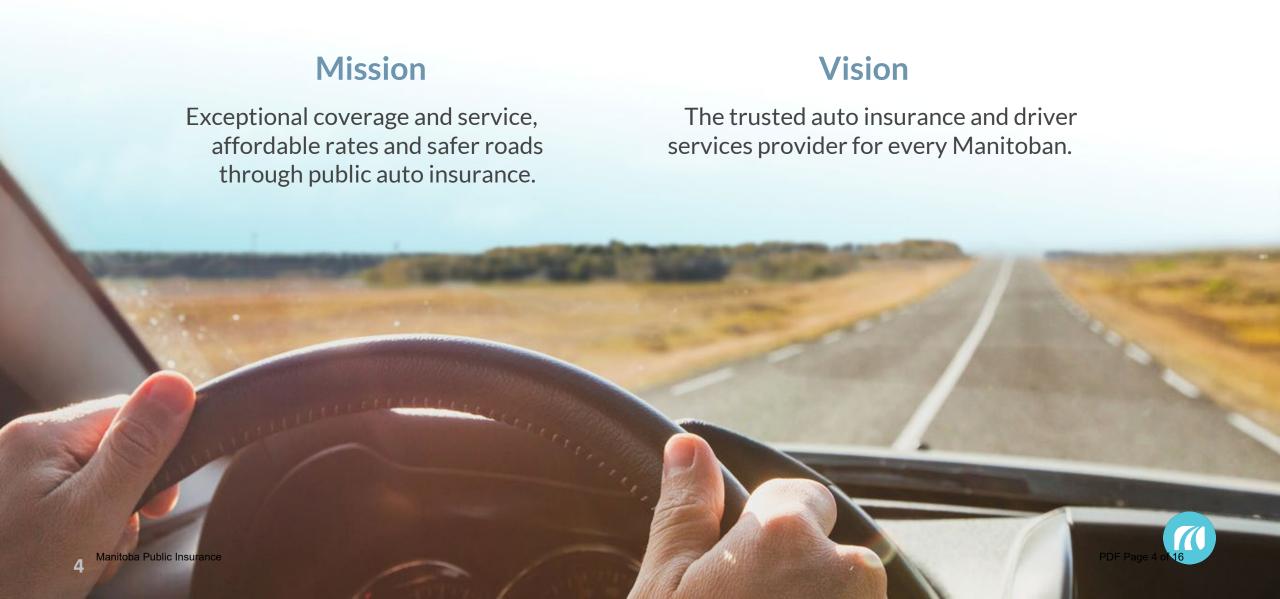
After

- No one can be denied the right to insure their vehicle.
- All Manitobans (not just drivers) are insured through the best-in-class
 Personal Injury Protection Plan (PIPP).
- Manitobans have guaranteed straightforward access to benefits. There are no loopholes that deny coverage.
- Rates are lower than those charged by private insurance companies for comparable coverage.

#1 selling car of 1971: The Chevrolet Impala



Our mandate is clear.





- Improved re-insurance strategy secured and implemented.
- Improved investment management strategy implemented (ALM).
- Enterprise Risk Management (ERM) strategy implemented.
- Minimum Capital Test (MCT) reserves met - Basic (100%); Extension (200%) Special Risk Extension (300%).
- Capital Management Plan implemented.



The world is moving fast.

A natural language processing

disruptive technologies

big data telematics

automation machine learning

24/7 access mass process automation industry meta trends

Al-empowered estimating personalized coverage telematics-enabled FNOL Al fraud detection

instant access acceleration due to COVID-19

customer expectations

omnichannel personalization online self-service easy & effortless

agile teams remote-office flexibility the nature of work

shift to knowledge work digital workspace human-machine collaboration staff empowerment

We must catch up!



INTRODUCING

The 5-Year Ambition

A TRANSFORMATION STORY

01 Aspiration Statements

02 Journey to MPI 2.0

03 Guiding Principles



ASPIRATION STATEMENTS

"MPI UNDERSTANDS
MY NEEDS. THEY
MAKE IT EASY
AND EFFORTLESS."

CUSTOMERS

* * * * *

"MPI IS A REWARDING
AND PROGRESSIVE
PLACE TO WORK."

EMPLOYEES



"MPI IS FAIR,
TRANSPARENT AND
DOES THINGS RIGHT."

STAKEHOLDERS



DEFINING MPI 2.0



Design **customer-focused** product value propositions supported by digitized and automated processes



Become an intelligent, data-driven provider of driver, vehicle and insurance services



Create business agility, with high-performing teams and a culture of continuous improvement and empowerment



Deliver **NOVA** as critical milestone on our corporate transformation journey



JOURNEY TO 2.0

MPI 1.0

Financial performance and customer focus

1 Year

MPI 1.5

Nova

Modernized core systems with customer 360° view

Online self-service options

3 Years

MPI 2.0

Supernova

Flexible products and omnichannel options

Data intelligence and mass automation

Business agility and knowledge workers

_____ 5+ Years



GUIDING PRINCIPLES

- **01** Customer experience drives improvements.
 - 02 Improvements must make financial sense.
- O3 Create a culture of continuous improvement through empowerment and automation.
- 04 Be a fast follower of industry best practices and trends.
 - 05 Engage stakeholders actively along the way.



August 17, 2021

"MPI UNDERSTANDS MY **NEEDS. THEY MAKE IT EASY AND EFFORTLESS."**

CUSTOMERS

"MPI IS FAIR, **TRANSPARENT** AND DOES THINGS RIGHT."

STAKEHOLDERS

The 5-Year Ambition

"MPI IS A REWARDING AND PROGRESSIVE PLACE TO WORK."

EMPLOYEES

Manitoba Public Insurance

JOURNEY TO 2.0

MPI 1.5

Nova

MPI 1.0

Financial performance

and customer focus

1 Year

Modernized core systems with customer 360° view

Online self-service options

3 Years

MPI 2.0

Supernova

Flexible products and omnichannel options

Data intelligence and mass automation

Business agility and knowledge workers

5+ Years

A TRANSFORMATION STORY

GUIDING PRINCIPLES

- 01 Customer experience drives improvements.
- 02 Improvements must make financial sense.
- 03 Create a culture of continuous improvement through empowerment and automation.
- 04 Be a fast follower of industry best practices and trends.
 - 05 Engage stakeholders actively along the way. PDF Page 13 of 16



Long-Term Goals

Customer Engagement: Exceptional customer experience

Effectiveness: Higher precision in claim determinations and reduced fraud

Efficiency: Higher process efficiency, cycle time and cost efficiency

Safer Roads: Continual reduction in serious collisions ahead of the national average on the Road to Zero

Employee Engagement: Empowered employees and high-performing teams



Customer Focus

Business Capabilities

People,

Culture,

Leadership

Product Innovation

MPI 2.0

5 Year Transformation Journey

> Process Automation

NOVA



Manitoba Public Insurance

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PDF Page 15 of 16

Planning Framework



Long Term Goals

how we measure success

5-Year Ambition

our transformation story

- 1. Aspiration Statements
- 2. Journey to 2.0
- 3. Guiding Principles

CAC (MPI) 1-3

Part and Chapter:	Part II, BAC	Page No.:	PDF Page 62 Page 6 of 10
PUB Approved Issue No:	Requested vehicle rate and any changes to other fees and discounts Ratemaking		
Topic:	Corporate Priority Revie	ws	
Sub Topic:	Basic Product Changes		

Preamble to IR:

3

MPI implemented the results of its Basic Compulsory Insurance Review effective April 1, 2021. The revised coverage levels are reflected in Appendix 1 of Part II Basic Autopac Coverage.

On page 6 of Part II (Basic Autopac Coverage), MPI states:

- 1 "Transitioning a customer's coverage 1 in the 2021/22 insurance year:
- 2 • Customers receiving a Renewal Notice/Statement of Account
- Notice (mailed 45 days prior to the product/term expiry) will have their coverage level defaulted to the level closest to what 4
- 5 they currently have. Comparable coverage is available for a
- 6 comparable cost. The Notice will also display a comparison of the
- 7 base premium for their current coverage, and the defaulted
- 8 (2021/22) coverage.
- 9 The Renewal/Statement of Account documents will be 10 accompanied by a cover letter, explaining the important
- 11 coverage changes, and how to read the annual notice. It explains
- 12 that:
- 13 o Customers who wish to accept their defaulted coverage
- 14 levels and have no other changes to their policy can pay
- 15 their Autopac as they usually do.
- 16 o Customers who do not want to keep the defaulted level

17	can change it, at no cost, by visiting an Autopac agent
18	before making a payment on their policy. They will
19	receive a new insurance certificate once the changes are
20	applied."

QUESTION:

- a) Please confirm that customer renewals have now been sent in 2021 with the information and format described in the preamble.
- b) Please estimate how many customer renewals have been sent as of July 15th, 2021, or at the time of preparation of this response, and also provide as a percentage of total renewals expected in 2021.
- c) Please describe in a narrative form the feedback received from policyholders regarding the revised basic Autopac coverages in terms of the process and amounts of coverage, if any. Please include a discussion and quantification of any customer concerns that have been relayed to MPI either directly to MPI's call center, or through brokers.
- d) Please discuss any customer service issues experienced by brokers, or MPI as a result of the Basic product change. Please identify any issues that were not anticipated at the time of MPI's decision to select default coverage levels for customers to facilitate the Basic product change.

RATIONALE FOR QUESTION:

To understand the customer service implications of the Basic product change.

RESPONSE:

a) Confirmed.

- b) In the period April 1, 2021 to June 30, 2021 (i.e. first quarter of the 2021 fiscal year) MPI processed approximately 352,000 renewals and reassessments.
 - This represents approximately 33% of all policy holders that the CERP changes will effect. The number is higher than the 25% expected due to a higher number of corporate policies renewing in the month of April.
- c) Below is a summary of customer sentiments regarding CERP enhancements and service received:
 - Most customers feel they can make informed decisions and that their insurance needs are met
 - Most customers can easily understand information about these changes
 - Customers generally agree with some of the tenets behind making these changes
 - Brokers play a significant role in informing customers about these changes
 - Just over 25% of customers indicate having read the renewal notice

While the vast majority of customers understood the changes, a small number of continued to have a number of unanswered questions, including:

Deductibles

- they did not understand the changes in general (4%)
- the difference between the two \$200 options (4%)
- the rationale of why changes were made to deductibles (4%)

Third Party Liability (TPL)

- poor communication about TPL in general (2%)
- want to know more about what is covered by TPL (1%)

Maximum Insured Value (MIV)

- impact on cost to their policy/rates (1%)
- poor understanding about MIV changes in general (1%)
- d) Feedback received from customers and brokers resulted in a change related to the lack of differentiation on the insurance certificate between the \$200 Plus and \$200 Standard deductible levels. As a result of this feedback, customers who select a \$200 deductible level will now have the phrase "\$200 All Perils Standard" or the phrase "\$200 All Perils Plus" printed on their insurance certificate.

CAC (MPI) 1-4

Part and Chapter:	Part III Benchmarking	Page No.:	12
PUB Approved Issue No:	14. Operational benchmarking		
Topic:	BMK.3.1 Customer service measures		
Sub Topic:			

Preamble to IR:

On page 12 of Part III (Benchmarking) the corporation indicates that it is redesigning the overall customer experience.

- 10"As part of this redesign, MPI engaged
- 11 Forrester Research Inc. (Forrester) to provide customer experience metrics tailored to
- 12 its business model. Forrester uses proprietary customer experience metrics developed
- with more than seven hundred brands across sixteen industries, and has historical
- 14 data going back more than a decade. Its Customer Experience Index (CX Index™)
- 15 score offers competitive benchmarking to the Canadian auto and home insurance
- 16 market and to other public auto insurers in Canada, and specifically to SGI."

Question:

Please file a copy of Forrester Research Inc. customer experience metrics report prepared for the corporation.

RATIONALE FOR QUESTION:

To better understand the detailed customer experience metrics developed by Forrester for MPI.

RESPONSE:

Please refer to <u>Attachment A</u>, for which MPI is seeking confidential treatment.

Attachment A: Forrester MPI CX Index Measurement Refresh Mar 2021

This material is the subject of a confidential motion.

CAC (MPI) 1-5

Part and Chapter:	Part III Benchmarking	Page No.:	25
PUB Approved Issue No:	14. Operational benchm	narking	
Topic:	Ratio of Staff to Manage	ment	
Sub Topic:			

Preamble to IR:

On page 25 of Part III (Benchmarking) Figure BMK – 17 indicates a span of control statistic for MPI of 14.3 (Ratio of Staff to Management) compared to SGI and ICBC of 8.0.

QUESTION:

Please provide a narrative discussion, reflecting on best practices, as to the optimal span of control for MPI.

RATIONALE FOR QUESTION:

To better understand and assess the optimal span of control for MPI due to the significant difference among the three crown corporations.

RESPONSE:

MPI, as part of its internal organizational design practice, continuously assesses the optimal ratio of employees to leaders. MPI completed its review to ensure effective interaction and communication between each level within the organization.

In its review, MPI focused on ensuring the correct span and assessment of:

- breadth of responsibility and authority;
- level of complexity and creativity in relation to innovation and improvement;

- reporting relationship and number of direct reports;
- · operational and strategic level of work;
- level of financial authority;
- scope of impact to organization; and
- internal and external stakeholder communications.

In review of the optimal staff to management ratio, MPI continually assesses the spans of controls relative to its peers. MPI has a greater ratio of staff to managers relative to SGI and ICBC, as MPI strives to operate on a lean capacity model.

CAC (MPI) 1-6

Part and Chapter:	Part III Benchmarking, BMK Appendix 1	Page No.:	9
PUB Approved Issue No:	14. Operational benchmarking		
Topic:	Gartner Recommendations 5.07		
Sub Topic:			

Preamble to IR:

On page 9 of BMK Appendix 1 (Gartner Recommendations) it states under current status:

"As noted in GRA 2020 MPI does not currently have the capability to do the suggested level of tracking and chargeback. This capability was explored and costs exceeding \$350,000 one-time, with an ongoing cost to maintain. It is not an investment MPI plans to make at this time."

"MPI has created a cost model for its applications for review and evaluation by external parties as part of the Legacy Modernization assessment and Nova project."

QUESTION:

Please provide a copy of the cost model referred to in the Preamble.

RATIONALE FOR QUESTION:

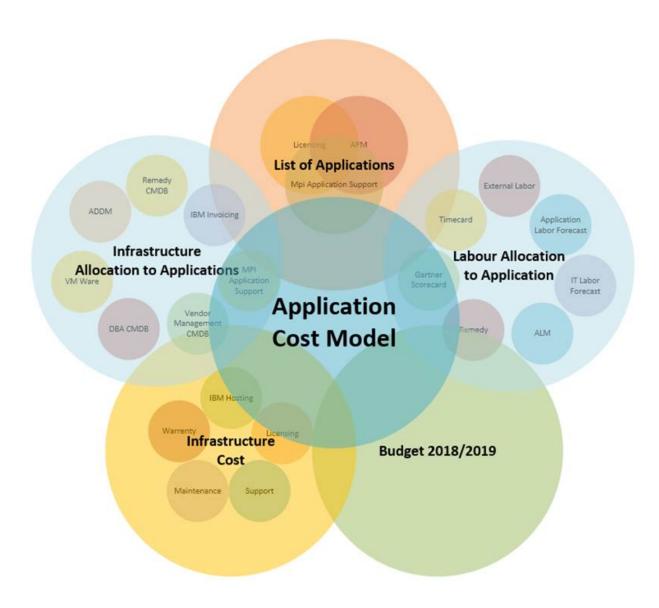
To understand and examine cost model referred to in the Preamble.

RESPONSE:

As part of the Legacy Modernization Assessment, Deloitte and Avasant were each charged with creating a NOVA business case that included an evaluation of the approximate costs to operate the individual legacy systems used by MPI. To assist in this work, MPI developed an Application Cost Model. While the cost model achieved its purpose, it was not sustainable due to its complexity and the resources needed to maintain the underlying data. The model was also not suitable for the purpose of allocating IT costs or for use as an application to chargeback to the other divisions/departments.

Please refer to <u>Appendix 1 - Application Cost Model - Methodology Exclusions and Allocation Logic</u> for an overview of the purpose of the Application Cost Model, its key concepts and which costs were included and excluded.

Application Cost Model Key Concepts, Assumptions, & Allocation Methods



May 24, 2018

Overview:

This paper is meant to provide an overview of how the application costing exercise was conducted. It provides an outline of which costs were utilized, and how these costs were distributed amongst the various applications. The initial section provides some of the key concepts used to develop the application cost model. Section 2 provides the details regarding which costs were included or excluded in the exercise, and how they were distributed across the applications. It is important to remember that this costing exercise was intended to provide a rough order of magnitude of the costs required to run applications at MPI, and the costs generated should not be confused with or used to represent a total cost of ownership.

Section 1: Key Concepts

Application Groups - Unique Key

As this is MPI's initial attempt at undertaking a robust application costing exercise it is worth stating that the data collection effort represented a significant challenge for the teams, as the data sources lacked any standardization in terms of naming conventions, groupings and other necessary metadata the team was interested in. The level of detail in the budgets, Remedy, ALM, Timecard, MPI App Support, IBM, Database group, and other data sources varied significantly so it became necessary to create a common "key" in order to pull the varied source data together. The manner in which the costs were uncovered from the source systems in part defined how the application groups came into being. As an example, if MPI was billed by a vendor for a "group" of applications (i.e. Infor) then that collection of applications was given an application group name (Infor HR & Finance) and a unique cost group number (156).

Once the unique "key" was developed it had to be applied to every item used in the model (every budget line item, server, database, application, etc.). This was done in order to group things together in a consistent manner. The key went through several iterations as new expenses were analyzed and new application groupings were discovered. The final groupings can be reviewed under the "App Mapping" tab of the "Application Cost model" spreadsheet. As part of the costing model review process and socialized among ITBT senior management, it is feasible that further refinement of the groupings may be necessary.

Inclusions/Exclusions

General exclusions from this model include the initial implementation costs, major upgrades and any decommissioning activities that are typically handled through MPI's Business Transformation Office. If this exercise expands to become a total cost of

ownership exercise then these items would need to be pulled from our project teams and incorporated. In some instances our applications have evolved over a number of decades and gathering all costs would be very difficult.

All Business Transformation Office budgets were not considered in this analysis as the expenses are not considered part of the day to day running of an application. A list of specific budget items excluded from the 2018/19 budget has been attached as a separate spreadsheet.

The model has been updated to utilize the new 2018/19 ITBT budget as its starting point. For each expense category, a determination was made as to what expenses to include in the application cost model and what expenses to exclude. In all cases the budget details were scrutinized and a determination was made on whether or not to allocate it to the various applications. All expenses associated with running an application were included. In the end, over 50 million dollars was assigned to approx. 260 application groupings.

An overall listing of the 2018/19 budget and which expenses were included in the cost model are presented below:

	ITBT Expense		
Expense Category	Budget (2018/19)	Include	Exclude
1. Amortization - Capital Assets	redacted	\$ -	redacted
2. Amortization -Def. Dev. Costs	redacted	\$ -	redacted
3. Compensation	\$ -	\$ -	\$ -
4. Data Processing:			
A. Data Processing - IBM Data Center	redacted	redacted	\$ -
B. Data Processing - IBM Security Operations Center	redacted	redacted	
C. Data Processing - Software Licensing	redacted	redacted	
D. Data Processing - Software	redacted	redacted	
E. Data Processing - External Labor IT	redacted	redacted	redacted
F. Data Processing - External Labor Tech Arch	redacted	redacted	redacted
G. Data Processing - Hardware Maintenance	redacted	redacted	redacted
H. Data Processing - PDF Conversion (DLS)	redacted	redacted	
Sub Total Data Processing	redacted	redacted	redacted
5. Special Services	redacted	redacted	redacted
6. Corporate Training	redacted	redacted	redacted
7. Community & Corp. Relations	redacted		redacted
8. Miscellaneous	redacted		redacted
9. Memberships & Conferences	redacted		redacted
10. Telephone/Telecommunications	redacted		redacted
11. Travel And Vehicle	redacted		redacted
12. Printing/Stationery	redacted		redacted
13. Furniture And Equipment	redacted		redacted
Total ITBT Expenses	redacted	redacted	redacted
Items added from External Budgets:			
14. Mitchell Licensing		redacted	
15. Internal Labor Benefits ITBT		redacted	
16. Facilities Costs (Estimated at 5% of Comp) ITBT		\$ -	
17. Support from Finance/HR/Driver Fitness and			
Licensing - Comp & Benefits		redacted	
rounding			
Totals Included/Excluded	redacted	redacted	redacted

Section 2: Assigning Costs to Applications

This section provides the specifics of each budget category and outlines which costs were included and excluded, and the assumptions used to allocate the expenses to the various applications.

Overall, the exercise was meant to get a sense or rough order of magnitude of what MPI's annual costs are to run the various applications. Given that MPI does not readily collect application specific information many of the costs had to be allocated to applications using a logical methodology to assign costs. When possible the costs were allocated using a data driven approach, in some cases a manual weighting was done whereby support teams or SME knowledge was utilized and last an equal weighting option was used on a limited basis when a logical allocation means was not available.

Part and Chapter:	Part III Benchmarking, BMK Appendix 1	Page No.:	15
PUB Approved Issue No:	14. Operational benchmarking		
Topic:	Gartner recommendation 6.01		
Sub Topic:			

Preamble to IR:

On page 15 Part III (Benchmarking, BMK Appendix 1), Gartner makes the following recommendation:

"6.01 Develop a plan to enhance IT staff development through more formal skills and training."

The current status is as follows:

"MPI has a staff development plan as part of its performance management system. This plan is developed with the manager / supervisor and incorporates corporate needs into it. Staff with completed development plans have access to digital courses through a subscription service, which they can complete during the work day. This is part of each director / manager's objectives in 2021/22 FY.

MPI is working on a larger skill development strategy as part of the project Nova. While work was complete in 2021/22 FY more is required before this recommendation is fully addressed."

QUESTION:

- a) Please file a copy of the "skill development strategy' being developed as part of the project Nova.
- b) Please provide a narrative discussion whether the Skills Framework for the Information Age (SFIA) guiding principles are considered in the skills strategy referred to in a. above. If not, why not and if yes, please elaborate.

RATIONALE FOR QUESTION:

Project Nova is a major organizational transformation project requiring many new skills in order to be successful. SFIA provides guidance for many of these new skill requirements.

RESPONSE:

a) There are different pieces of work related to the "skill development strategy" for NOVA as well as for MPI beyond NOVA (i.e. "MPI 2.0"). Some of this work is in progress while other parts remain in the planning stage. At the highest level, a knowledge management strategy captures the overall approach to training and documented procedures. MPI is working on three areas to ensure its understanding of the skills and abilities it requires for NOVA and MPI 2.0.

1. Current employees working on NOVA:

MPI identified known technical training (Mulesoft, Azure Dev Ops, Duck Creek, SAFe, Agile etc.) for existing NOVA resources and enacted a process where its training team receives notice of new resources in order to arrange for training. Regular reporting ensures that employees working on NOVA have the required training/certification.

MPI also has a "self-sufficiency" plan to ensure future operational resources (some currently assigned to NOVA while MPI will assign others after NOVA goes

live) have the skills they require to support the new platforms and be self-sufficient. The first step defined the key capabilities and MPI engaged all of its System Integrators (SI's) to assist in identifying the skills including measurable success criteria to develop and support each of its new platforms. MPI will measure evaluation and tracking of progress towards self-sufficiency on each of the platforms through scorecards and a dashboard of progress towards the identified success criteria.

2. The stakeholders and end users that will be impacted by Nova:

As stated above, MPI completed a program level knowledge management and training strategy. It identified and validated impacted stakeholders through the Discovery period. As it progresses through the program, MPI will complete detailed change impact assessments based on end to end user process flows and other documentation in order to understand more detailed changes to the processes, systems and people. In addition to this, MPI will complete a training needs assessment for each phase of the program that will identify skills gaps and define training needs and the procedures required at the end user level. This needs assessment will inform the curriculum and overall training, communications and knowledge management plans for each release. In addition to the planned go live training, engagement activities including model office demos, leadership engagement sessions, and the super user network will prepare end users and provide them with early awareness of and familiarity with the new applications.

Identification of future skills (longer term than Nova) required for employees ("Talent 2.0")

MPI recognizes that it needs to build a skilled workforce for the digital age. One of its strategic initiatives ("Talent 2.0") focuses on creating a plan to address and close any gaps between its current and future workforces. The People and Culture division of MPI leads this strategic initiative and will consider both identifying the required skills as well as attracting and retaining talent to meet the needs of the business. As it learns more about the changes and impacts to

its workforce and the target operating model through NOVA, MPI will collaborate with the People and Culture Division to ensure alignment.

b) There have been various approaches considered and the SFIA could be used as MPI builds out the strategy and plan for Talent 2.0.

Part and Chapter:	Part III – Benchmarking, BMK Appendix 3	Page No.:	2 and 6
PUB Approved Issue No:	14. Operational benchmarking		
Topic:	Gartner Executive Summary Repo	ort	
Sub Topic:			

Preamble to IR:

Gartner states its point of views on the insurance industry on page 6, bullet 3 is as follows:

"Insurance CIOs project increased investment in many technologies for 2021, but it is

highly likely they will need to prioritize due to investment and talent issues."

QUESTION:

- a) Please provide a narrative discussion on the various 'talent issues' MPI is facing and how this might impact Project Nova in its successful implementation.
- b) Please file a copy of Gartner's Full Information Technology Benchmark Report (FY 2019-2020).

RATIONALE FOR QUESTION:

To assess the talent issue MPI may be facing and the resulting impact on Project Nova as well as be able to review Gartner's full IT benchmark report.

RESPONSE:

- a) Please see CAC (MPI)-1-7 which outlines skill development for NOVA and beyond NOVA.
- b) Please see <u>Attachment A</u>.

Attachment A: IT Benchmark FY2019-2020

This material is the subject of a confidential motion.

Part and Chapter:	Part III BMK	Page No.:	PDF Page 166 Page 7 of 30		
PUB Approved Issue No:	14. Operational benchmarking				
Topic:	Vehicle Rate Benchmarking				
Sub Topic:	ICBC Rates				

Preamble to IR:

At PDF Page 166, MPI states:

"The passenger vehicle rates used in the comparison are based on an average of the rates of up to ten competitors in each jurisdiction with private insurers. Currently, a third party data service that provides comparative rates from private insurers for vehicles in Canada does not exist. The exercise collected these rates from a broad sample of quotes obtained online. For Regina, Winnipeg, and Brandon, it is a single rate. SGI provided the rates for Regina. Rates for Vancouver are unavailable."

QUESTION:

- a) Please explain why rates for Vancouver are unavailable, either through MPI's third party data service provider, or directly from ICBC.
- b) Please discuss if ICBC's shift to no-fault insurance increases the relevance of comparison of MPI rates to ICBC, and any other factors that lend themselves to meaningful comparison between MPI and ICBC rates.

RATIONALE FOR QUESTION:

It is noted that MPI has helpfully provided a number of a rates comparisons across many jurisdictions in Canada, but a key insurance provider is not included in this reporting, and the implications of this exclusion need to be understood.

RESPONSE:

- a) MPI conducted an online search for passenger vehicle rate information in Alberta, Ontario, Quebec, and the Maritime provinces, and requested rate information directly from SGI and ICBC for Saskatchewan and British Columbia. At the time of collection, ICBC was unable to make their information available. MPI will add ICBC motorcycle and passenger vehicle insurance rate information as an addendum, once it arrives. The third party data service provider used by MPI previously no longer offers this service.
- b) The impact on insurance premiums of a no-fault insurance system compared to a tort insurance system is significant. Therefore, MPI anticipates that the introduction by ICBC of a no-fault insurance model will result in a more relevant rate comparison between MPI and ICBC. Nevertheless, the models MPI and ICBC employ make use of different rating factors, mandatory coverage levels, maximum coverage limits, and discount models. Any future rate comparison between MPI and ICBC must still consider these factors.

Part and Chapter:	Part III BMK Appendix 2	Page No.:	PDF Page 208 Page 2 of 20	
PUB Approved Issue No:	14. Operational benchmarking			
Topic:	Benchmarking			
Sub Topic:	Variation in MPI rates across driver profiles			

Preamble to IR:

It is noted that Passenger Vehicle rates across driver profiles for Winnipeg and Brandon vary with age.

QUESTION:

- a) Please confirm that assumed DSR vehicle discounts are driving the difference in vehicle premiums in across age profiles. Stated differently, a 21 year old driver, claims and conviction free, will not have climbed as high on the DSR scale as a 50 year old male.
- b) Please explain if there are any other factors that would drive different in premiums between age profiles within Manitoba.

RATIONALE FOR QUESTION:

To clarify the results of the Passenger Vehicle Rates Comparison.

RESPONSE:

a) MPI accounted for the Driver Safety Rating (DSR) system in its passenger vehicle rates comparison methodology. Driving history is the key factor in determining placement on the DSR.

- b) MPI determines premiums within Manitoba based on a combination of the following four objective, risk-based factors:
 - 1. **The vehicle** Insurance costs are determined in part by the claims costs associated with the year, make and model of the vehicle.
 - 2. **Where the driver lives -** Manitoba is divided into four territories for vehicle rating purposes. Each geographic region is identified with varying degrees of risk. Winnipeg is in Territory 1 and Brandon is in Territory 2.
 - 3. **Vehicle use -** Insurance rates differ depending on what a vehicle is used for.
 - 4. Driving record The DSR scale has 36 levels and the position of a driver on the scale depends on their driving history. Each year of safe driving without any at-fault claims, traffic convictions, or drug or alcohol-related administrative suspensions, will move the driver one level up the scale. High-risk driving, including traffic convictions, at-fault claims, or alcohol or drug-related administrative suspensions, will move a driver down the scale. Moving up the scale means lower premiums. Conversely, moving down the scale means higher premiums.

MPI included these risk-based factors in its passenger vehicle rates comparison methodology.

Part and Chapter:	Part III BMK	Page No.:	PDF Page 172 Page 13 of 30	
PUB Approved Issue No:	14. Operational benchmarking			
Topic:	Customer Satisfaction			
Sub Topic:				

Preamble to IR:

At PDF page 172 MPI states:

- "The following overall satisfaction results are based on tracking surveys in 2020/21:
- Physical damage claims: 86%
- Injury claims: 71%
- Policy only insurance transactions: 93%
- Driver's licence only transactions: 93%
- Combined transactions (had both policy and driver's licence): 94%"

At PDF page 175 MPI states:

- 10 "About six in ten Manitobans agree that MPI:
- Provides exceptional injury coverage
- o 59% agree including 37% who strongly agree (6-7 of 7) and 23% who
- somewhat agree (5 of 7).

experience

- o It should be noted that when asked about injury coverage, 16% of
- 15 Manitobans say they do not know; this may reflect a lack of
- with injury claims."

QUESTION:

- a) Please prepare a table with historical figures for the categories noted in the preamble, dating back to the inception of the CX metric. Please discuss any trends in the CX scores, and any known explanatory factors.
- b) Please discuss any known reasons for PIPP Coverage having among the lowest satisfaction rate in CX scores. Please reconcile this result with MPI's own assessment of PIPP Coverage, and describe any efforts MPI is undertaking, or considering to address customer satisfaction score.
- c) Is MPI planning to do any consumer engagement to increase knowledge of MPI injury coverage? If not, please explain why not. If yes, please elaborate on the type of engagement and timing.

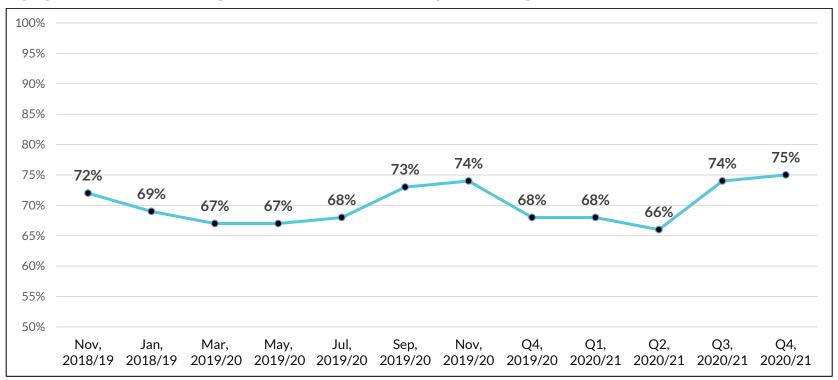
RATIONALE FOR QUESTION:

To understand MPI's performance and approach to managing customer satisfaction.

RESPONSE:

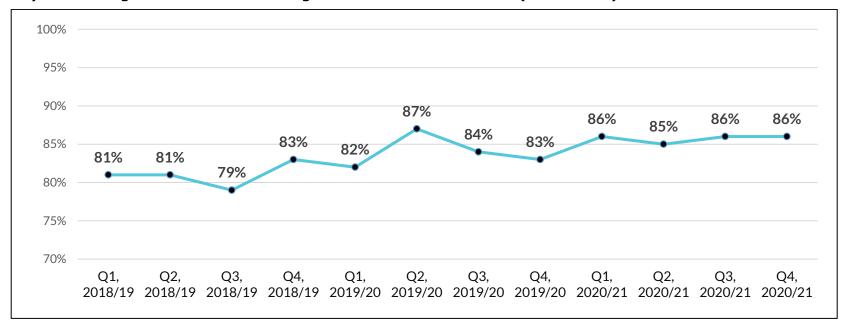
a) Please refer to the following charts:

Injury Claimants CX Tracking: Overall Claim Satisfaction (% satisfied)

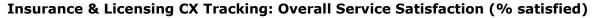


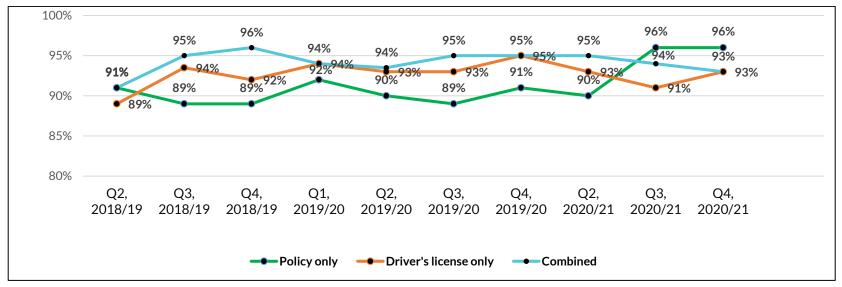
Manitoba Public Insurance Page 3 of 8

Physical Damage Claimants CX Tracking: Overall Claim Satisfaction (% satisfied)



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Notes:

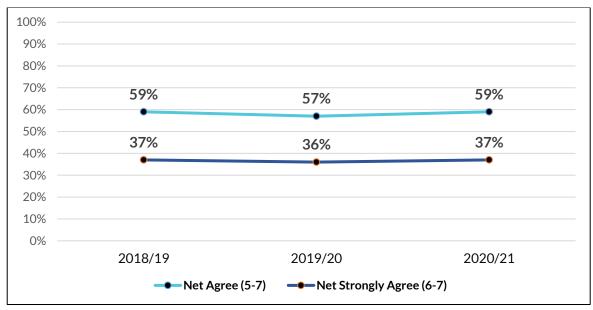
- Customer and claimant satisfaction metrics were revised throughout 2018 with the adoption of the CX Program.
- In Q4, 2019/20, the Injury CX Tracking transitioned from bi-monthly to quarterly reporting.
- Claimants deemed to be *satisfied* provided a 6 or 7 response on a seven-point scale. This narrow 'top box' for CX metrics was adopted by the Corporation to hold itself to a high standard for evaluating satisfaction with its products, policies, and services.

Analysis:

- Injury claimant overall satisfaction has been relatively consistent since November, 2018/19, with a historical range of nine percentage points (low = 66%; high = 75%).
- Those deemed not satisfied (1-5 responses) are asked to suggest possible improvements. these most often include:
 - To extend benefits / allow me to receive benefits longer.
 - o That Case Managers keep in regular contact / provide more communication and updates.
 - That Case Managers return calls and emails faster.
- It is likely that there has been recent improvement in Q3 and Q4, 2020/21. In this time frame, notably fewer customers suggested Case Manager contact as a possible improvement

Manitoba Public Insurance Page 5 of 8





	2018/19	2019/20	2020/21
1 Strongly Disagree	5%	4%	5%
2	3%	5%	3%
3	6%	7%	5%
4	13%	14%	12%
5	22%	21%	22%
6	23%	20%	22%
7 Strongly Agree	14%	16%	15%
Don't know / no response	15%	14%	16%
Net Agree (5-7)	59%	57%	59%
Net Strongly Agree (6-7)	37%	36%	37%

Notes:

- The annual Pulse of the Public (PoP) survey was revised and updated for the 2018/19 year and a seven-point scale was introduced.
- PoP is a general population survey of Manitobans and therefore differs from CX Tracking surveying of customers and claimants who had recent experiences with the Corporation.

- b) Through the CX Program, and as noted in the Benchmarking section (BMK 1.1) and its Annual Report, MPI conducts an annual measurement with the assistance of Forrester Research. Through this research:
 - The key metrics measured are the CX Index[™] Score and E₃SA (Effectiveness, Ease, Emotion, Satisfaction, and Advocacy);
 - The key metrics are further analyzed by customer and claimant segments;
 - The CX Program assesses bodily injury claimant metrics in two segments:
 - Less serious claims (e.g. not requiring a Case Manager, claimants still able to perform usual day-to-day activities);
 - More serious claims (e.g. requiring a Case Manager, claimants unable to work);
 - Metrics are compared to previous results to determine successes and areas of focus; and
 - The CX Program conducts driver analysis to determine which sentiments most impact the CX Index[™] Score (MPI uses these priority drivers to identify potential improvements in the customer experience).

CX Index[™] and E₃SA Metrics for Bodily Injury

	Less	Less Serious Claims		More	Serious Cla	aims
	2020/21	Delta	2019/20	2020/21	Delta	2019/20
CX Index™ Score	76.8	^	72.2	68.1	^	60.7
Effectiveness	82%	^	77%	69%	^	61%
Ease	79%	^	75%	74%	^	61%
Emotion	67%	^	61%	57%	^	50%
Satisfaction	72%	^	63%	62%	^	57%
Advocacy	60%	^	54%	49%	•	56%

Notes:

- The overall CX Index™ score ranges from zero to 100 and is considered excellent if in the 80-100 range, good in the 70-79 range, okay in the 60-69 range, poor in the 50-59 range, and very poor if less than 50.
- E3SA measures are based on a seven-point scale, with those deemed to agree or are satisfied providing a six or seven response.
- Green arrows indicate a statistically significant increase.

Driver Analysis of Bodily Injury Claimants

The priority drivers identified in the 2020/21 annual CX Index[™] survey for bodily injury claimants are:

- Makes me feel like a valued customer
- Has employees that listen to me and understand my needs/questions
- Resolves problems/ issues quickly
- Has high quality information, products, services or benefits
- Processes transactions/ requests quickly

MPI identified areas of focus to improve customer experience by examining the priority drivers in conjunction with sentiment analysis of ongoing customer feedback. MPI formed committees of front line staff who championed improved customer experience in conjunction with leadership. These committees focused on providing better mechanisms for claimants to be able to speak to a case manager, and improving clarity on forms. This led MPI to implement standards and protocols regarding customer communication and redesign the information shared with claimants regarding the PIPP program. The results of these improvements are the increased satisfaction ratings seen in Q3 and Q4 of 2020/21.

c) As it matures in its evaluation of customer experience and looks at mechanisms to improve the experience, MPI may explore options to increase consumer engagement. However, MPI is currently focused on using the data and insights collected to improve the experience of its active injury claimants. MPI will continue to evaluate next steps as it progresses, in order to ensure continuous improvement as it relates to the overall injury claims experience.

Part and Chapter:	Part III, BMK	Page No.:	PDF Page 184 / Page 25 of 30 Figure BMK-17		
PUB Approved Issue No:	14. Operational benchmarking				
Topic:	Benchmarking				
Sub Topic:	Crown Benchmarking Results				

Preamble to IR:

Figure BMK-17, and at PDF page 187 MPI states:

- "3 MPI staff vs. management ratios are higher than SGI and ICBC who both reported a
- 4 metric of 8. However, overall gross expenses per FTE of MPI are considerably lower
- 5 than those of the other Crown Corporations and its vertical integrated serving
- 6 offerings do require greater staff input. MPI continues to trend favorably in this metric
- 7 based on its historical internal trend."

QUESTION:

- a) Please discuss the reasons for MPI's "FTEs per \$100 Million of Gross Premium Written" (line 1 of Figure BMK -17), exceeding peers by over 20%. Please also discuss the implications of relative rankings of Staff and Management FTEs across the three insurers.
- b) Please explain what is meant by "Average Gross Premiums Written" (at line 5 of Figure BMK-17). Specifically, please explain what are Gross Premiums Written being averaged over (years, customer classes etc?).

- c) Pease provide details of line 8, "Gross Premiums Written Growth", indicating the reason MPI's result is significantly higher than peers, and the drivers of MPI's results.
- d) Please discuss any insights MPI has with respect to ICBC having the lowest "FTE per 100M in GPW", the lowest "Total Gross Expense as a % of GPW", as well as the highest "Gross Premiums Written per FTE" and the "Adjusted Policies in Force per FTE". Please also comment on the relative parity in Total Gross Expense per FTE between ICBC and MPI, as context for the above answer.
- e) Please provide a discussion comparing and contrasting the results of "Total Gross Expense per Adjusted Policies in Force" and "Total Gross Expense per FTE", providing as available, MPI's understanding of the reasons for the relative differences in these metrics.
- f) Please discuss, in detail, any strategies or approaches MPI will now pursue as a result of the crown benchmarking exercise, related to FTEs, Expenses, or other metrics identified in BMK Appendix 4.

RATIONALE FOR QUESTION:

To understand the results of the Crown Benchmarking exercise, and the actionable items stemming from it.

RESPONSE:

a) The MPI FTEs per \$100 million of GPW ratio of 117.1 is higher than SGI and ICBC, which have a FTEs per \$100 million of GPW ratio of 94.8 and 84.4, respectively. MPI decreased this ratio from 148.3 in 2013/14 to 117.1 in 2019/20, representing a decrease of 21% over a period of seven years.

MPI has a higher FTEs per \$100 million of GPW because of its unique business model, which provides end-to-end customer service performed by MPI employees and requires more employees than SGI and ICBC. Despite this, as

the results show, MPI made significant progress in lowering this ratio over the past several years.

The Staff to Management ratio of 14 for MPI (relative to 8.0 for both SGI and ICBC), highlights its lean management relative to staff numbers. As part of its internal organizational design practice, MPI continuously assesses the optimal ratio of employees to leaders to ensure effective interaction and communication between each level of the organization.

- b) Average Gross Premiums are the Gross Premiums Written in the year, and there is no averaging of the premiums written in the year. MPI will replace the term "Average Gross Premiums" with the term "Gross Premiums" for the year.
- c) Premiums Written Growth vary on a yearly basis due to Government mandates and the rate setting processes within the particular Crown entities, which makes comparing it difficult. Gross Premiums Written Growth for 2019/20 was 6.9%, calculated as the Gross Written Premiums from 2018/19 of \$1.07 Billion divided by the 2019/20 Gross Written Premiums of \$1.14 Billion.

The Public Utilities Board (PUB) approves the rates of MPI and, effective April 1, 2021, the average Basic Insurance rates for 2021/22 insurance year decreased overall by 8.8%. On June 28, 2021, MPI filed its general rate application for the 2022/23 fiscal year with the PUB and requested a provisional 2.8% overall rate decrease.

d) ICBC has the lowest FTE per 100M in GPW, Total Gross Expense as a % of GPW, as well as the highest Gross Premiums Written per FTE and the Adjusted Policies in Force per FTE, due to the size and scale of ICBC relative to MPI, creating economies of scale within the operations.

The primary reason for this better ratio is that the ICBC GPW is \$3.58 Billion relative to \$1.14 Billion for MPI and that ICBC has 3.85 million policies in force relative to 1.15 million policies in force for MPI. The larger GPW and policies in force allows for the greater revenue to absorb operational demands and require

less FTEs, and lower expenses to service the operations as economies of scale are recognized.

e) The Total Gross Expenses of MPI as per policies in force of \$129.9 is considerably better than SGI, which had a ratio of \$177.2 and is worse than ICBC, which had a ratio of \$97.8. ICBC performed better mainly because it has three times as many policies in force as MPI. MPI performs well when compared to SGI, which has a similar number of in-force policies. MPI also has a lower expense base compared to SGI, as it operates on a lower expense basis.

Additionally, the Total Gross Expenses per FTE of MPI of \$111K exceeds both SGI and ICBC, which have metrics of \$183K and \$124K respectively, which further supports the lean expense management of MPI.

f) MPI will continue to work with its peers to support and perform the Crown Benchmarking exercise and update for 2020/21 year-end figures. MPI will then review the results of the exercise internally and explore the next steps for strategic-alignment. MPI will provide further updates on progression during the 2023 GRA.

Part and Chapter:	Part III BMK Appendix 1	Page No.:	PDF Page 192 Page 3 of 17
PUB Approved Issue No:	14. Operational benchmarking		
Topic:	Benchmarking		
Sub Topic:	Gartner Recommendations		

Preamble to IR:

At PDF page 192, Current status of Recommendation 5.02 states:

"As part of the IT transformation a separate EA directorate has been created and staffed with resources focused on this discipline. MPI will provide an update in GRA 2023 but expects to be able to complete / close this recommendation by that time."

QUESTION:

- a) Please provide details of the new directorate, including number of FTEs and their impact to normal ops (or initiatives), and impact to capital spending and/or operations spending.
- b) Please indicate the number of net new FTEs and net new salary expense required to staff this directorate.

RATIONALE FOR QUESTION:

To assess and understand the cost impact of the new directorate in Enterprise Architecture.

RESPONSE:

a) and b)

The <u>VM Appendix 1 IT Transformation Business Case</u>, filed in the confidential module, contains all the detailed information about the new directorate, including the absence of impacts to normal operations and capital expenditures.

In terms of new FTEs, the business case forecasts three new positions, with a net new salary of \$303,597.00. For detailed information, please refer to <u>VM Appendix</u> <u>2 IT Transformation Business Case Financial Analysis - Confidential</u>, Summary of Staffing tab.

Part and Chapter:	Part III, BMK Appendix 1	Page No.:	PDF Page 195 Page 6 of 17		
PUB Approved Issue No:	14. Operational benchmarking				
Topic:	Benchmarking				
Sub Topic:	Gartner Recommendation	ons			

Preamble to IR:

At PDF page 195, the Current status of recommendation 5.05 states:

"MPI will be updating the IT strategy to better align to the new corporate 3 and 5 year goals and aspirations and to reflect IT transformation. Once completed, this strategy will be filed."

QUESTION:

Please indicate when the IT strategy is expected to be filed, and if the filing will occur during the 2022 GRA proceeding.

RATIONALE FOR QUESTION:

To understand on which record of proceeding the newest IT strategy will be considered.

RESPONSE:

Please see PUB (MPI) 1-60, part b).

Part and Chapter:	Part III, BMK Appendix 1	Page No.:	PDF page 199 Page 10 of 17		
PUB Approved Issue No:	14. Operational benchmarking				
Topic:	Benchmarking				
Sub Topic:	Gartner Recommendation	ons			

Preamble to IR:

At PDF page 99, the Current Status of recommendation 5.09 states:

"MPI has formalized its approach to Strategic Sourcing and Vendor Management and combined several key departments into one directorate as part of IT transformation. An experienced Director was hired who brings industry experience and knowledge in all these areas. MPI expects all four points to be materially addressed this fiscal year."

QUESTION:

- a) Please provide details of the new directorate, including number of FTEs and their impact to normal ops (or initiatives), and impact to capital spending and/or operations spending.
- b) Please indicate the number of net new FTEs and net new salary expense required to staff this directorate.

RATIONALE FOR QUESTION:

To assess and understand the cost impact of the new Strategic Sourcing and Vendor Management directorate.

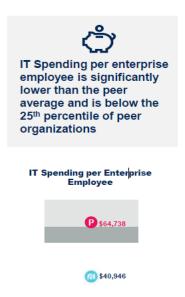
RESPONSE:

- a) The new directorate combined IT Vendor Management and Managed Services with the Purchasing department to standardize processes and ensure consistent policies and procedures to further ensure compliance with procurement law and purchasing directorates. There are currently 23 FTEs focused in the areas of Procurement, Vendor Management and Managed Services. The directorate supports Project NOVA, as well as IT transformation, including the development of a cloud strategy and the negotiation of cloud agreements. The new directorate oversees operational expenses including the 3rd party data centre, licence and maintenance costs and negotiates cost savings for new licences and maintenance costs. The directorate negotiates capital spending, including premises, to ensure advantageous pricing for MPI.
- b) Staffing the directorate requires no additional FTEs or net new salary expense. Please refer to CAC (MPI) 1-13 for the new directorate in Enterprise Architecture.

Part and Chapter:	Part III BMK Appendix 3	Page No.:	PDF Page 239 Page 13 of 23	
PUB Approved Issue No:	14. Operational benchmarking			
Topic:	Benchmarking Gartner Executive Report			
Sub Topic:	IT Spending per enterprise Employee			

Preamble to IR:

At PDF page 239, the Gartner Executive Report FY2019-20 presents the following graphic:



QUESTION:

a) Please define "Enterprise Employee" used in this metric. And reconcile, as needed, against staffing measures reported in EXP Appendix 9-11, or similar to account for reporting period.

b) Please discuss the reasons for MPI having such a low spend per enterprise employee, and please further discuss the results of that metric relative to MPI's score on IT Spending as a Percentage of Total Operating Expense.

RATIONALE FOR QUESTION:

To understand Gartner's assessment on this metric, relative to other Gartner metrics.

RESPONSE:

a) As part of the IT budget assessment, Gartner requests Total Organizational Employees (including IT), defined as:

The count of employees (i.e., head count excluding contractors or consultants) regardless of whether these employees are frequent users of the technology supported by the IT organization.

MPI provided an actual count of 1770 and a budgeted count of 1890 reflecting a point in time within the 2019/20 fiscal year and a projection for the 2020/21 fiscal year. These counts compare with Appendix 9, figure 1.

b) In the benchmarking peers Gartner selected, the averages for the approximate number of employees (both enterprise and IT) aligned closely with MPI. However, for the revenue and operating expense size, the peer organizations tended to be larger.

As a result, while IT spend as a percent of overall IT expense percentages are similar between MPI and the peers; the peers had a larger absolute dollar expense for IT, thereafter divided by the similar number of enterprise employees (the dollar spend per employee of MPI thus fell below its peers).

Part and Chapter:	Part III BMK Appendix 1	Page No.:	PDF Page 241 Page 15 of 23
PUB Approved Issue No:	14. Operational benchmarking		
Topic:	Benchmarking Gartner Executive Report		
Sub Topic:	Evolving Criteria to Meet Gartner Maturity levels		

Preamble to IR:

At PDF page 241, Gartner states:



QUESTION:

Please provide additional details and discuss the reasons for MPI's declining scores in Infrastructure and Operations, Security and Risk Management, and Sourcing and Procurement, particularly in light of Gartner's noting improvement in Security and Risk Management.

RATIONALE FOR QUESTION:

To fully understand Gartner's assessment of MPI.

RESPONSE:

As part of that page, Gartner indicates two reasons for year over year maturity changes. These reasons are:

- 1. Change in the levels of MPI's IT Service Delivery
- 2. Evolving criteria required to meet a level of maturity defined by Gartner

The second point (evolving criteria, as defined by Gartner) was the key reason for changes which result in a small (0.01 on a 5 point scale) aggregate, year over year reduction in maturity. In a few cases, MPI learned more about what it needs to be successful in a specific capability and securing a downward adjustment of its scores. These two items combined provide the "new baseline" that MPI will use for future assessments.

Gartner prioritized the recommendations this year (page 242) to focus on the areas of greatest change and opportunity. They see continuous improvement initiatives coming from these recommendations. MPI links the recommendations to actions taken in the annual *BMK Appendix 1: Gartner Recommendations*.

Gartner had this to say n the heading for page 241:"... New baselines have been established in areas which can be linked to continuous improvement initiatives".

Part and Chapter:	Part III Benchmarking	Page No.:	23-24		
PUB Approved Issue No:	14. Operational benchmarking				
Topic:	Benchmarking				
Sub Topic:	Discontinuance of third party benchmarking services				

Preamble to IR:

MPI has indicated it has discontinued the services provided by Ward Group and Gartner. MPI has indicated it is currently exploring alternative benchmarking approaches, and for now, will use the Crown Corporation benchmarking with SGI and ICBC in reviewing MPI Operational Effectiveness.

QUESTION:

Please elaborate further on the alternative benchmarking approaches being explored by MPI. Specifically, is MPI considering retaining another firm to conduct benchmarking analysis and how will MPI ensure adequate benchmarking analysis going forward? Are there risks and/or advantages to doing benchmarking analysis in house versus retaining an external firm?

RATIONALE FOR QUESTION:

To better understand MPI's plan with respect to operational benchmarking going forward.

RESPONSE:

The priority of MPI is to provide exceptional value to all Manitobans by having a continuous improvement mindset, focusing on customer service and by embedding a high level of corporate performance in its operations. To ensure that it uses leading

practices and industry standards, MPI employs Benchmarking to compare its practices and performance against those of other organizations and to ensure a high level of performance against internal historical measures. MPI uses the resulting information to assess and enhance corporate performance.

MPI, in evaluating our Benchmarking methodologies, has considered;

- Internal benchmarking MPI has evaluated the internal metrics and performance to the budgeted expectations for financial performance, and operational performance;
- External benchmarking we have engaged with our peers within Canada [SGI and ICBC] to perform benchmarking against key performance indicators. MPI has deemed that SGI and ICBC are the appropriate peers to benchmark against due to the commonality of operations, and Governmental mandates/control; and
- Third Party Benchmarking we have considered the use of external benchmarking vendors, similar to the benchmarking exercises done with Garter in the past. The value and comparatives that are used by Gartner provide minimal value, when compared to Crown benchmarking as the comparatives are mainly profit centric companies with varying operational mandates when compared with MPI.

MPI filed 2019/20 Crown Benchmarking with SGI and ICBC. MPI will continue to benchmark against its Crown corporation peers on a yearly basis. MPI will also use third party benchmarking from time-to-time to ensure:

- additional best practices/integration to our profit centric private/public company peers within the Property & Casualty group; and
- it reduces the risk of not benchmarking against external peers outside the Crown comparatives with SGI and ICBC to ensure that there is through-

leadership in performance, benchmarking of people, processes, and technologies relative to industry.

MPI continues to work on finalizing the best model and approach for benchmarking and will update on progress.

Part and Chapter:	Part III Benchmarking Appendix 1: Gartner Recommendations	Page No.:	
PUB Approved Issue No:	14. Operational benchmarking		
Topic:	Gartner Recommendations		
Sub Topic:			

Preamble to IR:

Regarding many of Gartner's recommendations, MPI's status update indicates it will provide updates in the 2023 GRA.

QUESTION:

Please explain whether MPI intends to continue monitoring recommendations made by Gartner even though Gartner's services have been discontinued. If so, please explain how MPI intends to do this effectively?

RATIONALE FOR QUESTION:

To understand MPI's plan with respect to Gartner's recommendations.

RESPONSE:

MPI continues to monitor and track progress on all recommendations until completion and continues to provide updates as part of the GRA process. Based upon discussions with the Gartner benchmarking team, MPI understands what is required to complete each recommendation. MPI also retains access to Gartner research and analysts that can provide additional clarification or insight if required.

Part and Chapter:	Part V Pro Formas	Page No.:	8
PUB Approved Issue No:	9. Cost of operations and cost containment measure		
Topic:	Premium taxes		
Sub Topic:			

Preamble to IR:

Per PF-4 page 8 (Statement of Operations – 20/21 Comparative) indicates a premium tax expenses decrease of \$8.3 million from forecast of \$32.3 million to actual of \$24.0 million. Thereafter the Premium Tax expenses range \$32.6 million to \$38.2 million forecasted annually.

QUESTION:

Please provide the reason(s) for the significant premium tax expense decrease of \$8.3 million in fiscal 2020/21 from forecast to actual.

RATIONALE FOR QUESTION:

To clarify the premium tax expense decrease in 2020/21.

RESPONSE:

During the 2020/21, MPI rebated \$127 million in premiums to Manitobans and accrued an additional \$155 million of premiums, which it expects to rebate to Manitobans in 2021/22. As rebated premiums are not subject to the premium tax, the result is an actual premium tax amount that is lower than forecast by \$8.3 million.

Part and Chapter:	Part V Expenses Figure EXP-5 compared to Figure EXP-9	Page No.:	13 and 17	
PUB Approved Issue No:	9. Cost of operations and cost containment measure			
Topic:	Compensation Expenses			
Sub Topic:				

Preamble to IR:

Per Figure EXP 5 Compensation expenses, by fiscal year are as follows:

Expense (\$000)	2022/21A	2021/22FB	2022/23F	2023/24F	2024/25F	2025/26F
Salaries \$	134,096	145,275	149,528	151,260	144,466	148,255
% inc (dec)		8.4%	2.9%	1.2%	(4.5%)	2.6%
Benefits \$	36,628	36,496	36,567	36,642	37,377	38,120
% inc (dec)		a.	a.	a.	2.0%	2.0%

a. Negligible change.

Per Figure EXP 9 Compensation expenses, by fiscal year are as follows:

Expense (\$000)	2022/21A	2021/22FB	2022/23F	2023/24F	2024/25F	2025/26F
Salaries \$	132,706	142,274	146,325	149,237	154,757	160,482
% inc (dec)		7.2%	2.8%	2.0%	3.7%	3.7%
Benefits \$	36,628	36,496	36,567	36,642	37,377	38,120
% inc (dec)		a.	a.	a.	2.0%	2.0%

a. Negligible change.

QUESTION:

- a) Please explain the differences between Figure EXP 5 and 9—the salaries amounts are different and yet the benefit amounts are the same.
- b) Please provide a detailed explanation of the significant increases in salaries from 2020/21A to 2021/22FB including changes in FTEs, salary increases and/ or other compensation payments.
- c) In Figure EXP 5 provide explanations for the forecasted salary decrease of 4.5% and the forecasted benefit increase of 2.0%.
- d) For the fiscal year 2024/25 please reconcile the forecasted salary amounts between Figure EXP 5 and 9 and explain the differences.

RATIONALE FOR QUESTION:

To understand the changes in salary increases/decreases and benefit changes.

RESPONSE:

- a) Figure 5 reflects total corporate salaries. Figure 9 reflects salaries relating to normal operations, which would not include any salary expenses from improvement initiatives. Benefit forecasts do not include improvement initiatives.
- b) The variance in salary expenses from actual 2020/21 to 2021/22 budget are due to changes in FTE levels. Average actual FTE for the 2020/21A year is 1,801.3. The budgeted total corporate FTE is 2,017.4 in 2021/22B. Other changes include tax rate increases for 2021/22B fiscal year (i.e. CPP and EI).
- c) Forecasted salary decrease of (4.5%) projected in 2024/25 relates to FTE savings after NOVA implementation. Forecasted benefits are an estimate based on the cost of benefits which in future years has an estimated growth factor of 2% per year.
- d) Salary expenses differ in 2024/25 (normal operations to corporate salaries) due to estimated NOVA program costs and benefits. In Figure 5, total corporate includes

both the project benefits (savings as a result of FTE reductions) and costs of program implementation. Figure 9 reflects only normal operations, which would not have the program savings or costs as these are for future years. MPI did not adjust the normal operations salary expense for the salary amounts as they are currently projected as part of improvement initiatives until implementation.

Part and Chapter:	Part V Expenses	Page No.:	
PUB Approved Issue No:	9. Cost of operations		
Topic:	2020 Compensation rep	ort	
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 2020 to employees.

RESPONSE:

Please see Attachment A.



SCHEDULE OF COMPENSATION IN ACCORDANCE WITH THE PUBLIC SECTOR COMPENSATION DISCLOSURE ACT TOGETHER WITH AUDITOR'S REPORT

FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2020

Manitoba Public Insurance Page 1 of 22

COMPENSATION DISCLOSURE FOR 2020

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, 2020.

For the 2020 income tax year, Manitoba Public Insurance issued 2,120 T4 slips to full-time, part-time and temporary employees and officers. Manitoba Public Insurance had a monthly average of 1,802 employees during 2020. This schedule lists the compensation paid to 727 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 2020 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.

Manitoba Public Insurance Page 2 of 22



Independent auditor's report

To the Board of Directors of Manitoba Public Insurance Corporation

Our opinion

In our opinion, the accompanying financial information of Manitoba Public Insurance Corporation (the Corporation) for the calendar year ended December 31, 2020 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, 2020 and the note to the financial information, which includes significant accounting policies and other explanatory information.

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 and restriction on use

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 requirements of the Public Sector Compensation Disclosure Act of Manitoba. As a result, the financial information may not be suitable for another purpose. Our report is intended solely for the Corporation. We neither assume nor accept any responsibility or liability to any other third party in respect of this report. Our opinion is not modified in respect of this matter.



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, if any, and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

Manitoba Public Insurance Page 4 of 22



conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

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.

Chartered Professional Accountants

Pricewaterhouse Coopers LLP

Winnipeg, Manitoba June 24, 2021

Manitoba Public Insurance Page 5 of 22

		Total
<u>Name</u>	Position Title	Compensation
Abbott, D	Broker Services Administration Coordinator	82,405
Abraham, A	Manager, IT Service Management	118,163
Adams, S	Sr Case Manager	93,937
Addison, K	Manager, Special Accounts & Subrogation	154,559
Adolphe, L	Assistant Manager, Subrogation & Control	104,926
Agnew, R	Manager, Service Centre (Small)	129,113
Aguilar-Manalo, A	Accountant	82,850
Ahlbaum, C	Product Manager	117,737
Ahmad, A	Environment Coordinator	105,667
Alarie, M	Sr Estimatics Analyst	91,463
Albig, J	Database Administrator	91,750
Alexander, R	Sr Case Manager	87,868
Ali, H	Sr Cyber Security Event Analyst	92,426
Allard, L	Sr Adjuster	78,583
Aluko, F	Supervisor, Accounting	76,690
Amante, C	Supervisor, Contact Centre	77,246
Andersen, G	Director, Injury Claims Management	258,813 *
Anderson, L	Project Control Analyst	87,804
Anderson, L	Case Manager	78,500
Anderson, M	Research Technician	88,557
Andres, R	Supervisor, Rural Service Centre	103,911
Angus, C	Special Investigator	93,506
Arabsky, H	Director, Service Centre Operations	143,539
and the second s	ALON 187 TO THE COMP. COMP. 1999 TO THE COMP. 19	121,316
Arendt, E Armour, T	Supervisor, Application Services Supervisor, Driver Testing	83,350
Armstrong, J	Sr Case Manager	91,634
Arvidson, B	Supervisor, Rural Service Centre	95,759
Asif, S	Analyst	81,522
Audette, R	Analyst	83,592
Awoyemi, O	Data Scientist	92,255
Backstrom, J	Estimatics Coordinator	98,129
Bailer, K	Organizational Development Consultant	97,840
Baker, D	Special Investigator	84,919
Balasubramanian, S	Analyst	78,000
Balmer, R	Supervisor, IT Managed Services	99,984
	Special Investigator	86,709
Bannon, T	Supervisor, Driver Testing	79,825
Baran, T	Supervisor, Accounting	94,331
Barbour, M Barker, D	Manager, Broker Support & Autopac Services	129,276
	Digital Learning Specialist	76,260
Barker, R	Special Advisor	118,029
Barnett, P		
Barr, B	Estimator - Rural	79,678 83,082
Barrault, K	Analyst	
Barrault, S	Supervisor, Accounting	89,341 85,212
Bautista, R	Product Owner	85,213
Beaudoin, G	Supervisor, Injury Claims Management	98,897 87,835
Beaumont, R	Business Analyst	87,835

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<u>Name</u>	Position Title	Compensation
Beckett, D	Program Manager, Project Nova	81,922
Bell, N	HR Business Partner	86,346
Bell, R	Fair Practices Analyst	86,457
Beltran, L	IRI Analyst	87,449
Bergen, B	Business Process Architect	85,326
Bernardin, J	Case Manager	80,635
Bernardin, M	Supervisor, Driver Testing Quality Assurance	82,642
Bernier, M	Supervisor, Research Technician	94,852
Beron, D	Medical Fitness Administrator	85,802
Berry, D	Commercial Specialist	79,818
Betker, C	Application Services Lead	92,192
Betker, J	Analyst	87,821
Betker, M	SME - Sr Project Manager	93,469
Beyer, A	Legal Counsel 3	78,767
Bilonozhko, A	Commercial Specialist	82,011
Birch, G	Manager, Service Centre (Small)	134,165
Black, C	Vehicle Safety Officer	77,958
Blackman, J	Medical Fitness Administrator	85,358
Blain, S	Supervisor, Workforce Management	86,959
Blerot, G	Case Manager	80,221
Boblinski, T	Director, Talent & Organizational Development	160,144
Bodnarchuk, G	Accredited Repair Inspector	85,906
Bodz, V	Manager, Serious & Long Term Case Management	125,998
Bohemier, C	Community Relations Specialist	77,752
Bohonos, M	Supervisor, Customer Service Centre	77,019
Boitsov, O	Analyst	96,723
Bouchard, K	Supervisor, Rural Service Centre	83,366
Bouchard, R	Sr Case Manager	91,875
Bouchard, R	Estimatics Coordinator	88,887
Bourgeois, S	Supervisor, Estimating	83,403
Bourgouin, C	Project Manager	99,249
Boutet, K	Sr Case Manager	79,764
Bowering, J	Product Manager	113,925
Boyd, G	Sr Vendor Management Analyst	86,135
Brajczuk, K	Injury Mediation Specialist	79,406
Brannan, S	Supervisor, Technical Communications	82,817
Braun, K	Testing Analyst	83,094
Bravi, D	Information Security Architect	132,944
Breedon, E	Supervisor, Rural Service Centre	97,941
Briscoe, A	Internal Review Officer	94,346
Brisson, P	Special Investigator	96,431
Brooker, D	Research Technician	91,463
Brown, A	Supervisor, Injury Claims Management	98,673
30-001-00-00-00-00-00-00-00-00-00-00-00-0	50000 # 5000000 A 1000000 518 40000 # 5000000 6000000000 10000000000000000000	91,831
Brown, A	Supervisor, Claims	
Brown, T	Legal Counsel 4	150,821
Brownlee, H	HR Business Partner	91,533
Bruce, D	Building Systems Integration Specialist	90,843
Bruce, G Bryden, S	Adjuster/Driver Examiner Project Manager	100,869 * 89,155
bi yueli, 3	Froject Manager	03,133

		Total
<u>Name</u>	Position Title	Compensation
Buchan, L	SME - Organizational Change Management Consultant	88,875
Buchanan, M	Organizational Development Consultant	102,017
Buchberger, K	Sr Case Manager	98,026
Buizer, K	Special Investigator	93,090
Bunko, B	Vice President, IT, Business Transformation & CIO	258,355
Bunston, G	Manager, Investments	141,046
Burke, J	Corporate Application Architect	101,616
Burns, D	Product Owner	86,578
Burns, K	IRI Analyst	81,535
Burt, J	Operational Business Champion	248,683 *
Byrnes, J	Associate Database Administrator	75,144
Cabral, L	Internal Review Officer	92,582
Caillier, T	Sr Case Manager	94,096
Caligiuri, C	Sr Vendor Management Analyst	90,101
Cameron, E	Manager, Administrative Services	94,089
Campbell, C	Corporate Controller	125,929 *
Campbell, S	Corporate System Architect	148,909
Carias, H	Payroll Coordinator	105,762
Carriere, M	Supervisor, Salvage Operations	78,525
Carton, V	Supervisor, Underwriting	186,867 *
Castaneda, Y	Supervisor, Data Analytics	92,680
Castro, E	Analyst	87,989
Cawson, M	Driver Records Coordinator	81,658
Charles, D	Commercial Specialist	86,016
Chartrand, M	Sr Case Manager	87,933
Chastko, D	Compensation Analyst	103,113
Chaudhuri, A	Testing Analyst	87,875
Cheadle, A	Sr Road Safety Analyst	92,507
Chen, C	Sr Underwriter	75,512
Chernecki, P	Supervisor, Commercial Estimating	83,036
Cheung, M	SME - Business Analyst	78,838
Chicoine, C	Sr Database Administrator	106,479
Chimuk, D	Director, PDC Claims Operations	259,736 *
Chochinov, C	Assistant Manager, PIPP Support Services	85,967
Cholod, H	IT Operations Administrator	75,664
Chomski, A	Sr Investment Analyst	97,746
Christoph, J	PD Claim Audit Coordinator	101,052
Chuatoco, B	Sr Process Analyst	92,897
Clark, K	Sr Case Manager	89,086
Clarke, K	Deputy Registrar	103,955
Clearwater, T	Actuarial Analyst	89,578
Clemens, D	Supervisor, Communications Infrastructure	120,924
Cooke, R	Accredited Repair Coordinator	80,074
Corley, J	Commercial Specialist	85,738
Cormier, V	Product Manager	99,513
Costa de Albuquerque Meira, 1	Sr Regulatory Affairs Specialist	85,054
Cosyns, P	IT Change Management Specialist	87,032
Courchene, S	SME - Business Analyst	76,281
Court, T	Assistant Manager, Special Investigation Unit	104,871

Total

		Total
<u>Name</u>	Position Title	Compensation
Cowley, T	Assistant Manager, Special Investigation Unit	95,834
Cress, L	Campaign Specialist	75,072
Crittenden, R	Manager, Security Operations Centre	146,696
Crocker, K	Commercial Specialist	84,563
Crocker, W	Shop Relationship Advisor	98,633
Croker, B	Service Centre Representative - City	85,018
Crowe, M	Vehicle Safety Officer	75,449
Cruz, R	Sr Vendor Management Analyst	90,415
Cudden, F	IRI Analyst	87,163
Cullen, C	Manager, Service Centre (Large)	125,255
Cupples, J	Sr Case Manager	87,229
Curtaz, J	Product Owner	92,193
Dalman, J	Communications Specialist	80,669
Danais, A	Supervisor, SharePoint & Application Services	114,887
Darragh, L	Sr Legislation Analyst	90,438
Dattero, G	Supervisor, Claims	84,851
Davey, P	Fleet Vehicle Administrator	81,383
Davis, L	HRMS Analyst	75,168
Davis, T	Estimator – City	76,455
Dayman, C	Supervisor, Rural Service Centre	86,653
de Jesus, E	Sr Personal Technologies Systems Support Analyst	104,355
Debeuckelaere, T	Special Investigator	96,872
Decock, T	Supervisor, Claims	91,431
Deluna, D	Customer Relations Officer	81,026
Demianiw, M	Supervisor, Rural Service Centre	96,537
Deogun, A	SharePoint Lead	103,889
Derhak, A	Sr Case Manager	79,086
Dessler, G	Corporate System Architect	182,317
Deveau, Y	French Language Services and Accessibility Coordinator	83,524
Diduch, C	Sr Case Manager	91,920
Dirks, P	Manager, Service Operations Policy & Control	117,857
Dittmar, W	Injury Mediation Specialist	94,683
Dixon, B	Testing Analyst	110,673
Doell, B	Supervisor, Estimating Solutions	87,298
Domish, C	Sr Case Manager	91,573
Donay, M	Supervisor, Contact Centre	77,305
Doskoch, M	Supervisor, Accounting	89,361
Doucette, D	Testing Analyst	86,366
Downie, K	Supervisor, Claims	80,796
Drummond, R	IT Client Services Analyst	76,980
Du, R	Project Cost Analyst	78,289
Ducharme, M	Special Investigator	84,258
Dufault, L	Sr Case Manager	84,875
Duguay, J	Analyst	80,557
Dundas, I	Sr Database Administrator	99,482
Dunlop, D	Registration & Licensing Coordinator	92,719
Dunstone, D	Manager, Reinsurance and Forecasting	131,411
Dunstone, D	Manager, KMS, Technical Writing and Communications	122,925
Durand, B	PDC Claims Operation Analyst	75,993
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<u>Name</u>	Position Title	Compensation
Dutka, C	Sr Policy Analyst	92,558
Dvorak, J	Manager, Production Support	135,531
Dyer, G	Analyst	108,900
Eden, C	Manager, Road Safety Program Development	123,856
Edginton, G	Corporate Application Architect	102,047
Edwards, A	Accredited Repair Inspector	85,422
Edwards, C	Sr Applications Architect	103,542
Ehrenfeld, J	HR Business Partner	88,181
Eisner, R	Sr Case Manager	91,673
Ekdahl, S	Sr Road Safety Analyst	92,205
Engbrecht, A	Instructional Designer	79,150
Enns, L	Supervisor, Medical Assessment	98,287
Estares, J	Supervisor, Production Support	96,304
Faingold, D	Manager, Business Analytics	112,286
Falkenberg, P	Special Investigator	82,556
Faria, P	Information Architect	103,870
Fecyk, K	Supervisor, Contact Centre	78,203
Feeney, M	Talent Acquisition Consultant	75,145
Feng, Y	Associate Personal Technologies Systems Support Analyst	82,921
Fernando, S	Analyst	110,643
Ferreira, R	Manager, Physical Damage Programs	120,586
Ferris, C	Sr Injury Claims Adjuster	86,914
Fillion, K	Sr Case Manager	91,495
Fish, D	SME - Instructional Designer	80,626
Fisher, D	Analyst	89,748
Fisher, L	Assistant Manager, Service Centre	90,807
Flikweert, L	Supervisor, Claims	87,134
Fontaine, D	Supervisor, Driver Testing	84,499
Fotheringham, B	Supervisor, Identity Management	75,284
Fraiter, T	Analyst	84,556
Frazer, D	Director, Physical Damage Claims and Analytics	114,633
Frederickson, F	SME - Supervisor, Instructional Design	92,876
Freeman, B	Digital Learning Specialist	84,930
Friesen, K	Sr Business Continuity Coordinator	106,623
Froelich, S	IT Remedy Administration & Reporting Specialist	86,296
Froese, G	Manager, Accredited Repair	114,734
Fuz, J	Commercial Specialist	86,178
Gagnon, R	Sr Claims Analyst	87,533
Gallant, N	Supervisor, Commercial Claims	98,307
Garn, P	Manager, Sharepoint & Application Services	121,499
Garofoli, D	Product Specialist	98,908
Garwood, M	Internal Review Officer	96,764
Gaudry, G	Manager, Financial Reporting	130,995
Gendreau, L	Director, Human Resources	137,133
Germaniuk, F	Communications Specialist	76,772
Ghuman, I	Actuarial Analyst	92,291
Giannico, M	Customer Relations Officer	80,682
Gibson, T	Claims Controller - Physical Damage	83,025
Giesbrecht, B	Claims Cost Controller	104,519

		Total
<u>Name</u>	Position Title	Compensation
Giesbrecht, M	Vice President, Finance & CFO	281,496
Gillies, G	Sr Applications Architect	154,186
Glenday, C	Manager, Salvage and Compound Operations	95,450
Glowa, R	Supervisor, Subrogation & Control	81,031
Goddard, S	Supervisor, Injury Claims Management	95,876
Goertzen, C	Special Investigator	97,255
Goertzen, I	Claims Cost Controller	104,325
Gomez-Sanchez, K	Sr Case Manager	89,725
Goodine, K	Special Investigator	90,524
Goos Berard, A	SME - Sr Communications Specialist	86,912
Gowen, T	SME - Commercial Estimating Supervisor	91,844
Graham, B	President & CEO	348,094
Grantham, D	Data Architect	81,820
Grausdin, E	Respectful Workplace Specialist	90,236
Greco, F	Transportation Risk Specialist	80,742
Green, D	Sr Case Manager	88,488
Greig, R	Vehicle Safety Officer	78,046
Groen, L	Sr Loss Prevention Analyst	78,099
Groenewegen, T	Road Safety Program Evaluation Analyst	81,387
Gross, W	Sr Case Manager	80,322
Grossman, P	Assistant Manager, Special Accounts & Operations	86,584
	Legal Counsel 3	133,116
Guerra, A	The state of the s	120,752
Gunn, C	Director, Service Centre Operations	96,323
Halabiski, J	Personal Technologies Systems Support Analyst	86,889
Halliday, B	Supervisor, Underwriting	82,521
Halma, J	Accredited Repair Inspector	82,621
Hamilton, M	Communications Specialist	91,824
Hansell, C	Sr Case Manager	145,951
Harkness, K	Director, Organizational Change Management	No. 20 (20 (20 (20 (20 (20 (20 (20 (20 (20
Harron, P	Supervisor, Underwriting	96,987
Hartwich, S	Medical Fitness Administrator	84,909
Hauser, T	Assistant Manager, Rehabilitation Management	105,693
Heinrichs, C	Supervisor, Database Management	115,835
Heintz, D	Accredited Repair Inspector	87,692
Helgason, N	Manager, Service Centre (Small)	92,149
Henderson, K	Sr Case Manager	94,110
Hermary, M	Vehicle Safety Officer	77,955
Hildawa, R	Manager, Enterprise Project Management Office	111,083
Hildebrand, K	Accredited Repair Inspector	86,145
Hnatiuk, C	Sr Case Manager	81,811
Hoban, J	Benefits and Rewards Consultant	75,406
Hochman, S	Instructional Designer	79,421
Hoffman, M	Legal Counsel 4	150,980
Hogue, I	Hardware Technician	87,467
Holgate, R	Accountant	79,595
Hooper, S	Supervisor, Estimating	85,382
Hope, P	Sr Legislation Analyst	80,407
Hopkins, D	SME – Finance	139,936
Hora, C	Director, Service Delivery & Broker Operations	151,763

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		Total
<u>Name</u>	Position Title	Compensation
Howe, D	Supervisor, Claims Processing	78,615
Hoy, K	Business Analyst	90,643
Hrabliuk, C	Supervisor, Injury Claims Management	98,473
Hristovski, M	Sr Case Manager	80,222
Hudey, J	HR Administrative Supervisor	78,387
Hughes, J	Supervisor, Underwriting	91,758
Humble, J	SME - Value Management Coordinator	102,035
Huppe, G	Fair Practices & Customer Relations Coordinator	99,981
Hutchinson, V	Sr Case Manager	85,410
Huzel, J	Service Centre Operational Analyst	86,599
Hykawy, R	Vehicle Safety Officer	78,225
Iniobong, V	Supervisor, Injury Claims Management	83,992
Innes, M	Associate Database Administrator	77,333
Insch, K	Manager, Contact Centre Operations	91,492
Irving, C	Product Owner	77,329
Isaak, J	Supervisor, Customer Service Centre	77,499
Isfjord, S	Sr HRMS Analyst	95,874
Isfjord, T	Supervisor, Production Support	103,954
Ismail, M	Assistant Manager, Financial Operations	116,939
Izzard, R	Supervisor, Accounting	89,473
Jagger, H	Internal Review Officer	92,584
Jassal, G	Supervisor, Accounting	83,969
Jatana, S	President & CEO	247,699
Jeffrey, K	Manager, Identity Verification and Data Integrity	119,805
Jia, H	Sr Network Analyst	107,511
Johnson, D	IT Knowledge Management & Training Specialist	94,100
Johnson, K	Scrum Master	79,397
Johnson, K	Commercial Estimator	77,983
Johnson, L	Special Investigator	94,907
Johnston, L	Chief Actuary & Vice President, Product and Risk Management	257,457
Jones, D	Special Investigator	82,650
Jones, M	Sr Underwriter	82,634
Jubinville, D	Supervisor, IT Operations	78,166
Jurkowski, L	Manager, Budgeting & Project Accounting	118,259
Jurkowski, R	Supervisor, Driver Improvement	82,101
Kacher, M	Operational Business Champion	176,783
Kalomiris, H	Corporate Application Architect	94,259
Kamenkovich, M	Supervisor, Data Warehouse	85,504
Kamenkovich, M	Project Manager	83,399
Kaspersion, D	Assistant Manager, Project Accounting	88,984
Kaspick, J	Shop Relationship Advisor	99,897
Katz Robert, S	Manager, Communications & Campaigns	110,907
Kaushal, M	Manager, HR Business Partnerships	124,833
Keller, J	Broker Support Services Analyst	87,835
Kernaghan, B	Product Owner	108,571
King, K	Sr Case Manager	77,256
Kintop, K	Vendor Management Contract Advisor	93,703
Klassen, C	Analyst	89,861
Klingbell, S	Application Services Lead	105,542
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		Total
<u>Name</u>	<u>Position Title</u>	Compensation
Klippenstein, E	Supervisor, Underwriting	91,174
Klohn, K	Supervisor, Customer Service Centre	75,954
Komadowski, S	Executive Assistant to S. Jatana and B. Bunko	104,478 *
Koolage, L	Supervisor, Injury Claims Management	96,269
Koos, W	Manager, Research & Estimatics	117,464
Kopec, C	Supervisor, Customer Service Centre	75,723
Koroscil, D	Manager, Service Centre (Small)	125,575
Korsunsky, A	Legal Counsel 3	117,131
Koscielny, K	Sr Underwriter	89,408
Kowalchuk, M	Sr Case Manager	90,399
Krahn, M	Supervisor, Bodily Injury - Out of Province	97,809
Krasnowski, G	Application Services Lead	109,139
Kravetsky, M	Case Manager	79,751
Krueger, K	Regulatory Accountability Officer	119,710
Kumka, J	Occupational Therapist	96,137
Kuypers, A	Manager, Estimating Operations	76,571
Kwiatkowski, B	Corporate Application Architect	103,004
Kwiatkowski, S	Broker Support Services Audit Clerk	91,649 *
Kyliuk, T	Supervisor, Testing Analysis	96,286
Lachance, K	Supervisor, Subrogation & Control	81,150
Lacroix, P	Privacy, Information & Corporate Access Officer	102,224
Laferriere, M	Application Services Lead	107,979
Lafortune, C	Supervisor, Customer Service Centre	76,691
Lagace, C	Assistant Manager, Service Centre	91,758
Lambrecht, K	Analyst	99,166
Lansard, S	Supervisor, Rural Service Centre	98,114
Lapina, J	Injury Claims Analyst	86,126
Lapointe, J	Sr Database Administrator	97,885
Larson, C	Supervisor, Mail & Warehouse	105,485 *
Lasuik, B	Manager, Service Centre (Large)	114,001
Lawrence, M	Telecommunications Analyst	84,145
Laxdal, G	Customer Insights Analyst	86,346
Lazarko, L	Director, Information Technology	186,118
Lea, M	Manager, IT Support & Operations	115,768
Leach, K	Supervisor, Special Accounts	86,095
Lee, R	Sr Rate Modeller	89,575
Lee, S	Disaster Recovery Coordinator	88,960
Lee, 3 Lee-Ward, B	Sr Database Administrator	79,290
Lehmann, K	Supervisor, Rural Service Centre	103,291
Leitold, K	Special Investigator	95,011
Lepki, G	Shop Relationship Advisor	88,901
LeSage, J	Claims Coordinator	79,718
₹3.50	Commercial Estimator	77,958
Leys, E		
Lindenberg, L	SME - Supervisor, Data Warehouse	94,845
Link, C	Manager, Rehabilitation Management	129,911
Litke, D	Supervisor, Accounting	89,880 82,655
Locke, C	Special Investigator	82,655 105,535
Loechner, M Loeppky, G	Assistant Manager, Service Centre Internal Review Officer	96,988
Lockhy, o	internal neview officer	30,300

Total

		lotal
<u>Name</u>	Position Title	Compensation
Loewen, D	Mechanical Support Technician	76,359
Lokke, A	Road Safety Analyst	86,785
Loree-Dueck, K	Analyst	83,021
Loster, J	Identity & Access Management Specialist	103,610
Love, D	Supervisor, Driver Testing	87,972 *
Lovering, A	Medical Assessment Policy Analyst	93,054
Ludba, D	Information Security Officer	118,884
Lumbres, M	Sr Functional Support Analyst	87,696
Lupky, S	Director, Physical Damage	150,268
Ly, N	Actuarial Analyst	90,249
Lyburn, L	Supervisor, Commercial Claims	98,428
Lyle, K	Supervisor, Claims	89,792
Lyons, J	Sr Communications Specialist	93,630
Lysy, C	Application Services Lead	113,565
Lytwyn, C	Campaign Specialist	79,637
MacBeth, R	Analyst	94,232
MacCutcheon, S	Internal Review Officer	116,273 *
MacDonald, K	Vehicle Safety Officer	79,701
Machado, N	Business Analyst	85,470
MacKay, A	Application Services Lead	106,032
MacKeen, M	Fair Practices Analyst	86,067
MacKenzie, A	Broker Support Services Clerk	75,000 *
Madden, K	Payroll Analyst	77,060
Madhosingh, T	Product & Policy Analyst	86,429
Madrigga, J	Project Manager	85,701
Maeren, D	Driver Records Coordinator	102,365 *
Mahajan, P	Supervisor, Instructional Design	90,246
Mangubat, R	Database Administrator	88,516
Mankewich, A	Commercial Estimator	77,958
Manmohan, S	IRI Analyst	80,065
Mann, S	Sr Product & Policy Analyst	92,063
Manzano, B	Assistant Manager, Contact Centre Operations	88,734
Marchant, J	Supervisor, Premises	92,563
Martineau, B	Sr Case Manager	88,377
Maryalaya Nelson, J	Business Architect	110,376
Maslanka, M	Legal Counsel 3	145,431
Matkowski, R	Adjuster/Sr Driver Examiner	77,926
Matson, G	Manager, Driver Fitness	131,101
McCartney, T	Director, Loss Prevention	150,173
McComb, L	Subrogation Specialist	86,859
McCullough, A	Transportation Risk Specialist	79,721
McDivitt, M	Supervisor, Accounts Receivable	77,444
McDonald, C	Corporate Information Security Officer	180,726
McFadyen, K	Manager, Quality Control & Metrics	123,975
McGrath, C	IT Risk and Compliance Management Analyst	97,789
McIntyre, H	Supervisor, Testing Analysis	137,875 *
McKee, J	Business Analyst	88,567
McKinnon, S	Executive Assistant to M. Giesbrecht and L. Johnston	80,285
McLaughlin, C	Sr Injury Claims Adjuster	85,114
	j	30,11

Nr.		Total
Name -	Position Title	<u>Compensation</u>
McLean, P	Network Analyst	80,505
McLennan, K	Manager, Financial Operations	145,776
McRae, J	Broker Services Administrator	76,826 *
Mehta, A	Testing Analyst	80,705
Melnyk, C	Supervisor, Production Support	157,397
Melnyk, R	Sr Customer Insights Analyst	92,124
Mestdagh, L	Manager, Special Investigation Unit	136,503
Meyer, A	SME - Supervisor, Technical Communications	86,382
Michie, S	Business Analyst	86,222
Middlestead, W	Supervisor, Application Services	125,693
Milette, C	Case Manager	78,164
Minenna, M	Manager, Driver Education & Training	117,629
Mitchell, B	Sr Functional Support Analyst	94,618
Mitra, S	Chief Transformation Officer	201,409
Mohr, A	Manager, Accounting Services	140,611
Mohr, T	Project Manager	100,398
Moins, M	Shop Relationship Advisor	96,905
Molinski, D	Shop Relationship Advisor	100,099
Monikandan, C	Project Manager	95,001
Moorehead, D	Supervisor, Out of Province Claims	95,291
Morcos, G	Reinsurance Analyst	81,392
Moroz, B	Supervisor, Driver Testing	81,192
Morrison, T	Supervisor, Vehicle Safety	87,634
Mosiuk, B	Business Analyst	86,067
Mulholland, J	Product & Policy Analyst	79,289
Munyoro, V	Customer Relations Officer	81,337
Murray, P	Workplace Safety Advisor	96,561
Mutter, J	Supervisor, Accounting	88,237
Mwanza, O	Manager, Customer Insights	96,371 *
Myshkowsky, S	Executive Assistant to B. Graham & C. Wennberg	79,738
Natt, G	Business Analyst	86,713
Neiser, S	Sr Case Manager	92,305
Nelson, H	Medical Fitness Administrator	84,516
Neufeld, P	SME - Business Analyst	85,432
Neufeld, R	Commercial Estimator	77,972
Neumarkt, I	Organizational Development Consultant	83,894
Newbiggin, H	Manager, Transportation Risk & Safety	106,360
Newton, K	Assistant Manager, Rehabilitation Management	109,168
Newton, T	Manager, Special Risk Extension	118,437
Nickel, D	Sr Rate Modeller	90,040
Novak, D	Injury Mediation Specialist	94,022
Nuevo, M	Analyst	84,539
Oberholtzer, J	Manager, Service Centre (Small)	101,587
Oertel, E	Electrical Forman	91,680
Olijnek, J	Sr Graphic Designer	75,002
Olsen, C	Manager, HR Systems & Support	117,668
Onofreychuk, L	Product Owner	93,224
Opinga, R	Estimator - City	75,179
Oravec, D	Product Specialist	101,108
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Total

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<u>Name</u>	Position Title	Compensation
Osborne, B	Claims Controller - Injury	175,938 *
Overwater, D	Director, Product and Pricing	90,722 *
Owen, R	Supervisor, Injury Claims Management	98,623
Ozouf, R	Personal Technologies Systems Support Analyst	90,609
Padmanaban, H	Analyst	82,629
Palatino, R	Value Management Coordinator	101,132
Pandya, M	Identity & Access Management Specialist	88,352
Pankratz Wieler, S	Sr Customer Insights Analyst	90,284
Pantel, S	Adjuster/Sr Driver Examiner	75,329
Pariyasamy, K	Manager, Application Services	140,745
Park, J	Functional Support Analyst	75,519
Patton, J	Business Analyst	87,675
Patton, S	Manager, Customer Insights	99,090
Paul, B	Case Manager	76,716
Paulus, C	Financial Standards Specialist	94,498
Pedrosa, J	Case Manager	80,151
Pellatt, K	HR Business Partner	89,978
Pendley, H	Supervisor, Estimating	81,590
Peniuk, K	Commercial Specialist	85,908
Penner, H	Supervisor, Vehicle Control	80,760 *
Pereira, D	Sr Case Manager	91,906
Perez, G	Community Relations Specialist	77,373
Perez, M	HR Business Partner	78,495
Perron, M	Broker Services Administrator	75,183
Peterson, B	Manager, Administrative Services	104,448
Philippot, C	Electrical Forman	90,007
Phoa, T	Manager, Pricing	105,078
Picard, M	Application Services Lead	95,467
Piec, D	Supervisor, Rural Service Centre	84,031
Piec, M	Manager, KMS Projects	105,042
Pilawski, C	Supervisor, Premises	92,103
Pitt, A	Accredited Repair Inspector	87,838
Pitzel, S	Legal Counsel 3	152,613
Pollock, D	Supervisor, Application Services	116,276
Poplawski, K	HR Business Partner	83,533
Prasek, W	IT Managed Services Controller	103,199
Price, R	Manager, Service Centre (Large)	130,330
Prozyk, C	Assistant Manager, Financial Operations	102,077
Puchailo, D	Vehicle Safety Officer	80,372
Pudlo, K	Supervisor, Injury Claims Management	98,028
Puno, M	IT Incident & Problem Management Specialist	92,133
Pursaga, J	Assistant Manager, Broker Support & Autopac Services	97,452
Quenelle, R	Transportation Risk Specialist	79,928
Quirante, J	Testing Analyst	80,236
CONTROL CONTROL OF		92,234
Rabichuk, C	Special Investigator Associate Personal Technologies Systems Support Analyst	77,652
Rak, A	Project Cost Analyst	86,406
Rak, T		94,664
Ramani Gopal, A Ramchandar, S	Analyst Director, Business Transformation Office	123,662
namenandar, 3	Silector, Business Transformation Office	123,002

		Total
<u>Name</u>	Position Title	Compensation
Ramirez, A	Program Director	137,252
Randhawa, T	Business Analyst	84,410
Ray, C	Business Architect	119,109
Reilly, C	Corporate Application Architect	129,763 *
Reimer, D	Legal Counsel 1	80,392
Reis, D	Sr Case Manager	91,852
Rekrut, J	Business Relationship Manager	113,071
Remillard, J	Program Director	195,546
Reynante, A	Employee & Labour Relations Specialist	101,406
Reynante, J	Database Administrator	94,488
Reznik, L	Adjuster/Sr Driver Examiner	75,050
Rhodes, T	Sr Customer Insights Analyst	92,739
Richard, J	Supervisor, Contact Centre	76,473
Riddell, J	Analyst	100,011
Riddell, M	Product Owner	85,021
Riel, J	Sr Value Management Specialist	131,525
Rieu, D	Supervisor, User Analysis	80,640
Ring, M	Manager, Service Centre (Small)	115,366
Ripak, D	Analyst	97,681
Riva, M	Corporate Interior Designer	82,529
Robertson, A	Legal Counsel 3	130,995
Robertson, R	Project Coordinator	98,597
Robins, C	Accredited Repair Inspector	87,588
Robins, R	Analyst	81,261
Robinson, D	Legal Counsel 3	141,328
Robinson, P	Risk Management Specialist	114,776
Rodewald, L	Sr Claims Analyst	87,520
Rodrigo, C	Telecommunications Analyst	94,895
Rogers, A	Manager, Service Centre (Large)	105,602
Roney, M	Business Process Architect	81,934
Rosario, M	Injury Claims Analyst	91,210
Rosche, R	Sr Telecommunications Analyst	102,759
Rosin, J	Legal Counsel 2	89,590 *
Ross, K	Application Services Lead	95,775
Rowan, C	Disability Management Specialist	95,955
Ruffeski, D	Manager, Purchasing	119,719
Rusak, D	Sr Case Manager	92,057
Russo, M	Financial Forecasting Specialist	90,104
Rutter, C	Claims Analyst	81,902 *
Rydz, K	Corporate Communications Lead	88,273
Ryz, C	Supervisor, Injury Claims Management	98,537
Safruk, D	Government Relations Officer	100,779
Saini, P	Analyst	102,218
Saluk, G	Supervisor, Application Services	112,692 *
Sam, S	Manager, Organizational Change Management	112,150
Sanan, S	Vehicle Safety Officer	75,214 *
Sarginson, P	Registrar of Motor Vehicles	123,948
Sass, J	Operational Business Champion	163,701
Savard, G	Sr Case Manager	91,641

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<u>Name</u>	Position Title	Compensation
Savoie, A	Supervisor, Claims	75,315
Sawatzky, L	Mechanical Support Technician	82,993
Sawatzky, N	Sr Policy Analyst	86,507
Scarff, N	Manager, Service Centre (Small)	96,399
Scarfone, S	Legal Counsel 4	155,860
Schesnuk, D	Associate Telecommunications Analyst	77,996
Schmieder, E	Special Investigator	81,428
Schneiderat, T	Injury Claims Adjuster	81,434
Schwab, D	SME - Resource Coordinator	92,131
Scott, J	Supervisor, Commercial Claims	90,788
Seddon, T	Sr Case Manager	88,636
Sellar, E	Organizational Change Management Consultant	86,802
Seniuk, L	Supervisor, Instructional Design	76,799
Senkowsky, M	Manager, Product Development	118,412 *
Sentner, C	Manager, Design & Digital Media	100,422
Shea, L	Physical Damage Programs Analyst	76,854
Shemeluk, G	Shop Relationship Advisor	98,340
Shostak, M	SME - Supervisor, Instructional Design	91,905
Shukin, K	Sr Underwriter	75,750
Shum-McDonald, E	Case Manager	80,353
Siepman, K	Research Technician	91,463
Sigurdson, D	Supervisor, Injury Claims Management	92,738
Simard, T	Injury Claims Adjuster	78,521
Simmons, A	Sr Case Manager	91,533
Simmons, G	Corporate Application Architect	102,236
Simmons, M	Supervisor, IT Service Desk	75,172
Skarpias, S	Sr Case Manager	91,871
Skelton, C	Sr Case Manager	91,463
Skiba, K	Sr Hardware Technician	90,332
Skitcko, L	Sr Case Manager	92,160
Skrupski, D	Broker Services Administrator	75,511
Sladek, J	Accredited Repair Inspector	87,099
Sloggett, P	Medical Fitness Administrator	85,749
Smart, S	Supervisor, Vehicle Safety	88,189
Smiley, B	Media Relations Coordinator	122,028
Smit, R	Sr Underwriter	132,703 *
Smith, C	Supervisor, Claims	92,357
Snider, D	Out of Province Adjuster	101,994 *
Soares, A	Supervisor, Claims	90,352
Solomon, R	HR Business Partner	87,713
Soucy, M	Supervisor, Claims	90,788
Spencer, I	Special Investigator	101,081
Sprenger, W	Enterprise Risk Management Specialist	125,778
Sproule, R	Supervisor, Estimatics	109,203
St. Godard, D	Commercial Specialist	85,598
St. Vincent, K	Sr Case Manager	90,800
Stade, S	Sr Case Manager	93,154
Stephens, A	Project Cost Analyst	86,250
Sterzer, C	Estimatics Coordinator	90,057

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		Total
<u>Name</u>	Position Title	<u>Compensation</u>
Stock, N	Case Manager	78,295
Stoneham, C	Supervisor, Customer Service Centre	77,114
Stonyk, R	Legal Counsel 4	157,890
Stow, L	Adjuster	92,741
Stoyka, E	Assistant Manager, Physical Damage Programs	96,503
Stuart, C	Medical Fitness Administrator	85,684
Su, Y	Sr Actuarial Analyst	102,414
Subramaniam, T	IT Managed Services Analyst	84,854
Surla, J	Supervisor, Contact Centre	77,329
Sykes, L	Adjuster/Sr Driver Examiner	79,787
Tackaberry, W	Claims Controller - Injury	182,762
Tackie Anderson, N	Business Architect	89,336
Tam, S	Executive Assistant to M. Triggs	80,169
Tan, K	Corporate Application Architect	104,167
Tanchak, P	SharePoint Lead	104,554
Tavares, A	Broker Services Administrator	75,455
Taylor, B	Claims Controller - Injury	99,192
Taylor, C	Director, Corporate Services	135,284
Taylor, S	Manager, Licensing Services	115,635
Telfer, D	Product & Policy Analyst	86,527
Thomassen, R	Internal Review Officer	96,256
Thompson, P	Supervisor, Rural Service Centre	96,753
Thompson, R	Vehicle Safety Officer	76,749
Thomson, A	Adjuster/Sr Driver Examiner	76,005
Thorsteinson, D	Manager, KMS, Instructional Design	124,728
Thurston, J	Injury Claims Adjuster	78,507
To, C	Supervisor, IRI	95,812
Toews, M	Sr Information Security Analyst	75,525
Toms, A	Supervisor, Estimating	82,599
Torgerson, J	Testing Analyst	81,922
Tranmer, L	Supervisor, User Analysis	76,507
Travica, D	Sr Case Manager	85,964
Treichel, A	Sr Talent Acquisition Consultant	95,849
Triggs, M	General Counsel & Corporate Secretary	245,143
Trudeau, J	Injury Mediation Specialist	98,338
Trudel, P	Sr Application Services Technical Advisor	120,700
Turnley, C	Manager, Premises	98,489
Valliani, R	Information Security Officer	129,653
Van Bastelaere, A	Corporate Application Architect	86,787
Van Landeghem, D	Supervisor, Injury Claims Management	98,423
Vandall, A	SME - HR Business Partner	95,047
Vandurme, B	Road Safety Analyst	86,213
Vassart, M	Supervisor, Testing Analysis	96,946
Venton, B	Manager, Service Centre Operational Analytics	90,863
Verdejo, A	Supervisor, Accounting	84,300
Verghetti, T	Subrogation Specialist	84,672
Vermette, D	Network Analyst	121,620
Vermette, R	Sr Network Analyst	116,302
Vieira, P	Director, Communications & Customer Experience	127,438

Vince V	Commission Driver Education Brown	79.060
Vince, K	Supervisor, Driver Education Program	78,969
Vital, A	Business Analyst	86,404
Von Dohren, R	Value Management Coordinator	88,125 103,600 *
Wagner, B	Accredited Repair Inspector	
Wahl, M	Sr Vendor Management Analyst	88,865
Wai, E	Analyst	101,123
Waldner, E	Supervisor, Personal Technologies Group	105,979
Wang, F	Analyst	90,738
Wang, J	Business Analyst	83,101
Wang, X	Special Investigation Controller	100,859
Wannamaker, M	Manager, Special Risk Extension	96,791
Watson, D	Production Coordinator	80,616
Way, C	Manager, PIPP Support Services	118,693
Webb, M	Analyst	80,243
Wells, H	Case Manager	79,856
Wennberg, C	Vice President, Customer Service & COO	284,622
Weselake, S	Manager, Community & Customer Relations	132,549
Weselowski, N	Sr Customer Insights Analyst	90,158
Whalen, G	Manager, Injury Claims Management	127,504
Wheeler, J	Supervisor, Customer Service Centre	78,460
Whettell, C	Accounts Receivable Representative	81,882 *
White, C	Sr Injury Claims Adjuster	90,065
White, S	Manager, Total Loss and Evaluation	113,486
Wiebe, B	Manager, Specialized Risk Claims	133,260
Wiebe, R	Supervisor, Bodily Injury - Out of Province	98,411
Wiedmer, R	Supervisor, Customer Service Centre	76,394
Wieler, D	Supervisor, IT Request Fulfillment	96,508
Winter, J	Curriculum & Training Coordinator	79,027
Wityshyn, W	Testing Analyst	85,536
Wlasiuk, D	Premises Coordinator	79,848
Wong, P	Claims Cost Controller	102,315
Worboys, C	Analyst	104,691
Wu, R	Accredited Repair Inspector	89,100
Wyche, C	Organizational Development Consultant	99,235
Wycislak, F	Supervisor, Injury Claims Management	98,649
Wyrzykowski, C	Analyst	92,476
Yakel, J	Director, Enterprise System Support	163,518
Yewdall, H	Manager, Bodily Injury Centre	121,131
Yu, E	Manager, Product Management	121,315
Zadnepreannii, L	Data Architect	96,586
Zarrillo, D	Business Relationship Manager	103,904
Zeaton, G	Manager, Service Centre (Small)	116,085
Zhao, L	Customer Insights Analyst	86,273
L.1140, L	Sustainer marginar marjar	33,2.0
	Aggregate Total Board of Directors	98,653
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^{**} 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, 2020. 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, 2020

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.

Part and Chapter:	Part V Expenses	Page No.:	
PUB Approved Issue No:	9. Cost of operations		
Topic:	Figure EXP 19 – Special Service	es	
Sub Topic:			

Preamble to IR:

Copy and paste IR Preamble from Interveners and PUB here.

Question:

Please provide a detailed account analysis of the Special Services account for fiscal years 2020/21A through to 2023/24F, explaining significant changes year over year. Please explain the reasons for the auctioneer fees be greater than expect by \$1.5 million for 2020/21.

RATIONALE FOR QUESTION:

To review the Special Services account changes year over year.

RESPONSE:

In 2020/21A, the auctioneer fees exceeded expectations by \$1.5 million due to the transition of the existing MPI salvage auction system to a new online platform. Although MPI expects the annual fees to be approximately \$3.6 million annually, the benefits of higher salvage sales and prices will more than offset these costs. MPI reported the new online auctioneer fees under Miscellaneous category instead of under Special Services category in the 2022 GRA. In the 2023 GRA, MPI will again report the new online auctioneer fees under Service Fees category.

Figure 1 Major Special Services Category - Total Corporate

Line					
No.	Special Services Category	2020/21A	2021/22B	2022/23F	2023/24F
1	(C\$000s, except where noted)				
2	Auctioneer Fees ⁽¹⁾	1,492	-	-	-
3	Auditor Fees	324	235	235	235
4	Internal Audit Fees	235	317	323	329
5	Actuary Fees	93	95	95	95
6	Credit Rating Service	11	19	19	20
7	Collection Agency Fees	314	330	335	340
8	Private Investigation	413	900	900	900
9	Apprenticeship Grant & Allowance	255	316	316	316
10	Security Services	1,199	1,046	1,101	1,125
11	PIPP Mediation	418	435	415	400
12	Employee Opinion Survey Projects	-	75	75	75
13	Workplace Safety	158	68	68	68
14	AEI/Diversity Employment Strategy	60	252	252	252
15	Wellness Initiatives	5	60	60	60
16	Vehicle & Economic Data Service	63	110	110	110
17	Customer Service Standard	170	222	222	222
18	Surveys/Evaluations	232	481	481	481
19	Special Services - Other	3,702	4,131	3,547	3,608
20	Total Special Services	9,144	9,092	8,554	8,636

^{21 (1)} For 2022 GRA, Auctioneer Fees for 2021/22B to 2023/24F were reported under Miscellaneous category. For next year's 2023 GRA, the Actioneer Fees will be reported under Special Services category.

The increase in Special Services – Other from 2020/21A to 2021/22B results from a 1-year project in Data Management and Analytics totaling \$600k.

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 2022 GRA ruling effective April 1, 2022, if any.
- b) Please indicate, list and explain any financial transactions under consideration or in progress that have not been explicitly reported in the 2022 GRA, either by management, the Board of Directors or Government, which could impact the 2022 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 2022 GRA forecasts, if any.

RESPONSE:

- a) There are no additional constraints to be considered at this time.
- b) While referring to the 2022 GRA filing for ongoing transactions, MPI affirms that there are no financial transactions under consideration or in progress that would have a material impact on rates that have not been explicitly reported herein.
- c) The risk profile of Basic is documented in the <u>Financial Condition Test</u> chapter (to be filed). See <u>PUB CI 1-27 a)</u> for comments on the changes in risk score/rating from October 2020 to June 2021 for the risks identified in the <u>Risk Management</u> <u>Framework Appendix 3.</u> Also see the ERM Scorecards filed with the PUB on July 7, 2021.
- d) MPI does not expect material changes to its risk profile over the forecasted outlook period. The internal implementation of Enterprise Risk Management remains ongoing and will improve risk management throughout the organization, which will positively impact the risk profile of MPI over time.

Part and Chapter:	Part V Expenses	Page No.:	
PUB Approved Issue No:	9. Cost of operations		
Topic:	Employee future benefit	:s	
Sub Topic:			

Preamble to IR:

On page 40 of Part V (Expenses) EXP. 4 it states:

- 20 "As shown in Appendix 7 2021 versus 2022 GRA Expense Comparative, the
- 21 percentage of Corporate operating expenses allocated to Basic has reduced in
- 22 comparison to prior years from about 76% of total Corporate operating costs to
- 23 approximately 72%."

On page 2 of Appendix 7 it states:

- 6 "The reduction of Basic expenses as a proportion of corporate expenses in the current
- 7 forecast is mainly due to changes in allocation percentages and higher direct non
- 8 basic license fees."

Question:

- a) Please describe the various allocation methodology allocator changes from last year's GRA to this year's GRA.
- b) Please describe and quantify the non basic license fees resulting in a reduction in the amount of corporate expenses allocated to basic insurance.

c) Please reconcile in a quantitative analysis the reduction in corporate operating costs being allocated to basic insurance from 76% to 72% and indicate whether this is expected to be a permanent or one-time event change.

RATIONALE FOR QUESTION:

To review the percentage change in allocated corporate operating expenses to basic insurance.

RESPONSE:

a) Please see <u>Part V EXP, EXP.4 page 40-49</u>, which provides a detailed analysis of expense allocators including a comparative to the 2021 GRA allocators used. b) Please see *Figure 1* below.

Figure 1: Nova Licence Fees

Line		2021/22B	2022/23F	2023/24F	2024/25F	2025/26F
No.	Implementation Expenses	Corporate	Corporate	Corporate	Corporate	Corporate
1	(C\$000s, except where noted)					_
2	Nova-P&C	4,320	671	3,378	254	-
3	Nova-DVA Ongoing	12,102	9,779	-	-	-
4	Nova-P&C Ongoing	-	4,320	-	-	-
5	Nova-Digital Ongoing	814	1,210	-	-	-
6	Total	17,236	15,980	3,378	254	-
7	Allocated to Basic	4.357	5.244	2.910	219	_
•		,	-,	,		
8	Allocated to Extension	359	433	240	18	-
9	Allocated to SRE	341	410	228	17	-
10	Allocated to DVA	12,179	9,893	-	-	-
11	Total	17,236	15,980	3,378	254	-

		2021/22B	2022/23F	2023/24F	2024/25F	2025/26F
12	Ongoing Expenses	Corporate	Corporate	Corporate	Corporate	Corporate
13	(C\$000s, except where noted)					
14	Nova-P&C Ongoing	-	-	4,320	7,446	7,771
15	Nova-DVA Ongoing	-	-	7,616	4,581	3,740
16	Nova-Digital Ongoing	-	-	1,981	2,226	2,329
17	Total	-	=	13,917	14,253	13,840
18						_
19	Allocated to Basic	-	-	5,268	8,152	8,512
20	Allocated to Extension	-	-	435	672	703
21	Allocated to SRE	-	-	411	638	665
22	Allocated to DVA	-	-	7,803	4,791	3,960
23	Total	-	=	13,917	14,253	13,840

		2021/22B	2022/23F	2023/24F	2024/25F	2025/26F
24	Total (Ongoing and Implementation)	Corporate	Corporate	Corporate	Corporate	Corporate
25	Allocated to Basic	4,357	5,244	8,178	8,371	8,512
26	Allocated to Extension	359	433	675	690	703
27	Allocated to SRE	341	410	639	655	665
28	Allocated to DVA	12,179	9,893	7,803	4,791	3,960
29	Total	17,236	15,980	17,295	14,507	13,840

		2021/22B	2022/23F	2023/24F	2024/25F	2025/26F
30	Percentage Allocation	Corporate	Corporate	Corporate	Corporate	Corporate
31	Allocated to Basic	25.3%	32.8%	47.3%	57.7%	61.5%
32	Allocated to Extension	2.1%	2.7%	3.9%	4.8%	5.1%
33	Allocated to SRE	2.0%	2.6%	3.7%	4.5%	4.8%
34	Allocated to DVA	70.7%	61.9%	45.1%	33.0%	28.6%
35	Total	100%	100%	100%	100%	100%

The table above illustrates the allocation of the NOVA license fees to the four lines of business. Through the period from 2021/22 to 2025/26 MPI will allocate approximately 49% of these overall expenses to DVA and only 44% to Basic. This allocation is the main contributor to a decrease in the overall allocation of corporate expenses to the Basic line of business as compared to prior years.

c) Please see <u>Part V EXP, Appendix 14</u> for a detailed quantitative analysis on the allocation of corporate expenses for normal operations and <u>Part V EXP, Appendix 7.1</u>, which provides a quantitative analysis for allocated corporate expenses (normal operations and improvement initiatives) related to Basic. MPI expects to maintain the reduction in allocated Basic expenses throughout the forecast to 2025/26.

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Part and Chapter:	Part V Expenses	Page No.:	43
PUB Approved Issue No:	9. Cost of operations		
Topic:	Organizational changes		
Sub Topic:			

Preamble to IR:

On page 43 of Part V (Expenses) in indicates that due to organizational changes MPI added a number of new departments:

- 4 "Additions:
- 418 Product Ownership
- 419 Strategic Management
- 420 Loss Prevention Planning & Analysis
- 421 Data Governance, Strategy & Architecture
- 9 422 Data Management & Analytics
- 423 Analytics & Data Science
- 424 Cityplace Service Centre
- 425 Commercial Lines Large Accounts
- 497 COVID Recoverable Expenses
- 255 Cityplace Space Plan
- 275 NOVA DVA-Ongoing Costs
- 276 NOVA P&C-Ongoing Costs
- 277 NOVA Digital-Ongoing Costs"

Question:

a) Please describe the purpose/mission of each department and the organizational impact expected from the new departments supporting MPI's mission going forward.

b) Please provide the 2021/22 budget for each new department and the staff complement.

RATIONALE FOR QUESTION:

To review and better understand MPI's organizational changes impacting its cost structure.

RESPONSE:

a) Please see *Figure 1* below:

Figure 1 New Departments Mission/Purpose

Accounting Unit	Name	Purpose
418	Product Ownership	The main roles is to partner with business units to understand their needs from applications, prioritize work for the agile team, define business requirements, and to ensure that systems developed meet the business need. Additionally the Product Ownership team takes part in defining governance and are integral for developing the corporation's best practices for Agile methodology and competencies, by leading the creation of centres of excellence and communities of practice to foster and mature Agile delivery.
419	Strategic Management	Sets strategic direction across the corporation
420	Loss Prevention Planning & Analysis	Loss Prevention policy, planning and analysis, as well as evidence-based strategy for Road Safety
421	Data Governance, Strategy & Architecture	Department will ensure that data is effectively governed and protected. This includes maintaining the authoritative models and

		definitive technology patterns used in all corporate solutions.
422	Data Management & Analytics	Directorate will focus on corporate level practices and solutions to managing data and analytics.
423	Data Science	Department will focus on finding patterns within data and using statistical processes and technical solutions to identify actionable insights which can improve decision-making and process efficiency.
424	City Place Service Centre	New department to account for City Place service centre costs independent from Main Street Service Centre
425	Commercial Lines Large Accounts	Formerly part of the Special Risk Extension department, Large Accounts focuses on the underwriting of the commercial line of business
497	COVID Recoverable Expenses	Expenses recovered in response to the pandemic (e.g. amounts recovered relating to testing sites and the use of service centres)
255	City Place Space Plan	To account for the City Place Space Plan initiative (differentiated from other capital construction costs) for improved reporting
275	NOVA - DVA - Ongoing Costs	To account for ongoing costs relating to the DVA stream for full license costs, support and maintenance services
276	NOVA - P&C - Ongoing Costs	To account for ongoing costs relating to the P&C stream for full license costs, support and maintenance services
277	NOVA - Digital - Ongoing Costs	To account for ongoing costs relating to the Digital stream for full license costs, support and maintenance services

b) Please see Figure 2 below:

Figure 2 New Departments - Staff and Operations 2021/22 Budget

Line			Staffing	Operational
No.	Depar	tments	Budget	Budget Costs
1	(C\$00	0s, except where noted)		
2	418	Product Ownership	14.0	1,146
3	419	Strategic Management	-	-
4	420	Loss Prevention Planning & Analysis	4.0	322
5	421	Data Governance, Strategy & Architecture	7.0	678
6	422	Data Management & Analytics	2.0	876
7	423	Analytics & Data Science	8.0	688
8	424	Cityplace Service Centre	8.0	507
9	425	Commercial Lines Large Accounts	10.0	883
10	497	COVID Recoverable Expenses	-	-
11	Total		53.0	5,100

			Staffing	Operational
12	Initiati	ves	Budget	Budget Costs
13	(C\$00	0s, except where noted)	-	-
14	255	Cityplace Space Plan	-	439
15	275	NOVA - DVA-Ongoing Costs	-	12,102
16	276	NOVA - P&C-Ongoing Costs	-	-
17	277	NOVA - Digital-Ongoing Costs	-	814
18	Total		-	13,355

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Part and Chapter:	Part V Expenses	Page No.:	63 and 64
PUB Approved Issue No:	9. Cost of operations		
Topic:	Broker commissions		
Sub Topic:			

Preamble to IR:

On page 64 of Part V (expenses) Figure EXP 45 summarizes the rate and commissions paid to brokers. On Page 63 EXP.6.2 it states the following:

- 1 "During the 2020/21 fiscal year, MPI and IBAM negotiated 1 a future commission fee
- 2 services agreement for the period from April 1, 2021 through to March 31, 2026. The
- agreement outlines the future regulated and effective rates, which include the impacts
- 4 for online services that will be an option for Manitobans in the near future."

QUESTION:

Please file a copy of the most recent Broker Services Agreement including fees (\$ or %) paid per transaction.

RATIONALE FOR QUESTION:

To review the most recent broker agreement.

RESPONSE:

See Attachment A.





FUTURE SERVICES AGREEMENT

THIS AGREEMENT is made and entered into as of the Effective Date,

BETWEEN

THE MANITOBA PUBLIC INSURANCE CORPORATION ("MPI"),

OF THE FIRST PART,

- and -

INSURANCE BROKERS ASSOCIATION OF MANITOBA ("IBAM"),

OF THE SECOND PART.

Preamble

- A. WHEREAS on July 24, 2019, the Minister issued a Directive under *The Crown Governance* Act which instructed MPI to engage in Conciliation with IBAM "to reach an agreement regarding the future service delivery strategies and the modernization of service delivery options" to MPI Customers;
- B. AND WHEREAS the principles that were to be applied to the Conciliation included, *inter alia*:
 - a. MPI Customers "expect and must be able to access an online distribution and payment channel" for their automotive insurance needs; and
 - b. Government is "committed to supporting the stability and health of small businesses" in the Province;
- C. AND WHEREAS the Parties engaged in the Conciliation from December 2019 to November 2020;
- D. AND WHEREAS, as confirmed in the *Guiding Principles* attached as Appendix "A", the Parties are committed to working together as partners for the continued benefit of MPI Customers and to attain MPI's Mission Statement:

- E. AND WHEREAS the Parties agree that working together entails demonstrating mutual respect, good faith cooperation, and understanding each other's needs and requirements in dealing with their mutual MPI Customers;
- F. AND WHEREAS the Parties agree that MPI, IBAM, Brokers and MPI Customers have all benefitted from the long-standing business relationship and partnership between the Parties;
- G. AND WHEREAS the Parties recognize and acknowledge that, inter alia:
 - a. MPI has benefited from a reliable, professional service network of Brokers to reach its MPI Customers and to provide MPI Customers with MPI Products and expert services and professional advice on MPI Products, all of which is in furtherance of MPI's Mission Statement;
 - b. Brokers have benefited from a stable, predictable source of revenue, ongoing access to a ready and local MPI Customer base, as well as MPI Products-based knowledge and technology support;
 - c. MPI Customers have benefited from accessibility to comprehensive insurance coverage, professional and knowledgeable advice from Brokers that informs and protects MPI Customers, and efficient provisioning of the MPI Products and services they want and require for their driver's licence and vehicle insurance needs;
 - d. All stakeholders have benefitted from the low cost and high efficiency of the Service Delivery Model, the highly accessible nature of private Brokers, and high levels of MPI Customer satisfaction; and
 - e. The Parties must continually look to improve upon the delivery of MPI Products under the Service Delivery Model so that the interests of MPI Customers are protected;
- H. AND WHEREAS, with the assistance of Conciliation, the Parties have reached this Agreement regarding the modernization of the Service Delivery Model and the Brokers' role following the modernization of the Service Delivery Model, and their compensation for same;
- I. AND WHEREAS MPI anticipates being able to provide MPI Customers with the ability to perform new Online Transactions as part of the modernization of the Service Delivery Model commencing in or about April 2023, which is the estimated launch date for Project Nova;
- J. AND WHEREAS the Commissions MPI pays to Brokers for the sale of MPI Products are specified in the *Agent Commissions Regulation*;
- K. AND WHEREAS the Commissions set out in this Agreement are subject to approval of the Government;

L. AND WHEREAS this Agreement is subject to approval of the IBAM membership by way of a Ratification Vote.

THE PARTIES have therefore agreed as follows:

ARTICLE 1 RECITATIONS & DEFINITIONS

- 1.1 The following terms, where capitalized in this Agreement, have the following defined meanings ascribed to them:
 - a. "Agent Commissions Regulation" mean the Agent Commissions Regulation, Man Reg 93/2009, as may be amended from time to time;
 - b. "Agreement" means this Agreement, its *Appendices*, and any amendments thereto:
 - c. "Arbitration Act" means The Arbitration Act, C.C.S.M. c. A120, as amended from time to time;
 - d. "Broker" means a person who is licensed to sell insurance, including the MPI Products, to MPI Customers;
 - e. "Brokerage" means the entity or entities that employ Brokers;
 - f. "Broker of Record" means a Broker or Brokerage designated to represent and manage a MPI Customer's insurance policies;
 - g. "Business Day" means a day other than a Saturday, Sunday or public holiday in Canada, and when banks in the City of Winnipeg, Manitoba are open for business;
 - h. "Commissions" means the commissions paid to Brokers pursuant to the Agent Commissions Regulation;
 - i. "Crown Governance Act" means The Crown Corporations Governance and Accountability Act, C.C.S.M. c. C336, as may be amended from time to time;
 - j. "Effective Date" means April 1, 2021;
 - k. "Expiry Date" means 11:59 p.m. on March 31, 2026;
 - 1. "FIPPA" means The Freedom of Information and Protection of Privacy Act, C.C.S.M. c.F175;

- m. "Flat Fee Services" means those services for which a flat-fee commission is paid pursuant to the Agent Commissions Regulation;
- n. "Government" means the Government of the Province of Manitoba;
- o. "Implementation Date" means the date on which Online Service Delivery becomes live;
- p. "In-Person Transactions" means those transactions specified in the Agent Commissions Regulation that are performed by a Broker or MPI for the MPI Customer;
- q. "MPI Customers" means those individuals, corporations or entities that purchase MPI Products;
- r. "MPI Products" means the products and services that are the subject matter of transactions specified in the Agent Commissions Regulation;
- s. "MPI Website" means the URL at www.mpi.mb.ca and/or any other URL that MPI will create for the purposes of offering MPI Products for sale;
- t. "MPI's Mission Statement" is "Exceptional coverage and service, affordable rates, and safe roads through public auto insurance";
- u. "Online Service Delivery" means the online distribution and payment channel for MPI Customers to purchase MPI Products, which are not already available online, via the MPI Website;
- v. "Online Transactions" means those transactions specified in the Agent Commissions Regulation that are performed by MPI Customers. It is understood that Brokers will continue to be available to MPI Customers and will assist some MPI Customers with online transactions over the term of this Agreement;
- w. "Party" means one of MPI or IBAM, whereas "Parties" means both MPI and IBAM;
- x. "Project Nova" means the ongoing modernization of the Service Delivery Model to address several key areas, including: technology risk, information security, customer self-service, future business delivery, cost savings and efficiency;
- y. "Ratification Vote" means a vote to be held by IBAM to determine whether those members eligible to vote will accept this Agreement;

- z. "Service Centres" means the offices owned and operated by MPI that offer MPI Products and other services to MPI Customers;
- aa. "Service Delivery Model" means the distribution model for MPI Products, and will include Online Service Delivery when same is implemented; and
- bb. "Term" means the Effective Date to the Expiry Date.

ARTICLE 2 REPRESENTATIONS AND WARRANTIES

- 2.0 The Parties each represent and warrant that:
 - a. The execution and delivery of this Agreement and performance of their respective obligations under this Agreement are:
 - i. within their corporate power;
 - ii. subject to the Ratification Vote, have been duly authorized by all necessary corporate action;
 - iii. do not contravene any law or contractual provision binding on them; and
 - iv. subject to approval of Government and the Ratification Vote, do not require any consent or approval of any person or authority except such consents and approvals as have been obtained and are in full force and effect; and
 - b. This Agreement constitutes their legal, valid and binding obligations and is enforceable in accordance with its terms.

ARTICLE 3 PRINCIPLES OF MODERNIZATION FOR THE DELIVERY OF SERVICES

- 3.0 MPI agrees that Brokers will be the online/digital distribution channel for MPI insurance transactions through the Term of this Agreement.
- 3.1 The Parties agree to modernize the Service Delivery Model for the purposes of enhancing and improving upon services to benefit MPI Customers in the following manner:
 - 3.1.1 Upon and after the Implementation Date, MPI Customers will be able to go online via the MPI Website;
 - 3.1.2 Once the MPI Customer is logged into their account, the existing Broker of Record will display with a "Change Broker" button available;
 - 3.1.3 If the MPI Customer selects the "Change Broker" button, the Broker of Record will be presented, along with four (4) to five (5) geo-located Brokers

- nearest to the MPI Customer's postal code, followed by an option titled "Other Options";
- 3.1.4 If "Other Options" is selected, the MPI Website will present all remaining Brokerage brands in the Province, and an option titled "No Specific Broker"; and
- 3.1.5 If "No Specific Broker" is selected, another menu will be presented to the MPI Customer with geo-located Brokers near the MPI Customer. The MPI Website will also contain an explanation that a Broker of Record is required for an online renewal. MPI Customers will choose a Broker on this menu to proceed with the renewal.
- 3.2 The Parties agree that the five (5) year renewal model in place at the time of the execution of this Agreement will be replaced by an annual renewal system once regulations and/or Project Nova make this possible. It is expected that this will occur during the Term.
- 3.3 The Parties agree to establish an ongoing process to manage operational issues and facilitate respectful two (2) way communication by way of various means. The Parties agree to meeting at least three (3) times per year for the management of operational issues.
- 3.4 With a view to consumer protection and service, the Parties will collaborate to identify which Flat Fee Services should be sold in person, which Flat Fee Services should be sold online, and which Flat Fee Services should be distributed jointly by both Brokers and MPI.
- 3.5 The Parties agree to create a Broker Nova Committee, whereby Brokers will have the opportunity to provide input into the design and development of Project Nova and the journey of MPI Customers navigating through the MPI Website.
 - 3.5.1 Although MPI will consult with the Broker Nova Committee, MPI will have the final authority with respect to the design, development and implementation of Project Nova, subject to what is specified herein.
 - 3.5.2 The Parties agree that the MPI and the Broker Nova Committee will meet when and as required to address the timelines and requirements of Project Nova, recognizing that time will be of the essence for success of the project. MPI will provide the Broker Nova Committee with as much notice as is possible of required meetings or input.
- 3.6 Upon and after the Implementation Date, all new registration transactions referred to in the *Agent Commissions Regulation* will only be sold in-person at a Brokerage or Service Centre and will not be sold as an Online Transactions.
- 3.7 Upon and after the Implementation Date, renewal/reassessment notices from MPI to MPI Customers will identify the Broker of Record for that MPI Customer. In addition:

- 3.7.1 MPI and IBAM will work in partnership to create renewal communications with regard to the adoption of Online Service Delivery; and
- 3.7.2 Upon the Implementation Date, MPI will develop monthly reporting for Brokers, which will provide advance notice for renewals (i.e. expiry lists). This procedure will ensure the continuance of coverage for MPI Customers and will enable Brokers to advise and service these MPI Customers.
- 3.8 Before, upon and after the Implementation Date, Brokerages and the Service Centres will continue the *status quo* in-person operations and distribution of MPI Products. MPI will continue its practice of not actively promoting the sale of MPI Products through its Service Centres.
- 3.9 MPI recognizes there may be opportunities to expand the compensable services provided by Brokers and is prepared to consider new services, including suggestions from the Broker community, if doing so can enhance service to MPI Customers, create efficiencies and/or reduce costs.

ARTICLE 4 BROKER COMPENSATION

- 4.0 The Parties agree that the compensation for Brokers, as set out in this Agreement, was negotiated and settled upon between the Parties during the Conciliation.
- 4.1 MPI will request the Government to amend the commission periods in the Agent Commissions Regulation as follows:
 - 4.1.1 the period beginning on April 1, 2021 and ending of March 31, 2022;
 - 4.1.2 the period beginning on April 1, 2022 and ending of March 31, 2023;
 - 4.1.3 the period beginning on April 1, 2023 and ending of March 31, 2024;
 - 4.1.4 the period beginning on April 1, 2024 and ending of March 31, 2025; and
 - 4.1.5 the period beginning on April 1, 2025 and ending of March 31, 2026.
- 4.2 MPI will request the Government to amend the Schedule in the *Agent Commissions* Regulation to reflect the agreed-upon regulated rates set out in this Article. The Parties agree that the "Effective" rates and regulated rates are as follows:

Commission %	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2026
Basic - Effective Rate In-Person Transactions	3.75%	3.75%	4.30%	4.50%	4.50%
Basic - Effective Rate Online Transactions	3.75%	3.75%	2.40%	2.40%	2.40%
In Regulation					
Basic - In-Person Transactions	3.49%	3.49%	4.01%	4.19%	4.19%
Basic - Online Transactions	3.49%	3.49%	2.25%	2.25%	2.25%
Extension - Effective Rate In- Person Transactions	17.50%	17.50%	17.50%	17.25%	17.00%
Extension - Effective Rate Online Transactions	17.50%	17.50%	10.40%	10.40%	10.40%
In Regulation					
Extension - In-Person Transactions	16.08%	16.08%	16.08%	15.85%	15.62%
Extension - Online Transactions	16.08%	16.08%	9.60%	9.60%	9.60%

- 4.3 The Parties agree that there will be no amendments to the expressed dollar amount or the annual adjustment formula for flat-fee commissions outlined in the *Agent Commissions Regulation*.
- 4.4 MPI will not apply to the Public Utilities Board for differential premiums for In-Person Transactions and Online transactions for the commission periods listed in Article 4.1 of this Agreement.
- 4.5 The Parties acknowledge that, due to policy cancellations, the actual commissions received by a Broker over the course of a year may differ from the commission percentages specified in the *Agent Commissions Regulation*. The table in Article 4.2 refers to these differing commission rates as "Effective". It is the intention of the Parties that Commissions received by a Broker over the course of a year is approximately equal to the percentage referred to in the said table as the "Effective" rate.
 - 4.5.1 The Parties will monitor the actual overall Commissions paid to Brokers as compared to the negotiated "Effective" rate to determine if the difference between the two for any given year, if any, is within an acceptable threshold. If not, either Party can seek a review of the difference and work together in good faith to potentially alter the regulated rates as required to target those "Effective" rates agreed to herein. If either Party is not satisfied with the redress solution, that Party may proceed through the Dispute Resolution mechanism set out in Article 7 herein, within sixty (60) days of the redress solution.
- 4.6 If Project Nova enables MPI to reconcile Commissions paid to reflect policies cancelled or otherwise amended during the Term, the Parties agree to meet to negotiate in good faith regarding how such capabilities may be used to amend this Agreement.

ARTICLE 5 CONFIDENTIAL INFORMATION

- The Parties acknowledge that, during the term of this Agreement, each Party may provide the other with information, including: MPI Customer information, data, ideas, materials, procedures, schedules, software, technical processes and formulas, product designs, sales, costs and other unpublished financial information, MPI Products and business plans, marketing data or other relevant information that is marked "confidential" (or similarly) or, if not so marked, is clearly intended to be confidential (collectively, the "Confidential Information").
- 5.1 Each Party will protect all Confidential Information of the other with at least the same degree of care it uses to protect its own confidential information, but not less than a reasonable degree of care, to ensure that the highest standards will be followed in protecting Confidential Information.
- Neither Party may use, disclose, provide, or permit any person to obtain any Confidential Information in any form, except for employees, agents, or independent contractors whose access is required to carry out the purposes of this Agreement and who have agreed to be subject to the same restrictions as set forth in this Agreement.
- 5.3 The confidentiality obligations of this Article 5 do not apply to any information received by a Party that:
 - 5.3.1 is generally available to or previously known to the public;
 - 5.3.2 can be reasonably demonstrated was known to a Party prior to the negotiations leading to this Agreement;
 - 5.3.3 is independently developed by a Party outside the scope of this Agreement without use of or reference to the other Party's Confidential Information; or
 - 5.3.4 is lawfully disclosed pursuant to an Order from a Court or tribunal of competent jurisdiction, provided that the Party subject to the Order will promptly notify the Party whose Confidential Information is to be disclosed, so that the Party may seek a protective or similar Order to maintain the confidential nature of the Confidential Information.
- 5.4 For greater clarity, the Parties agree that:
 - 5.4.1 The confidentiality provisions of the Conciliation will remain in place and that the "without prejudice" discussions, submissions and representations submitted and/or made during the Conciliation are subject to this Article 5;

- 5.4.2 Nothing in this Agreement limits or restricts the Parties' legal obligations to comply with all applicable legislation including, but not limited to, *FIPPA*; and
- 5.4.3 Although their intent is for the Confidential Information to remain confidential, the Parties must comply with the disclosure obligations under FIPPA and/or allow for the Parties to object to such disclosure under FIPPA.
- 5.5 The Parties agree that any obligations arising from this Article 5 are to survive the termination of this Agreement.

ARTICLE 6 GOOD FAITH NEGOTIATIONS

- 6.0 The Parties agree that, although this Agreement is set to expire on the Expiry Date, the intent is to renew or renegotiate this Agreement prior to the Expiry Date.
- The Parties recognize the importance of regularly reviewing the process of collaboration and agree that they both are ultimately accountable for its success. For this reason, this Agreement will be reviewed jointly by the Parties by the earlier of one (1) year after the Implementation Date or sixteen (16) months prior to the Expiry Date, and may be renewed, extended, and / or amended accordingly.

ARTICLE 7 DISPUTES & LIMITED ARBITRATION UNDER THIS AGREEMENT

- 7.0 The Parties agree to collaboratively work together for the purposes of carrying out the intent of this Agreement. However, in the event that there is a disagreement pursuant to Article 4.5 / 4.5.1 herein (a "Dispute"), the Parties shall attempt to resolve the Dispute in good faith, promptly, and in an amicable manner, by way of the following process:
 - 7.1.1 If, within sixty (60) days of the implementation of a redress solution as described in Article 4.5.1 herein, either Party determines that it is not satisfied with the redress solution, that Party may provide written notice of the Dispute and the Parties agree to convene in good faith to attempt to resolve the Dispute amicably among them.
 - 7.1.2 If the Parties are unable to resolve the Dispute within thirty (30) days of the provision of the notice, then upon request by a Party, the Dispute may be referred to arbitration as outlined in the subsections below:
 - 7.1.2.1 The Parties shall collectively appoint a single arbitrator selected from a list of arbitrators agreed to by the Parties, within fifteen (15) days to arbitrate the matter in dispute and the decision of the said arbitrator shall be binding and final on the Parties. Any arbitration shall be adjudicated by a single

- neutral arbitrator in accordance with the rules of *The Arbitration Act*. The seat, or legal place of arbitration, shall be the City of Winnipeg, Manitoba;
- 7.1.2.2 If the Parties are unable to agree upon one (1) arbitrator within fifteen (15) days, MPI shall appoint one (1) arbitrator within fifteen (15) days, and IBAM shall appoint one (1) arbitrator within fifteen (15) days, and each arbitrator so selected shall jointly elect a third arbitrator within fifteen (15) days and they all shall hear the matter in Dispute and deliver a decision, which decision shall be binding upon the Parties;
- 7.1.2.3 If written notice of arbitration is given by a Party to the other Party, naming an arbitrator, and the receiving Party fails to name its arbitrator within fifteen (15) days of notice, the arbitrator first named shall be empowered to hear the Dispute and deliver a decision which decision shall be final and binding on the Parties; and
- 7.1.2.4 The Parties agree to share equally in the costs associated with arbitration in the absence of any decision on costs by the arbitrator(s). The decision or award of the arbitrator shall be binding upon the Parties. The arbitrator shall have the authority to award any types of legal or equitable relief available in a court of competent jurisdiction, including, but not limited to, the costs of arbitration and legal fees, to the extent such damages are available under law. Any arbitral award may be entered as a judgment or order in any court of competent jurisdiction.
- 7.2 The Parties understand that by signing this Agreement they are waiving the right to commence any court action with respect to a Dispute vis-à-vis Article 4.5 / 4.5.1 in lieu of arbitration. With respect to any disagreements which may arise under this Agreement, other than Disputes, the Parties reserve their rights to exercise any remedy available to them allowed by law or equity.
- 7.3 So as to avoid any uncertainty, the Parties agree that it is in their mutual best interests and in the interests of their mutual MPI Customers to avoid conflict and that they will use their best efforts to avoid Disputes and disagreements under this Agreement, or otherwise.

ARTICLE 8 GENERAL PROVISIONS

- 8.0 Severance. Each section and paragraph of this Agreement shall be considered severable, and if for any reason any section or paragraph herein is determined to be invalid under current or future law, such invalidity shall not impair the operation of or otherwise affect the valid portions of this Agreement.
- 8.1 <u>Independent Legal Advice</u>. Each of the Parties acknowledges, represents and declares that, in executing this Agreement, each Party has relied solely upon such Party's own judgment, belief and knowledge, and the advice and recommendation of such Party's own independently

IBAM – MPI Agreement on Service Delivery (Effective April 1, 2021)
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selected counsel, concerning the nature, extent and duration of their rights and claims, and that neither has been influenced to any extent whatsoever in executing the same by any representations or statements made by any other Party or by a representative of another Party. Each Party acknowledges, represents and declares that such Party has carefully read this Agreement, knows the contents and executes the same voluntarily and without duress or pressure. Each of the Parties and their respective counsel have reviewed this Agreement, and the rule of construction to the effect that any ambiguities in an agreement are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement.

8.2 <u>Notice</u>. Any notice, consent, approval, request, demand, declaration or other communication required hereunder shall be in writing to be effective and shall be given and shall be deemed to have been given if delivered in person with receipt acknowledged, emailed or telecopied and electronically confirmed, deposited into the custody of a nationally recognized overnight courier for next day delivery, or placed in the federal mail, postage prepaid, certified or registered mail, return receipt requested, in each case addressed as follows:

If to MPI: Mr. Curtis Wennberg, Chief Operating Officer

Manitoba Public Insurance Corporation

702-234 Donald Street

Winnipeg, Manitoba R3C 4A4 Email: CWennberg@mpi.mb.ca

And with a copy to: Mr. Mike Triggs, General Counsel & Corporate Secretary

Manitoba Public Insurance Corporation

702-234 Donald Street

Winnipeg, Manitoba R3C 4A4 Email: MTriggs@mpi.mb.ca

If to IBAM:

Mr. Grant Wainikka

c/o Insurance Brokers Association of Manitoba

1445 Portage Ave #600 Winnipeg, Manitoba R3G 3P4

Email: grant@ibam.mb.ca

And with a copy to: Mr. Curtis Unfried and Ms. Jennifer Sokal, Legal Counsel

for IBAM

c/o MLT Aikins LLP; 30th Floor - 360 Main Street;

Winnipeg, Manitoba R3C 4G1

Email: cunfried@mltaikins.com / jsokal@mltaikins.com

Fax: (204) 957-4223 / (204) 957-0840

or at such other address as may be substituted by giving the other Party not fewer than five (5) Business Days' advance written notice of such change of address in accordance with the provisions hereof. The giving of any notice required hereunder may be waived in writing by the Party entitled to receive such notice. Every notice, demand, request, consent, approval, declaration or other communication hereunder shall be deemed to have been duly served, delivered and received on the date on which personally delivered with receipt acknowledged

or telecopied or telexed and electronically confirmed, or forty-eight (48) hours after being deposited into the custody of a nationally recognized overnight courier for next day delivery, or five (5) Business Days after the same shall have been placed in the federal mail as aforesaid. Failure or delay in delivering copies of any consent, notice, demand, request, approval, declaration or other communication to the persons designated above to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

- 8.3 <u>Amendments</u>. Any amendment to this Agreement must be in writing and must be executed by the Parties.
- 8.4 <u>Waiver</u>. A term or condition of this Agreement can be waived or modified by the written consent of both parties. Forbearance or indulgence by either Party in any regard does not constitute a waiver of the term or condition to be performed, and either party may invoke any remedy under the Agreement or by law despite the forbearance or indulgence.
- 8.5 <u>Assignment</u>. Neither Party shall assign or transfer this Agreement or any of its rights or obligations under this Agreement without first obtaining written permission from the other Party. This Agreement shall be binding upon the executors, administrators, heirs, successors and any permitted assigns of the Parties.
- 8.6 <u>Jurisdiction</u>. This Agreement shall be interpreted, performed and enforced in accordance with the laws of Manitoba and the laws of Canada applicable therein. The Parties hereby irrevocably and unconditionally attorn to the exclusion jurisdiction of the courts of the Province of Manitoba and all courts competent to hear appeals therefrom.
- 8.7 <u>Further Assurances</u>. Each Party agrees to perform any further acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Agreement.
- 8.8 Entire Agreement. This Agreement represents the entire agreement between the Parties with respect to the subject matter hereof, and supersedes and replaces all prior agreements with respect thereto.
- 8.9 <u>Counterparts</u>. This Agreement may be executed in any number of counterparts and with electronic signature, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument.

[SIGNATURE PAGE TO FOLLOW]

This Agreement has been executed on behalf of the Parties by their duly authorized representatives on the dates noted below.

MANITOBA PUBLIC INSURANCE CORPORATION

Per: Jon Ce	**	k	November 7, 2020
Name: CURTIS WENNERC	Curtis Wennberg		
Title: Chief operating decice ** I have authority to bind MPI.	Vice President Customer Service & COC)	

MANITOBA PUBLIC INSURANCE CORPORATION

Per:	Sally	**	November262020
Name: Title:		Satvir Jatana Interim President & CEO	
	** I have authority to hind MPL	·	

INSURANCE BROKERS ASSOCIATION OF MANITOBA

Per: Zall	**	November 34, 2020
Name: GRAST WAINIKEA		
Title: CEO - IEAM		
** I have authority to bind IBAM.		

INSURANCE BROKERS ASSOCIATION OF MANITOBA

Per:	-		-		**	ابر November , 2020
Name:	MARIO	, PEIR	1月月			

Title: CHAIR - IBAM

** I have authority to bind IBAM.

APPENDIX "A" MPI-IBAM Guiding Principles

- MPI and IBAM are committed to working together as partners to attain MPI's Mission Statement of "Exceptional coverage and service, affordable rates, and safe roads through public auto insurance." Working together entails demonstrating mutual respect, good faith cooperation, and understanding each other's needs and requirements in dealing with our mutual customers.
- 2. MPI acknowledges the value of the broker in delivering on its Mission and in the sale and distribution of MPI and DVL related products and services. MPI acknowledges that brokers service, inform, and protect the motoring public of Manitoba. MPI recognizes and acknowledges the benefit of IBAM and brokers as a valued partner.
- 3. Services provided by brokers include the delivery of insurance products tailored to the needs of individual customers. This includes the sale of Basic Insurance, Extension Insurance and commercial vehicle insurance placed through the Special Risk Extension insurance line (SRE). In addition, brokers process transactions related to insurance, driver licensing, driver registration, and other driver education products and registration services (i.e. Flat Fee Services) to the motoring public of Manitoba.
- 4. MPI acknowledges that brokers will be the online/digital distribution channel for insurance transactions through the term of this agreement.

Customers will be able to go online via the MPI system. The existing broker of record will show with a "change broker" button available. If the customer selects the "change broker" button, the broker of record will be presented along with the 4-5 closest geo-located brokers around the customer's postal code, followed by "other choices" which if selected will present all remaining brokerage brands in the province and "no specific broker".

If "no specific broker" is selected, another menu will be presented to the customer with geolocated brokers around the customer and language around a broker of record being required for an online renewal so it's clear to customers. Customers will choose a broker on this menu to proceed with the renewal.

- 5. With a view to consumer protection and service, MPI and IBAM will collaborate to identify which Flat Fee services should be sold in person, which should be sold online, and which should be distributed jointly by both brokers and MPI.
- 6. Upon the implementation of online service delivery, renewal/reassessment notices from MPI to Autopac customers will identify the Broker of Record for that customer. In addition:
 - MPI and IBAM will work in partnership to create renewal communications with regard to the adoption of online service delivery; and
 - Upon the implementation of online service delivery, MPI will develop monthly reporting for brokers providing advance notice for renewals, i.e. an expiry

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list. This will ensure the continuance of coverage and enable brokers to advise and service these customers.

- 7. All new policies will be sold in-person through existing distribution channels.
- 8. Both parties agree that that the current five-year renewal model will be replaced by an annual renewal system once regulations and/or Project Nova make this possible. It is expected that this will occur during the term of this agreement.
- 9. MPI's Service Centres will continue status quo operations in the province. MPI will continue its practice of not actively promoting the sale of insurance products through its Service Centres.
- 10. Brokers will have the opportunity to provide input into the design of Project Nova including service delivery and customer journey mapping, via a Broker Committee. Input will be received from brokers and other sources which MPI will consider when designing and developing Project Nova; however, subject to what is specified herein, all decisions related to design and development rest with MPI.
- 11. MPI recognizes there may be opportunities to expand the compensable services provided by brokers and is prepared to consider new services including suggestions from the broker community if doing so can enhance service to customers, create efficiencies, or reduce costs.
- 12. IBAM and MPI commit to working together for the benefit of the motoring public of Manitoba. Both organizations agree to establish an ongoing process to manage operational issues and facilitate respectful two-way communication.

CAC (MPI) 1-28

Part and Chapter:	Part V Expenses	Page No.:	25
PUB Approved Issue No:	9. Cost of operations		
Topic:	Employee future benefits		
Sub Topic:			

Preamble to IR:

On page 25 of Part V (Expenses) it states:

"Forecasting Assumptions

- 2 MPI forecasts each benefit based on individual behaviors, expected rate
- 3 increases/decreases, and discussions and advice from benefit consultants."

QUESTION:

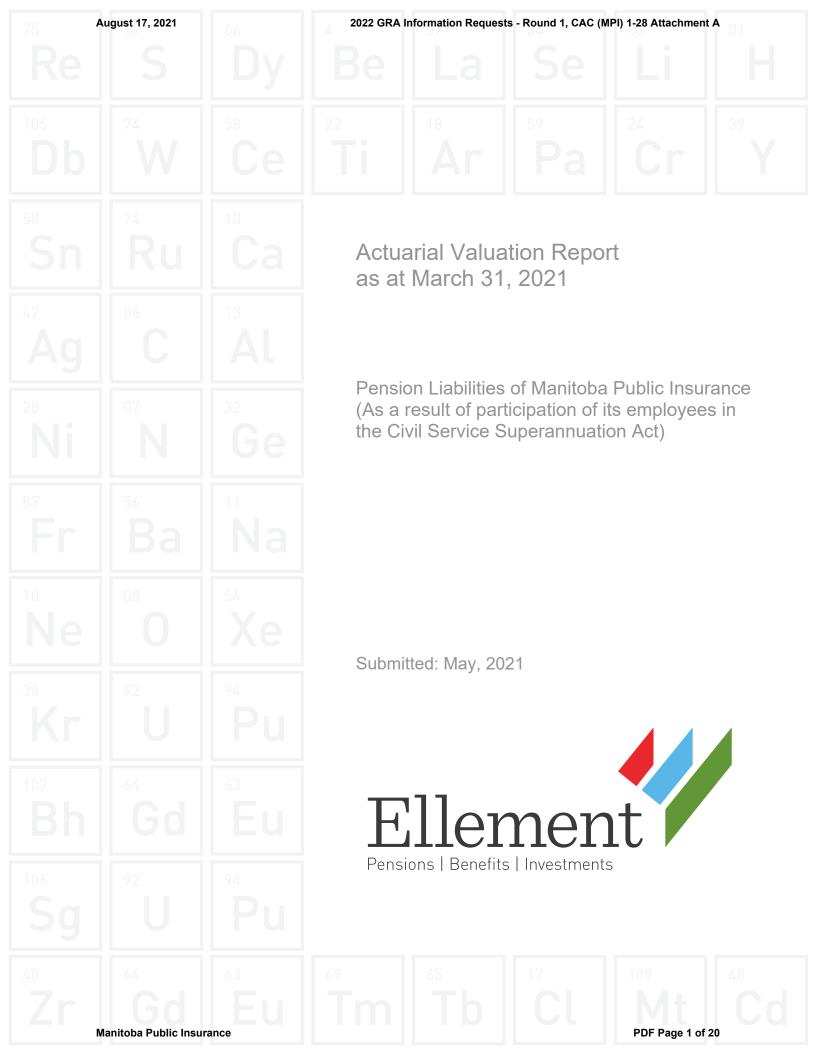
Please file a copy of the most recent actuarial pension and other benefit plans valuation reports prepared by the external benefit consultant.

RATIONALE FOR QUESTION:

To review the pension and other benefits plans actuarial valuation reports and the financial impact on basic insurance operations.

RESPONSE:

Please refer to Attachment A - Ellement Actuarial Valuation Reports March 31, 2021, Pension Liabilities of MPI, Attachment B - Post Retirement Health Benefits for In-scope Employees, and Attachment C - Out-of-Scope Post Retirement Health Benefits for Out-of-Scope Employees of MPI.



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APPENDICES

- I Summary of Data
- II Summary of Actuarial Accounting Assumptions
- III Projection of M.P.I. Pension Liabilities to March 31, 2021

I. 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 March 31, 2021 (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 March 31, 2021.

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.

Liabilities are calculated for March 31, 2021 based on December 31, 2020 data plus 0.25 years of age and services. Salary remains unchanged from December 31, 2020 due to the 0% wage growth assumption for the first nine months of 2021.

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 2021 were obtained from M.P.I.

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:

	3	I-Mar-202	I		3	31-Dec-2020		
	Males	Females	Total	_	Males	Females	Total	
Contributors	805	1,132	1,937		805	1,132	1,937	
Deferred Pensioners	93	118	211		93	118	211	
Reciprocal Transfers	1	-	I		I	-	I	
Pensioners & Survivors	538	566	1,104		538	566	1,104	
Total	1,437	1,816	3,253	- -	1,437	1,816	3,253	

A reconciliation of the number of member records used in the calculations is shown in Appendix I.

The numbers shown for pensioners includes 85 beneficiary records as at March 31, 2021 and 85 as at December 31, 2020.

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, 2019 (CSSF AVR 2019).

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 April 15, 2021 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 March 31, 2021 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.

Actuarial Valuation Report as at March 31, 2021 Pension Liabilities of Manitoba Public Insurance

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 I, 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 are 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 March 31, 2021 and December 31, 2020 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	Before change	
	in assumptions	in assumptions	
	31-Mar-2021	31-Mar-2021	31-Dec-2020
Contributors	\$ 212,582,300	\$ 256,665,700	\$ 252,730,600
Deferred Pensioners	11,741,400	14,070,500	14,010,000
Pensioners & Survivors	232,987,300	255,803,800	254,276,400
Total	\$ 457,311,000	\$ 526,540,000	\$ 521,017,000

For this valuation, the liabilities were \$2,063,200 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 increase in the discount rate from 2.59% to 3.34% decreased the liabilities by \$69.2 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 3.34% 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 157.6% 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. PLAUSIBLE ADVERSE SCENARIOS

Effective March 1, 2019, the Canadian Institute of Actuaries (CIA) amended the Standards of Practice now requiring the disclosure of Plausible Adverse Scenarios (PAS). A PAS would be a scenario of adverse but plausible assumptions, relative to the best estimate assumptions otherwise selected for the valuation, about matters to which the Plan's financial condition is sensitive. As a result, the selection and application of a plausible adverse scenario is a stress-testing process on various risks to be considered.

The following disclosures of the change in the obligations under the selected PAS are not intended to be a comprehensive study of the risks inherent in the Plan, but rather an illustration of the sensitivity of the funded status and plan costs to certain key risks facing the Plan, that have a non-trivial probability of occurring within the short term.

Each of the scenarios below have been prepared on a standalone basis. These scenarios are not additive and should not be combined to design a combination scenario due to potential codependency's.

Scenario I - Interest Rate Risk

Under this scenario, the discount rates on fixed income assets decrease 100 basis points immediately and result in a 100-basis-point decline in the future return expectations on all the asset classes in which the plan is expected to invest, leading to a 100-basis-point decrease in the discount rate. This means the discount rate is reduced by 1.00% from 3.34% to 2.34%. All other assumptions remain unchanged.

The net obligations increase 20.95% from \$457,311,000 in the base case to \$553,130,600.

Scenario 2 - Deterioration of Assets

Not applicable.

Scenario 3 - Longevity Risk

Under this scenario, mortality is set back I year from current assumptions (i.e. each member has the mortality of the age I year younger).

The net obligations increase 2.58% from \$457,311,000 in the base case to \$469,126,600.

Scenario 4 - Contribution Risk

No applicable.

10. MATURITY ANALYSIS

The following table shows the estimated future pensions as at March 31, 2021 and December 31, 2020:

	Less than	Between	Between	Over	
	l year	I - 2 years	2 - 5 years	5 years	Total
31-Mar-2021	\$ 13,360,500	\$ 14,755,500	\$ 52,636,200	\$ 719,144,500	\$ 799,896,700
31-Dec-2020	13,308,700	14,600,000	51,547,400	763,383,300	842,839,400

11. 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.

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.
- There is a risk that the liabilities may be exposed to adverse demographic experience in the future (e.g. retirement, mortality, etc.).
- The impacts of COVID-19 and the recent Court's decision on Bill 28 are uncertain at the time of the preparation of this Report and have not been reflected.
- 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 March 31, 2021.
- This Report has been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada.

Dated at Winnipeg, this 7th day of May, 2021.

ELLEMENT CONSULTING GROUP

Dennis Ellement, FSA, FCIA

Brandon Ellement, FSA, FCIA

Beandon Ellement

APPENDIX I

Summary of Data

Reconciliation of Membership

TOTAL	ACTIVES	DEFERREDS	RECIPROCAL	PENSIONERS	SURVIVORS
Opening 31-Dec-2020	1,937	211	1	1,019	85
New Entrants	-	-	-	-	-
Retirements	-	-	-	-	-
Terminations - Deferred	-	-	-	-	-
Terminations - Refunds	-	-	-	-	-
Terminations - Deaths	-	-	-	-	-
Death - Survivors	-	-	-	-	-
Closing 31-Mar-2021	1,937	211	I	1,019	85

MALES	ACTIVES	DEFERREDS	RECIPROCAL	PENSIONERS	SURVIVORS
Opening 31-Dec-2020	805	93	I	518	20
New Entrants	-	-	-	-	-
Retirements	-	-	-	-	-
Terminations - Deferred	-	-	-	-	-
Terminations - Refunds	-	-	-	-	-
Terminations - Deaths	-	-	-	-	-
Death - Survivors	-	-	-	-	-
Closing 31-Mar-2021	805	93	I	518	20

FEMALES	ACTIVES	DEFERREDS	RECIPROCAL	PENSIONERS	SURVIVORS
Opening 31-Dec-2020	1,132	118	-	501	65
New Entrants	-	-	-	-	-
Retirements	-	-	-	-	-
Terminations - Deferred	-	-	-	-	-
Terminations - Refunds	-	-	-	-	-
Terminations - Deaths	-	-	-	-	-
Death - Survivors	-	-	-	-	-
Closing 31-Mar-2021	1,132	118	-	501	65

Actuarial Valuation Report as at March 31, 2021 Pension Liabilities of Manitoba Public Insurance

Contributors

CONTRIBUTORS - MALES 31-Mar-2021

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	13	22.92	1.07	47,281.23	13	-	-	-	-	-	-	-	-
25 - 29	40	27.55	2.84	58,901.50	34	6	-	-	-	-	-	-	-
30 - 34	97	32.18	5.78	68,087.42	50	31	16	-	-	-	-	-	-
35 - 39	135	37.16	7.49	72,809.53	51	38	44	2	-	-	-	-	-
40 - 44	143	41.97	10.25	86,126.31	22	52	39	25	5	-	-	-	-
45 - 49	121	46.90	12.96	83,672.21	20	30	24	21	23	3	-	-	-
50 - 54	105	51.93	15.82	89,773.01	14	19	15	22	18	7	10	-	-
55 - 59	98	56.85	18.98	87,681.34	14	14	15	14	12	- 1	18	10	-
60 - 64	41	61.66	19.00	90,782.71	3	5	9	6	10	-	4	3	- 1
65 - 69	10	66.70	18.74	74,544.70	- 1	1	- 1	3	2	- 1	1	-	-
70 - 74	2	70.50	18.59	89,437.50	-	-	-	1	- 1	-	-	-	-
Mar 2021 Total/Avg	805	44.17	11.50	\$ 80,136.94	222	196	163	94	71	12	33	13	I
Dec 2020 Total/Avg	805	43.92	11.25	\$ 80,136.94	235	189	160	95	68	13	36	8	1

CONTRIBUTORS - FEMALES 31-Mar-2021

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	I	19.00	0.47	\$ 47,656.70	- 1	-	-	-	-	-	-	-	-
20 - 24	20	23.25	1.30	50,340.45	20	-	-	-	-	-	-	-	-
25 - 29	93	27.48	2.88	54,040.58	78	15	-	-	-	-	-	-	-
30 - 34	167	32.14	5.31	61,738.62	79	73	15	-	-	-	-	-	-
35 - 39	203	36.90	8.45	69,670.70	44	75	78	6	-	-	-	-	-
40 - 44	158	41.89	10.18	73,941.97	26	54	41	34	3	-	-	-	-
45 - 49	138	46.86	12.28	77,450.80	19	33	35	40	10	- 1	-	-	-
50 - 54	139	52.20	18.58	76,761.85	6	24	27	19	24	21	18	-	-
55 - 59	137	56.64	20.47	72,531.69	10	10	22	27	21	15	28	4	-
60 - 64	59	61.37	20.50	60,792.41	2	12	9	9	8	2	9	4	4
65 - 69	15	66.53	18.83	65,145.60	1	1	3	2	6	-	2	-	-
70 - 74	2	70.00	37.04	54,625.00	-	-	-	-	-	-	1	-	- 1
Mar 2021 Total/Avg	1,132	43.05	11.62	\$ 69,067.76	286	297	230	137	72	39	58	8	5
Dec 2020 Total/Avg	1,132	42.80	11.37	\$ 69,067.76	297	299	223	138	70	36	56	8	5

Deferred Pensioners

DEFERREDS - MALES 31-Mar-2021

MALES		A۱	verage Monthly		Ave	rage Monthly
Age	Count	ı	Basic Pension	Count	C	ola Pension
15 - 19	-	\$	-	-	\$	-
20 - 24	-		-	-		-
25 - 29	1		330.39	-		-
30 - 34	2		237.82	-		-
35 - 39	10		525.62	-		-
40 - 44	18		1,243.46	-		-
45 - 49	15		1,129.14	-		-
50 - 54	21		951.60	-		-
55 - 59	14		790.09	-		-
60 - 64	11		638.85	-		-
65 - 69	I		387.65	-		-
70 - 74	-		-	-		-
Mar 2021 Total/Avg	93	\$	901.52	-	\$	-
Dec 2020 Total/Avg	93	\$	901.52	-	\$	-

DEFERREDS - FEMALES 31-Mar-2021

FEMALES		Average Monthly						
Age	Count	Е	Basic Pension	Count	Cola Pension			
15 - 19	-	\$	-	-	\$	-		
20 - 24	-		-	-		-		
25 - 29	I		212.67	-		-		
30 - 34	6		407.74	-		-		
35 - 39	14		435.53	-		-		
40 - 44	19		683.08	-		-		
45 - 49	22		1,012.12	-		-		
50 - 54	15		888.52	-		-		
55 - 59	25		1,061.03	-		-		
60 - 64	11		455.24	-		-		
65 - 69	5		400.91	-		-		
70 - 74	-		<u>-</u>			-		
Mar 2021 Total/Avg	118	\$	770.06	-	\$	-		
Dec 2020 Total/Avg	118	\$	770.06	-	\$	-		

Pensions in Payment

PENSIONERS & SURVIVORS - MALES 31-Mar-2021

MALES			Average Monthly		
Age	Count	В	asic Pension	Count	Cola Pension
40 - 44	-	\$	-	-	\$ -
45 - 49	-		-	-	-
50 - 54	1		1,030.22	1	15.79
55 - 59	40		3,275.96	24	90.16
60 - 64	115		2,785.58	110	144.96
65 - 69	141		1,979.93	135	180.32
70 - 74	124		2,365.59	124	347.67
75 - 79	72		1,762.87	72	400.59
80 - 84	26		1,451.51	26	481.76
85 - 89	12		1,122.83	12	540.54
90 - 94	6		942.42	6	492.42
95 - 99	1		804.03	1	373.11
100 -105	-		-	-	-
Mar 2021 Total/Avg	538	\$	2,248.16	511	\$ 267.64
Dec 2020 Total/Avg	538	\$	2,248.16	511	\$ 267.64

PENSIONERS & SURVIVORS - FEMALES 31-Mar-2021

FEMALES			Average Monthly			
Age	Count	E	Basic Pension	Count	(Cola Pension
40 - 44	-	\$	-	-	\$	-
45 - 49	-		-	-		-
50 - 54	1		162.60	1		19.69
55 - 59	63		2,431.26	49		53.87
60 - 64	141		2,086.73	128		109.40
65 - 69	158		1,536.83	152		147.00
70 - 74	98		1,064.54	98		172.32
75 - 79	53		971.14	53		201.89
80 - 84	23		816.22	23		277.82
85 - 89	18		671.22	18		358.09
90 - 94	7		509.46	7		247.92
95 - 99	2		461.49	2		243.59
100 -105	2		285.63	2		154.66
Mar 2021 Total/Avg	566	\$	1,558.46	533	\$	153.77
Dec 2020 Total/Avg	566	\$	1,558.46	533	\$	153.77

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-Mar-2021	31-Dec-2020
l.	Annual Discount Rate	3.34%	2.59%
	Annual Rate of Inflation Included in Rate of Return	1.20% for 0.75 year, 1.80% for 1.00 year, 2.00% thereafter	1.20% for 1.00 year, 1.80% for 1.00 year, 2.00% thereafter
2.	General Salary Increases (service and merit is separate and age specific)	0.00% for 0.50 years, 0.75% for 1.00 year, 1.00% for 1.00 year, 2.00% thereafter	0.00% for 0.75 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)	0.80% for 0.75 year, 1.20% for 1.00 year, 1.33% thereafter	0.80% for 1.00 year, 1.20% 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	2021: \$3,245.56 Indexed <u>></u> 2022: same as 5. above	2021: \$3,245.56 Indexed ≥ 2022: same as 5. above
7.	Annual Rate of Interest Credited to Employee Contributions	2.14% for 0.75 year, 1.54% for 1.00 year, 1.34% thereafter	1.39% for 1.00 year, 0.79% for 1.00 year, 0.59% 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

Actuarial Valuation Report as at March 31, 2021 Pension Liabilities of Manitoba Public Insurance

	Mortality*		<u>Term</u>	<u>Termination</u>		ability	Retirement	
<u>Age</u>	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>
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 a	ınd Merit	Married Pr	<u>coportions</u>
<u>Age</u>	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>
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
4 5	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%.

Actuarial Valuation Report as at March 31, 2021 Pension Liabilities Manitoba Public Insurance

APPENDIX III

Projection of M.P.I. Pension Liabilities to March 31, 2021

1.	Actuarial Liabilities as at 31-Dec-2020	\$ 521,017,000
2.	Interest on liabilities and cash flow (2.59%)	3,373,900
3.	Current Service Cost for Active Members	5,519,700
4.	Employer Benefit Payments	(5,433,800)
5.	Projected Liabilities as at 31-Mar-2021	\$ 524,476,800
6.	ACTUAL LIABILITIES as at 31-Mar-2021 before change in economic assumptions	\$ 526,540,000
7.	ACTUAL LIABILITIES as at 31-Mar-2021 after change in economic assumptions	\$ 457,311,000
	GAIN/(LOSS) due to actual experience: [5] - [6] GAIN/(LOSS) due to change in accounting assumptions: [6] - [7]	\$ (2,063,200) 69,229,000
	NET GAIN/(LOSS)	\$ 67,165,800

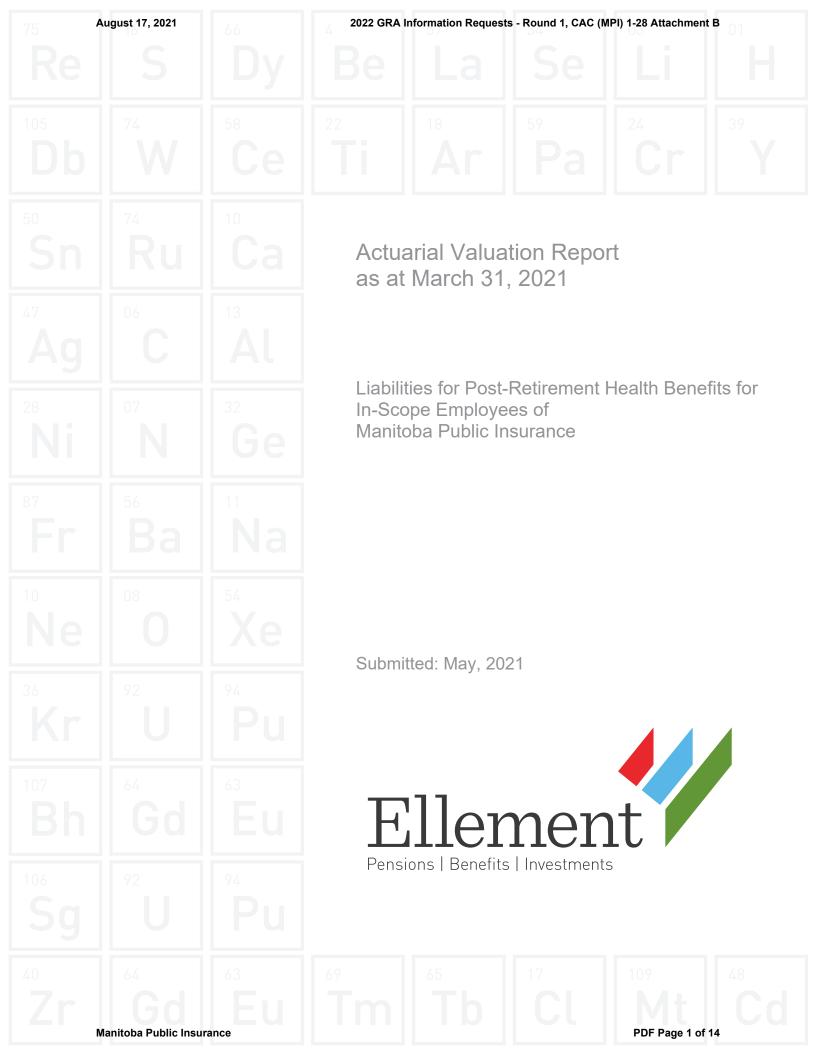
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- I Summary of Benefits
- II Summary of Actuarial Accounting Assumptions
- III Projection of M.P.I. Post-Retirement Health Benefits Liabilities to March31, 2021

I. PURPOSE

The purpose of this Actuarial Valuation Report (Report) is to:

- indicate the liabilities which the Manitoba Public Insurance (M.P.I.) has at March 31, 2021 (Valuation Date) as a result of the provision of Post-Retirement Health Benefits to inscope 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 March 31, 2021.

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.

Liabilities are calculated for March 31, 2021 based on December 31, 2020 data.

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.):

	E	MPLOYEES		PENSIONERS & SURVIVORS			
	Males	Females	Total	Males	Females	Total	
Participants as at 31-Dec-2020	634	968	1,602	227	325	552	
New employees	-	-	-	-	-	-	
Retirements	-	-	-	-	-	-	
Terminations	-	-	-	-	-	-	
Deaths	-	-	-	-	-	-	
Adjustments	-	-	-	-	-	-	
Participants as at 31-MAR-2021	634	968	1,602	227	325	552	

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 March 31, 2021. 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 April 15, 2021 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 March 31, 2021.

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 March 31, 2021 and December 31, 2020 as a result of the provision of Post-Retirement Health Benefits to in-scope employees:

	Amount at	Amount at
Category	31-Mar-2021	31-Dec-2020
Current Employees	\$ 3,294,200	\$ 3,881,600
Retired Employees	2,631,800	2,911,800
Total	\$ 5,926,000	\$ 6,793,400

For this valuation, the liabilities were \$5,500 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 3.34% 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 \$178 per covered current in-scope employee per year for the period.

Ellement Consulting Group

Manitoba Public Insurance

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 0.295 million or 4.98% for each 4 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 0.293 million or 4.94% for each 4 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 March 31, 2021 and December 31, 2020:

	Less than		Between	Between Between		Over		
	l year	l year l		I - 2 years 2 - 5 years		rs 5 years		Total
31-Mar-2021	\$ 133,000	\$	147,800	\$	532,500	\$	9,886,700	\$ 10,700,000
31-Dec-2020	133,900		150,600		551,900		10,296,500	11,132,900

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.
- The impact of COVID-19 is uncertain at the time of the preparation of this Report and has not been reflected.
- 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 March 31, 2021.
- This Report has been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada.

Dated at Winnipeg, this 7th day of May, 2021.

Respectfully submitted,

ELLEMENT CONSULTING GROUP

Dennis Ellement, FSA, FCIA

Brandon Ellement, FSA, FCIA

Beandon Ellement

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-Mar-2021	31-Dec-2020
l.	Annual Discount Rate:	3.34%	2.59%
2.	Post-Retirement Benefit Rates (as at valuation date):		
	- increase in post-retirement benefit rates	1.20% for 0.75 year, 1.80% for 1.00 year, 2.00% thereafter	1.20% for 1.00 year, 1.80% 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		<u>Disa</u>	ability	<u>Retirement</u>	
<u>Age</u>	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>
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 TO MARCH 31, 2021

1.	Actuarial Liabilities as at 31-Dec-2020	6,793,400
2.	Interest on liabilities and cash flow (2.59%)	44,100
3.	Current Service Cost for Active Members	87,300
4.	Premium Payments for Retired Members	(48,300)
5.	Adjustment for new entrants	-
6.	Adjustment for data	-
7.	Projected Liabilities as at 31-Mar-2021	6,876,500
8.	ACTUAL LIABILITIES as at 31-Mar-2021 before change in economic assumptions	6,871,000
9.	ACTUAL LIABILITIES as at 31-Mar-2021 after change in economic assumptions	5,926,000
	GAIN/(LOSS) due to actual experience: [7] - [8]	5,500
	GAIN/(LOSS) due to change in accounting assumptions: [8] - [9]	945,000
	NET GAIN/(LOSS)	950,500

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I. PURPOSE

The purpose of this Actuarial Valuation Report (Report) is to:

- indicate the liabilities which the Manitoba Public Insurance (M.P.I.) has at March 31, 2021 (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 March 31, 2021.

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.

DATA

It is anticipated no amendments will be made to the Post-Retirement Health Benefits.

Liabilities are calculated for March 31, 2021 based on December 31, 2020 data.

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 2020 are \$167.65 per month for family coverage and \$84.79 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-2020	159	143	302	184	61	245
New employees	-	-	-	-	-	-
Retirements	-	-	-	-	-	-
Terminations	-	-	-	-	-	-
Deaths	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-
Participants as at 31-Mar-2021	159	143	302	184	61	245

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 March 31, 2021. 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 April 15, 2021 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 March 31, 2021.

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 4.80% per year. This rate of escalation of the cost of health benefits remains unchanged from December 31, 2020.

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 March 31, 2021 and December 31, 2020 as a result of the provision of Post-Retirement Health Benefits to out-of-scope employees:

	Amount at	Amount at
Category	31-Mar-2021	31-Dec-2020
Current Employees	\$ 12,263,500	\$ 14,787,800
Retired Employees	11,707,100	13,124,500
Total	\$ 23,970,600	\$ 27,912,300

For this valuation, the liabilities were \$286,000 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 3.34% 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 \$4,141 per covered current out-of-scope employee per year for the period.
- Deduct the actual premiums to Blue Cross for the period.

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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 1.243 million or 5.19% for each $\frac{1}{4}$ 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 \$1.266 million or 5.28% for each $\frac{1}{4}$ of $\frac{1}{8}\%$ 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 March 31, 2021 and December 31, 2020:

		Less than	Between		Between		Over	
l year		I - 2 years 2 - 5 years		5 years		Total		
31-Mar-2021	\$	477,200	\$ 523,500	\$	1,848,100	\$	42,144,800	\$ 44,993,600
31-Dec-2020		480,500	533,200		1,916,000		44,008,700	46,938,400

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.
- The impact of COVID-19 is uncertain at the time of the preparation of this Report and has not been reflected.
- 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 March 31, 2021.
- This Report has been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada.

Dated at Winnipeg, this 7th day of May, 2021.

Respectfully submitted,

Dennis Ellement

ELLEMENT CONSULTING GROUP

Dennis Ellement, FSA, FCIA

Brandon Ellement, FSA, FCIA

Beandon Ellement

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-Mar-2020	31-Dec-2020
I.	Annual Discount Rate:	3.34%	2.59%
2.	Post-Retirement Premium Rates (at valuation date):		
	- increase in post-retirement premium rates	4.80%	4.80%
	- family rate per month	\$167.65	\$167.65
	- single rate per month	\$84.79	\$84.79
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:

	<u>Mortality*</u>		<u>Termination</u>		<u>Disa</u>	ability	<u>Retirement</u>	
<u>Age</u>	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>
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 TO MARCH 31, 2021

١.	Actuarial Liabilities as at 31-Dec-2020	27,912,300
2.	Interest on liabilities and cash flow (2.59%)	181,600
3.	Current Service Cost for Active Members	378,500
4.	Premium Payments for Retired Members	(113,500)
5.	Adjustment for new entrants	-
6.	Adjustment for data	-
7.	Projected Liabilities as at 31-Mar-2021	28,358,900
8.	ACTUAL LIABILITIES as at 31-Mar-2021 before change in economic assumptions	28,072,900
9.	ACTUAL LIABILITIES as at 31-Mar-2021 after change in economic assumptions	23,970,600
	GAIN/(LOSS) due to actual experience: [7] - [8]	286,000
	GAIN/(LOSS) due to change in accounting assumptions: [8] - [9]	4,102,300
	NET GAIN/(LOSS)	4,388,300

	August 17, 2021	66	2022 GRA Information Requests - Round 1, CAC (MPI) 1-28 Attachment C				
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Benefit security at a reasonable cost



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Part and Chapter:	Part V Expenses	Page No.:	Appendix 10 and 11, page 2 and 1 respectively			
PUB Approved Issue No:	9. Cost of operations					
Topic:	Appendix 10 and 11—Staffing Levels					
Sub Topic:						

Preamble to IR:

On page 2 of Part V, Appendix 10 Figure EXP App 10-1 indicates a Corporate Staffing Complement of 1,801.3 FTEs for 2020/21 and in Appendix 11 Figure EXP App 11-1 page 1 MPI is budgeting a Corporate Staffing Complement of 2,017.38 FTEs for 2021/22, an increase of 216.08 FTEs.

QUESTION:

Please provide an analysis with a narrative discussion justifying the need and requirement for the increase in the staffing level of 216.08 FTEs.

RATIONALE FOR QUESTION:

To better understand the need to increase staffing levels by 216 FTEs from 2020/21 to 2021/22.

RESPONSE:

Figure 1 outlines the variance in FTE actual to budget in normal operations and initiatives.

Figure 1: 2021/22 Budget compared to Average Actual FTE

	2021/2022 2020/21 Average				
	Budget FTE	Actual FTE	Variance		
Normal Operations	1,930.00	1,762.40			
Specialty Programs	9	4.3			
Normal Operations + Specialty Program	1,939.00	1,766.70	(172.30)		
Improvement Initiatives	78.4	34.6	(43.80)		
Total FTE	2,017.40	1,801.30	(216.10)		

MPI uses a Budget Review Committee approach to discuss and approve budget changes for operating expenses and staffing. There are a number of business reasons for the noted changes in 2021/22 to support the strategic direction of MPI. The main reason for the need to increase the FTE budget in 2021/22 is Information Technology Transformation. *Appendix 10-1* reflects average actual FTE for fiscal year 2020/21 whereas *Appendix 11-1* reflects the budget FTE for 2021/22. The budgeted FTE level does not consider the corporate vacancy provision. The corporate vacancy provision reduces salary expenses for vacancies when there is turnover, retirements and where roles remain unfilled during the year.

Part and Chapter:	Part V Expenses	Page No.:	Appendix 19, page 1 and 5
PUB Approved Issue No:	9. Cost of operations		
Topic:	Appendix 19: Corporate	Information	Technology Costs
Sub Topic:			

Preamble to IR:

Line 3 of Appendix 19 summarizes the annual deferred development costs by year. Pages 4 and 5 provide the corporate annual deferred developments costs by project. The totals on page 5 are different from the summary totals on page 1.

QUESTION:

Please reconcile the corporate annual deferred developments costs reported on page 1 (line 3) to the amounts reported on page 5 (line 74) of Appendix 19 and provide explanations as required for the differences.

RATIONALE FOR QUESTION:

To review and clarify deferred development costs reported in Appendix 19.

RESPONSE:

Please refer to Appendix 1 for blackline and clean versions of <u>Expenses Appendix 19</u>
<u>Figure EXP App 19-3</u> Corporate Capital Expenditures - Deferred Development Costs

Figure EXP App 19-3 Corporate Capital Expenditures - Deferred Development Costs

				-							
	2016/174	2017/184	2018/104	2010/201	2020/21 A	2021/22E	2022/23E	2023/24E	2024/25E	2025/26E	Unassigned Capital
	2010/1/A	2017/10/	2010/13/4	2013/207	2020/217	2021/221	2022/231	2023/241	2024/231	2023/201	Сарпа
	3 154	31	_	_	_	_	_	_	_		_
-	-	_	_	_	_	_	_	_	_		_
•	14	_	_	_	_	_	_	_	_		_
	1.579	_	_	_	_	_	_	_	_		_
		_	_	_	_	_	_	_	_		-
	688	_		_	_	_	_	_	_		-
	2,343	2	_	-	-	-	_	_	_		-
· · · · · · · · · · · · · · · · · · ·	(2,434)	282	_	-	-	-	-	-	-		-
PDR Opt Repair - Remote Estimating	70	115	_	-	-	-	-	-	-		-
BI3 Fineos Upgrade 2016	577	-	-	-	-	-	-	-	-		-
Enterprise Data Masking	3	-	-	-	-	-	-	-	-		-
High School Driver Education Phase 2	1,333	112	-	-	-	-	-	-	-		-
High School Driver Education Phase 3	-	681	2,194	467	-	-	-	-	-		-
High School Driver Education Phase 4			16	678	51	-	-	-	-	-	-
Infor/Lawson Upgrade	1,258	1,101	455	-	-	-	-	-	-		-
ITO - High Availability	938	-	-	-	-	-	-	-	-		-
Legal Management Project	(8)	-	-	-	-	-	-	-	-		-
Predictive Analytics	1	-	-	-	-	-	-	-	-		-
Corporate Learning Management	1,123	1,406	563	-	-	-	-	-	-		-
Physical Damage - Centre of Excellence	283	-	-	-	-	-	-	-	-		-
Information Security Strategy and Road Map Phase 1	1,934	130	-	-	-	-	-	-	-		-
Information Security Strategy and Road Map Phase 2	659	1,756	75	-	-	-	-	-	-		-
Technology Innovation & Capabilities	(12)	-	-	-	-	-	-	-	-		-
Technology Risk Management - 2016/17	2,213	145	-	-	-	-	-	-	-		-
Technology Risk Management - 2017	-	2,902	1,501	-	-	-	-	-	-		-
Technology Risk Management - 2018	-	-	3,890	1,438	622	-	-	-	-		-
Technology Risk Management - 2019	-	-	-	701	1,286	-	-	-	-	-	-
Technology Risk Management - 2020	-	-	-	-	1,445	-	-	-	-	-	-
Technology Risk Management - 2021	-	-	-	-	-	3,080	-	-	-	-	-
Technology Risk Management - 2022	-	-	-	-	-	-	4,000	-	-	-	-
Technology Risk Management - 2023			-	-	-	-	-	4,000	-	-	-
Technology Risk Management - 2024			-	-	-	-	-	-	4,000	-	-
Technology Risk Management - 2025						-	-	-	-	4,000	-
Appointment Manager	2	1,402	49	-	-	-	-	-	-		-
Customer Claims Reporting System	10,592	5,032	773	-	-	-	-	-	-		-
	BI3 Fineos Upgrade 2016 Enterprise Data Masking High School Driver Education Phase 2 High School Driver Education Phase 3 High School Driver Education Phase 4 Infor/Lawson Upgrade ITO - High Availability Legal Management Project Predictive Analytics Corporate Learning Management Physical Damage - Centre of Excellence Information Security Strategy and Road Map Phase 1 Information Security Strategy and Road Map Phase 2 Technology Innovation & Capabilities Technology Risk Management - 2016/17 Technology Risk Management - 2017 Technology Risk Management - 2018 Technology Risk Management - 2019 Technology Risk Management - 2020 Technology Risk Management - 2021 Technology Risk Management - 2022 Technology Risk Management - 2023 Technology Risk Management - 2024 Technology Risk Management - 2025 Appointment Manager	Deferred Development Costs: (C\$000s, except where noted) Projects that do not impact Basic IT Optimization Disaster Recovery HR Management System Phase 1 & 2 Physical Damage Re-engineering Phase 1 & 2 PDR Opt Repair - Collaborative Estimating & JSST PDR Opt Repair - Distributed Estimating Physical Damage Re-engineering Main/Phase 3 PDR Opt Repair - Remote Estimating Physical Damage Re-engineering Main/Phase 3 PDR Opt Repair - Remote Estimating Physical Damage Re-engineering Main/Phase 3 PDR Opt Repair - Remote Estimating To BI3 Fineos Upgrade 2016 577 Enterprise Data Masking 3 High School Driver Education Phase 2 1,333 High School Driver Education Phase 3 High School Driver Education Phase 4 Infor/Lawson Upgrade 1,258 ITO - High Availability 938 Legal Management Project (8) Predictive Analytics 1,258 ITO - High Availability 2,338 Information Security Strategy and Road Map Phase 1 1,934 Information Security Strategy and Road Map Phase 1 1,934 Information Security Strategy and Road Map Phase 2 659 Technology Innovation & Capabilities (12) Technology Risk Management - 2016/17 2,213 Technology Risk Management - 2016/17	Deferred Development Costs: (CS000s, except where noted)	Deferred Development Costs: 2016/17A 2017/18A 2018/18A (C\$000s, except where noted) Projects that do not impact Basic 3,154 31 - IT Optimization 46 - - Disaster Recovery 14 - - HR Management System Phase 1 & 2 1,579 - - Physical Damage Re-engineering Phase 1 & 2 390 - - PDR Opt Repair - Collaborative Estimating & JSST 688 - - PDR Opt Repair - Distributed Estimating & JSST 688 - - PDR Opt Repair - Femote Estimating & JSST 688 - - PDR Opt Repair - Remote Estimating & JSST 70 115 - BI3 Fineos Upgrade 2016 577 - - - Enterprise Data Masking 3 - - 681 2,194 High School Driver Education Phase 2 1,333 112 - High School Driver Education Phase 4 1,6 1,6 1,6 Infor/Lawson Upgrade 1,258 1,101 <	Deferred Development Costs: 2016/17a 2017/18a 2018/19a 2019/20a		Content Cont	C5000s, except where noted	Deferred Development Costs:	Definity Colora Colora	Defered Development Costs:

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Corporate Capital Expenditures - Deferred Development Costs (cont'd)

Line No.	Corporate Capital Expenditures Deferred Development Costs:	2016/17A	2017/18A	2018/19A	2019/20A	2020/21A	2021/22F	2022/23F	2023/24F	2024/25F	2025/26F	Unassigned Capital
37	(C\$000s, except where noted)	2010/1/74	2011/10/4	2010/13/4	2013/207	ZUZU/Z IA	ZUZ I/ZZI	ZUZZ/ZUI	2020/241	202-1/201	2023/201	Сарпа
38	Enhanced DR Capabilities	292	1,422	831	_	_	_	_	_	_		_
39	Partner Portal	291	2,256	6	_	_	_	_	_	_		_
40	Financial Re-Engineering Initiative	342	2,200	-	854	1,301	_	_	_	_	_	_
41	Customer Self Service	-	1,679	2.809	116	-	_	_	_	_		_
42	Credit Card Strategy	_	255	2,534	1,422	_	_	_	_	_		_
43	Nova	_	-	2,554	-	13.024	34.669	26.186	12.099	5,056	_	4,523
44	Information Security Maturity	_	_	_	373	1,693	2,541	38	-	-	_	-
45	Total Loss	_	_	_	1.570	(125)		-	_	_	_	_
46	HRMS Optimization - Phase 1	_	_	_	-,5.5	65	_	_	_	_	_	_
47	Salvage Management System	_	_	_	134	457	_	_	_	_	_	_
48	Microsoft 365					895	1,474	_	_	_	_	
49	Driver Licence Renewal Term Changes (10yr)					-	563	_	_	_	_	
50	Year 1 Data and Analytics Spend					_	3,000	_	_	_	_	
51	CERP - Additional Product Changes	_	_	_	135	132	-	_	_	_	_	_
52	Total Deferred Development Costs	27,671	20,710	15,696	7,888	20,846	45,327	30,224	16,099	9,056	4,000	4,523
53	Impairment of Deferred Development	-	(20,506)	(3,026)	(1,841)	(930)	-	-	-	-	-,000	-,525
54	Data Processing Equipment:		(20,000)	(0,020)	(1,011)	(000)						
55	Provision for New and Replacement Equipment	110	142	72	231	43	1,840	100	595	1,915	283	
56	Projects that impact Basic	-	-	_		_	-	-	-	-		
57	Total Data Processing Equipment	110	142	72	231	43	1,840	100	595	1,915	283	_
58	Total Capital Requirements for IT	27,781	346	12,742	6,278	19,959	47.167	30,324	16,694	10,971	4,283	4,523
59	Technology Risk Management - 2023	27,70	0.0	,	3,2.3	10,000	,	33,32	.0,00 .		.,200	.,020
60	Technology Risk Management - 2024										4.000	
61	Appointment Manager		2	1.402	49							
62	Customer Claims Reporting System		10.592	5.032	773							
63	Enhanced DR Capabilities		292	1,422	831							
64	Partner Portal		291	2,256	6							
65	Financial Re-Engineering Initiative		342	1		854		2,996	3,009	2,212		
66	Customer Self Service			1.679	2.809	116						
67	Credit Card Strategy			255	2,534	1,422						
68	Neva						21,901	44,678	17,200	10,282	1,105	
69	Information Security Maturity					373	3,406	1,183	90			
70	Total Loss					1.570						
71	HRMS Optimization - Phase 1						1.206					
72	Salvage Management System					134	670					
73	CERP - Additional Product Changes					135	540					
74	Total Deferred Development Costs	83.343	33,063	53,299	27,677	- 65,411	-169,224	-139,829	70,381	45,407	17,954	13,569
75	Impairment of Deferred Development			(20,506)	(3,026)	(1,841)						
76	Data Processing Equipment:			(==,==0)	(-,)	(-,)						
77	Provision for New and Replacement Equipment	624	110	142	72	231	547	889	909	1.230	1.810	
78	-Projects that impact Basic											
79	Total Data Processing Equipment	624	110	142	72	231	547	889	909	1,230	1,810	
, ,	Total Capital Requirements for IT	83.967	33,173	32,935	24,723	63.801	-169,771	-140,718	71,290	46,637	19,764	13,569
	Total Suprair Requirements for Tr	- 00,001	00, 110	- OZ, 33 0	27,120	-00,001	100,111	170,110	11,230	-10,001	10,104	10,000

Manitoba Public Insurance Page 5 of 6

Manitoba Public Insurance PDF Page 2 of 3

revised August 17, 2021 June 28, 2021 **CLEAN**

2022 GENERAL RATE APPLICATION Part V - EXP Appendix 19 - Clean

Corporate Capital Expenditures - Deferred Development Costs (cont'd)

Line No.	Corporate Capital Expenditures Deferred Development Costs:	2016/17A	2017/18A	2018/19A	2019/20A	2020/21A	2021/22F	2022/23F	2023/24F	2024/25F	2025/26F	Unassigned Capital
37	(C\$000s, except where noted)	2010/11/4	2011/10/4	2010/10/4	ZOTO/ZOA	LULUIL IA	LVL I/LLI	LULLI LUI	LULU/L-H	ZUZ-II ZUI	2020/201	Capital
38	Enhanced DR Capabilities	292	1,422	831	_	_	-	_	_	-		-
39	Partner Portal	291	2,256	6	-	-	-	_	-	-		-
40	Financial Re-Engineering Initiative	342	1	-	854	1,301	-	-	-	-	-	-
41	Customer Self Service	-	1,679	2,809	116	-	-	-	-	-		-
42	Credit Card Strategy	-	255	2,534	1,422	-	-	-	-	-		-
43	Nova	-	-	-	-	13,024	34,669	26,186	12,099	5,056	-	4,523
44	Information Security Maturity	-	-	-	373	1,693	2,541	38	-	-	-	-
45	Total Loss	-	-	-	1,570	(125)	-	-	-	-	-	-
46	HRMS Optimization - Phase 1	-	-	-	-	65	-	-	-	-	-	-
47	Salvage Management System	-	-	-	134	457	-	-	-	-	-	-
48	Microsoft 365					895	1,474	-	-	-	-	
49	Driver Licence Renewal Term Changes (10yr)					-	563	-	-	=	-	
50	Year 1 Data and Analytics Spend					-	3,000	-	-	=	-	
51	CERP - Additional Product Changes	=	-	-	135	132	=	-	=	=	-	-
52	Total Deferred Development Costs	27,671	20,710	15,696	7,888	20,846	45,327	30,224	16,099	9,056	4,000	4,523
53	Impairment of Deferred Development	-	(20,506)	(3,026)	(1,841)	(930)	-	-	-	-	-	-
54	Data Processing Equipment:											
55	Provision for New and Replacement Equipment	110	142	72	231	43	1,840	100	595	1,915	283	
56	Projects that impact Basic	-	-	-	-	-	-	-	-	=		
57	Total Data Processing Equipment	110	142	72	231	43	1,840	100	595	1,915	283	-
58	Total Capital Requirements for IT	27,781	346	12,742	6,278	19,959	47,167	30,324	16,694	10,971	4,283	4,523

Manitoba Public Insurance Page 5 of 6

Part and Chapter:	Part V EXP	Page No.:	PDF Page 599 Page 21 of 66 Figure EXP-12				
PUB Approved Issue No:	9. Cost of operations a	and cost cont	ainment measures				
Topic:	Expenses						
Sub Topic:	Vacancy Allowance						

Preamble to IR:

At PDF page 599-600, MPI states:

"5. Vacancy Allowance - vacant positions arise from staff turnover related to job changes, retirements, resignations, eliminations, etc. This results in a number of position vacancies in any given period. Vacancy results 1 in no salary expenditures which reduces that 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 line 3 of Figure EXP -12 below."

Figure EXP-11 and Figure EXP-12

QUESTION:

- a) Figure EXP-11 indicates a steady increase in actual staff level under variance. Please reconcile this trend with a reduction in vacancy allowance from 2020/21A through 2022/23F presented in Figure EXP-12.
- b) Please explain the reasons for increased normal operations staff in 2021/22FB and 2022/23F presented in Figure EXP-11.

c) Please advise if MPI has modified or improved the forecasting of the vacancy allowance since the 2021 GRA. Please provide a supporting calculation for deriving the vacancy allowance in each of 2021/22FB and 2022/23F

RATIONALE FOR QUESTION:

To understand the significant ongoing vacancy in the Corporation, and MPI's approach to forecasting Vacancy Allowance.

RESPONSE:

- a) The vacancy projected in future years decreased slightly from 2021/22 budget due to expectations of pre-pandemic staffing levels. Further, the 2021/22 budget increased the number of FTEs to reflect the information technology (IT) transformational projects within MPI that are needed to replace and upgrade antiquated technology/infrastructure. In the technology advancements, MPI also requires an upgrade of the IT roles/skills needed to service its digital adoptions and strategic vision. Many of these FTEs are new roles and will take time to fill, thereby requiring a higher vacancy allowance in 2021/22.
- b) The increase in normal operations FTEs in EXP-11 results from changes in the IT division, as MPI prepares to operationalize NOVA. MPI required changes in the division to support this transition, while at the same time supporting the existing applications. MPI expects and projects FTE decreases in future years, starting in 2023/24, primarily due to NOVA.
- c) MPI based its vacancy calculations on historical average calculations. The same methodology from the 2021 GRA remains in place. MPI considered the new roles and the length of time required to fill them during its budget planning for 2021/22. MPI calculates vacancy by taking the historical average and multiplying it by average salary and benefits. MPI may then adjust the result based on the type of role it expects to be vacant in order to determine the corporate vacancy provision.

Part and Chapter:	Part V PF	Page No.:	PDF Page 516 Page 9 of 25					
PUB Approved Issue No:	9. Cost of operations an	d cost conta	inment measures					
Topic:	Pro Forma Results	Pro Forma Results						
Sub Topic:	Variances to Actual							

Preamble to IR:

At PDF page 516 MPI indicates that Allocated Corporate expenses included lower than expected regular salaries and overtime expenses.

33	(4)	Allocated Corporate Expenses	225,970	2021 GRA
34		(Normal Operations)	(4,553)	Lower than expected regular salaries
35			(568)	Lower than expected overtime expense
36			975	Higher than expected benefit expense
37			546	Higher than expected data processing expense
38			1,712	Higher than expected special service expense
39			(1,117)	Lower than expected Safety / Loss Prevention Program expense
40			(608)	Lower than expected printing and stationery
41			(1,614)	Lower than expected driver education expense
42			(604)	Lower than expected furniture and equipment expense
43			(3,501)	Other
44			216,638	2022 GRA

At Page 28 of the MPI Exhibit 27 to the 2021 GRA MPI indicates variance explanations for Allocated Corporate Expenses as follows:

20	(3)	Allocated Corporate Expenses	231,709	2021 GRA
21			(7,000)	Lower than expected regular salaries
22			(500)	Lower than expected data processing expenses
23			(500)	Lower than expected building expenses
24			(500)	Lower than expected printing, stationery and supplies
25			(720)	Other
26			222,489	2021 GRA - Revised October 9, 2020

QUESTION:

- a) Please confirm that the variance comparison in PF-4 is comparing 2022 GRA actuals for 202/21, against the FB of the 2021 GRA, as filed on June 28, 2021.
- b) Please provide a narrative explanation of the reasons for lower than expected regular salaries and overtime expenses, while higher than expected benefit expense.
- c) Please reconcile with the current variance explanation, and provide a narrative description of the lower than expected salaries at October 9, 2021.

RATIONALE FOR QUESTION:

To fully understand salary variances through the 2020/21 year.

RESPONSE:

- a) Confirmed. The variance explanation on page 516 of the PDF compares the 2020/21 actual in the 2022 GRA to the 2020/21 forecast base in the 2021 GRA.
- b) For narrative explanations on normal operations expense variances including salaries and benefits, between the 2021 and 2022 GRAs, please see *Expenses*<u>Chapter EXP 3.2</u> and for corporate expenses (normal operations and improvement initiative expenses) please see <u>Expenses EXP Appendix 7</u>.
- c) The expected salary variance projected in the 2021 GRA Rate Update, is larger primarily due to FTE turnover/FTE vacancy occurring in the 2020/21 fiscal year.

Part and Chapter:	Part I Overview	Page No.:	6					
PUB Approved Issue No:	_	10—Current IT Strategic Plan and IT Expenses and Projects, Including Project Nova						
Topic:	Project Nova—business case update							
Sub Topic:								

Preamble to IR:

MPI has completed a review and update to the Project Nova business case.

Project Nova is now expected to cost \$128.5 million (including contingencies) (before \$106.8 million) with a NPV forecasted to be a positive \$18.4 million over a period of 15 years.

On page 6, Part I (Overview) it states:

"Notwithstanding that its aim is not necessarily to

- generate a positive rate of return, MPI recently completed a review and update of the
- 11 Project NOVA business case and now forecasts its Net Present Value to be a positive
- 12 \$18.4 million over a period of 15-years."

QUESTION:

a) Please provide a narrative discussion on the phrase "Notwithstanding that its aim is not necessarily to generate a positive rate of return" and contrast this discussion to the overall objectives of Project Nova.

b) In general terms, please provide a narrative discussion on MPI's confidence in the updated Project Nova budget of \$128.5 million to fully modernize MPI's IT systems, skills sets and organizational agility.

RATIONALE FOR QUESTION:

To better understand Project Nova's purpose and MPI's confidence in its updated financial budget.

RESPONSE:

- a) The above noted phrase emphasizes that the key business objectives of Project NOVA (as outlined in the original business case) are not driven solely by financial considerations. The stated program deliverables are critical and independent of its net present value. As technology advances and customer needs evolve, MPI requires an overall strategic plan to continue to meet its corporate vision and mission. NOVA is one (important) element of this plan. While MPI is exercising financial prudence in the management of its costs and optimizing the net ongoing financial benefits upon its implementation, it will measure the success of NOVA in light of its ability to meet all of the following objectives:
 - Stable Technology Platform
 - Agility in delivery of features and capabilities to address Business Needs
 - Cost Savings and Operational Efficiencies
 - Availability and Portability for External Partners/Customers
 - Automation of SRE
 - Secured Solution
 - Transform the Customer Experience
- b) The NOVA re-baseline exercise involved comprehensive due diligence by the Project Team to validate estimated project costs, one-time and ongoing costs and

benefits, and the related assumptions supporting these estimates. This work included a rigorous RFP and negotiation process with external vendors, detailed resource planning as well as the development of product milestone and implementation release dates. The re-baseline business case incorporates this work and related updated budget items. MPI created a project management process that will ensure ongoing governance over project cost forecasts, the use of a change request process and a periodic review of assumptions in order to ensure the timely handling of potential budget variances. Based on the work-to-date and the governance process currently in place, MPI is confident that it can meet the \$128.5 million budget. Currently, the greatest risk to achieving this target is a slippage in the schedule. Mitigation plans to address this and other risks include risk management, integrations, organization change management, training, and testing.

Part and Chapter:	Part IV NOVA Project	Page No.:	26
PUB Approved Issue No:	10. Project Nova		
Topic:	Benefits		
Sub Topic:			

Preamble to IR:

On page 26 of Part IV (Nova Project) the corporation lists the changes in on-going benefits to be realized upon implementing project Nova:

"Ongoing forecasted total benefits have improved over the original business case

- 9 estimates by \$27M for the 15-year period ending 2033/34. As part of the rebaseline
- 10 the original benefits were reviewed and updated to align with the start dates in the
- 11 revised delivery plan, the latest decommissioning schedules, the latest contract
- 12 adjustments and additional analysis of the original amounts. The benefit review
- resulted in a (-\$5.7M) reduction within the DVA stream, a \$2.6M increase within the
- 14 Insurance stream, a \$1.4M increase in cost avoidance items and a \$28.5M increase in
- shared streams benefits. The majority of the benefit increase in shared benefits is due
- to the new broker agreement (\$33.9M). The improved benefit amount is based on the
- 17 new commission rate structure, expanding the number of online transactions and
- increasing MPI projections for online adoption (10% in 2023/24 increasing to 40% in
- 19 2027/28)."

Emphasis added.

QUESTION:

- a) Please provide a copy of the analysis and assumptions documenting the benefit increase of \$33.9 million in broker commissions.
- b) Please provide a listing of the expanded number of online transactions available to customers once Project Nova is operational. Please explain whether customers will need to proceed through a broker portal or be able to transact online directly with MPI.
- c) Please elaborate on how MPI arrived at its estimates for online adoption (10% in 2023/24 increasing to 40% 2027/28) and the reasonableness of the estimates.

RATIONALE FOR QUESTION:

To review and better understand savings to be realized from Project Nova and the process of transacting online with MPI once Project Nova is operational.

RESPONSE:

- a) The key differences between the commission savings identified in the original business case compared to the newly re-baselined business case are outlined below:
 - MPI used the following assumptions to calculate the broker commission savings in the <u>original business case</u>:
 - The original savings were based on maintaining the status quo commission structure in the previous broker agreement.
 - The commission savings in the original business case were based on insurance commission savings specifically from renewal/re-

assessments moving online. The original savings were forecasted assuming a 20% online adoption rate for 2023/24 and a 30% online adoption 2024/25 onward, both at 50% current commissions.

- The same online adoption and commission savings assumptions applied for Driver License Reassessments and Driver License and Identity Card Replacements.
- No other online transactions were included in the original savings estimates.
- The <u>updated commission savings estimates</u> in the re-baselined business case are based on savings identified in the recently negotiated broker agreement. The new five-year agreement became effective April 1, 2021. Highlights of the new broker commission structure are as follows:
 - Basic Commission rates for online transactions reduced from the current rate of 3.26% to 2.4%.
 - Extension Commission rates for online transactions reduced from the current rate of 21.6% to 10.4%
- In recalculating the new savings, the number of online transactions increased to include a more comprehensive list of transactions and the online adoption percentage increased from 30% to 40% compared to the original business case.
- The online adoption rates start at a slower pace compared to the original business case (10% vs 20%), which results in a \$(5.94)M reduction in estimated commission savings for 2023/24. As the online adoption rates improve, the impact of lower commission rates for online transactions result in greater incremental annual commission savings by 2033/34 (\$7.01M) than the annual estimate in the original

business case. The cumulative net overall commission savings in the rebaselined business case are \$33.9M higher than the original estimate.

Refer to <u>Appendix 1 - Broker Compensation Online Savings Assumptions</u>, for which MPI seeks confidential treatment, for the analysis and assumptions documenting the revised broker commission savings benefit in the re-baselined business case and the reported improvement in savings as compared to the original business case. The "Nova Summary" tab provides an overview of the commission savings based on the new broker agreement (refer to row 16). This tab also summarizes the annual forecasted increase or decreased savings compared to the original business case (refer to row 21). The "Assumptions" tab provides an overview of the assumptions used to model the new broker agreement. The "Model" tab provides the calculations used to determine the impacts of the revised commission structure in the new agreement compared to the status quo commission structure.

- Refer to "Online Transactions" tab" of <u>Appendix 1</u>, filed confidentially. Currently,
 MPI plans to host these transactions on its customer Portal allowing
 customers to transact online directly with MPI.
- c) MPI determined the online adoption rates through discussions with the NOVA technical team, leadership and operational leadership. MPI forecasts the initial adoption rate to start slow and build up over time as MPI makes the online transactions available and customers become aware of MPIs new online capabilities. MPI remains confident that its online adoption rates are reasonable, especially in light of COVID-19 and the growing number of MPI customers who, in customer surveys, have a stated preference for online transactions.

Appendix 1: Broker Compensation Online Savings Assumptions

This material is the subject of a confidential motion.

Part and Chapter:	Part IV Value Management	Page No.:	38
PUB Approved Issue No:	10. IT Expenses and Projects		
Topic:	Finance Re-Engineering		
Sub Topic:			

Preamble to IR:

Per page 38 of Part IV (Value Management) the Finance Re-engineering projects seems to be completed and operational with a project closure report to be completed by June, 2021

QUESTION:

Please file a copy of the Finance Re-engineering project closure report.

RATIONALE FOR QUESTION:

To review the project closure report re the Finance Re-engineering project to gain a better understanding of its benefits to MPI.

RESPONSE:

The project close-out report is still in progress and MPI expects its completion by Aug 31, 2021.

The delay is primarily attributable to the unavailability of the closing Project Manager (who is currently assigned to a new initiative involving time sensitive vendor procurement activities for Project NOVA), as well as the unavailability of various FRE Project resources needed to confirm report content (due to competing corporate priorities). MPI will provide a copy of the report upon its completion.

Part and Chapter:	Part IV Value Management	Page No.:	63
PUB Approved Issue No:	10. Strategic Projects		
Topic:	Cityplace space plan		
Sub Topic:			

Preamble to IR:

On page 63 of Part IV (Value Management) it states:

"The Treasury Board was also consulted about the commitment to a multi-year

- 5 project in the midst of a pandemic. It was agreed that in order to allow the
- 6 Corporation time to align space needs with work from home strategies and
- 7 support new Cityplace office tenancy timelines, the phasing would be adjusted
- 8 to a one-floor-per-year approach with MPI Board and Treasury Board approval
- 9 required for each phase."

QUESTION:

Please provide a copy of the government directive instructing the MPI Board of Directors to consult with Treasury Board as it relates to Cityplace Space Planning. If there is no directive, please discuss the rationale for consulting Treasury Board regarding Cityplace space planning.

RATIONALE FOR QUESTION:

To better understand the involvement of Treasury Board in MPI's affairs.

RESPONSE:

There is no formal Directive issued under *The Crown Corporations Governance and Accountability Act* requiring MPI to consult with the Treasury Board.

The rationale for consulting with the Treasury Board is that all government departments and crown corporations must prepare and present their budgets to the Treasury Board Secretariat and to the Treasury Board proper on an annual basis. As capital projects and expenditures are key elements of the budgeting process, it was appropriate for MPI to include the Cityplace Space Plan in the annual Treasury Board review and consultation.

Part and Chapter:	Part IV Value Management	Page No.:	65 to 68
PUB Approved Issue No:	10. IT Expenses and Projects		
Topic:	Microsoft 365 and impact of work-from-home		
Sub Topic:			

Preamble to IR:

Pages 65 to 68 of Part IV (Value Management), VM.1.14 discuss the Microsoft 365 project. The financial cost/benefit metric indicates a negative 5-year NPV of \$3.57 million.

On page 67 and 68 it states:

"Productivity - Collaboration and communication, paired with new task

- 24 management and automation tools allows for new and innovative ways to
- 25 improve team productivity which can be monitored and managed with analytic
- 26 tools provided by the suit."

"Resiliency – Cloud storage allows for easy accessibility regardless of workplace

2 location."

The Cityplace space plan next steps on page 65 state:

"MPI will be seeking Board of Directors alignment with this new phasing plan and the

- 5 commitment of MPI to evaluate the effects of work-from-home after each completed
- 6 phase and adjust our Space Plan strategies accordingly. The presentation to the Board
- 7 will be made on June 24, 2021."

QUESTION:

Please re-evaluate the Microsoft 365 NPV calculation considering a 50/50 work from home hybrid strategy.

RATIONALE FOR QUESTION:

To better understand the additional potential benefits Microsoft 365 may be able to deliver in modifying the working environment strategy (office vs home location) that has been tested during the time of the pandemic.

RESPONSE:

The Microsoft 365 solution could significantly support the ability of MPI to implement work from home strategies. MPI will assess productivity opportunities as it develops these strategies and will include the identification and implementation of automated tools to track team productivity and related work benefits in its assessments. The business case identified these opportunities as intangible benefits and, as a result, MPI expects to incorporate no financial benefits into its net present value calculations for Microsoft 365.

Part and Chapter:	Part I - Overview	Page No.:	5
PUB Approved Issue No:	10. and 10.a) - Project NOVA		
Topic:	Project NOVA		
Sub Topic:	Customer engagement		

Preamble to IR:

In the Overview of the Application, MPI states:

"The PUB will recall that the aim of Project NOVA is to modernize the core systems that

- 14 MPI uses to deliver its services, and in a manner that ensures a focus on the customer
- in all of their interactions with MPI. From taking a driver's education course,
- 16 registering a vehicle, purchasing an insurance product and making a claim, Project
- 17 NOVA will reshape the entire customer journey through their lens. One aspect of this
- goal is to create a platform for the provision of online self-services. To that end, MPI
- 19 expects that its customers will be able to perform online insurance and driver
- 20 licensing/vehicle registration transactions by April 2023."

QUESTION:

Please discuss whether MPI intends to undertake customer engagement as it is actively working on Project NOVA, to ensure that the "customer journey" meets the expectations and needs of customers. If not, please explain why not. If yes, please

elaborate on the type of customer engagement, timeline and how feedback from customers will be incorporated into Project NOVA.

RATIONALE FOR QUESTION:

Project NOVA will reshape the customer journey and as such, feedback from customers is relevant to its success.

RESPONSE:

MPI consistently engages its customers regarding their experience and interactions with MPI. MPI obtains this ongoing customer feedback using various mechanisms, including its Voice of the Customer (VoC) ePanel, online surveys, phone surveys, and qualitative research such as focus groups. Project NOVA leveraged this internal research, along with additional research conducted by KPMG, to further understand customer "pain points" and perspectives on digital service. MPI is incorporating this data into its journey maps and working it into each Project stream. NOVA will continue to leverage customer insights as well as additional customer feedback in order to assist MPI in meeting objectives and delivering a seamless customer experience.

Model Office (an engagement tool) will give select customers the ability to experience "a day in the life of a typical customer" and allow them to provide feedback to improve the system, and ultimately customer satisfaction. MPI will use the above mechanisms to engage these select customers.

Project NOVA collaborated with customers on several occasions to gauge their propensity to conduct business online with MPI, to determine which MPI transactions to bring online, and to understand the reasons they may or may not conduct online business with MPI. MPI included the feedback received from customers in its NOVA planning. As indicated, Project NOVA will continue to engage with customers throughout its lifecycle. MPI engaged KPMG to assist it in delivering a more detailed and comprehensive customer experience roadmap and implementation plan (from an organizational lens), for use by Project NOVA.

Part and Chapter:	Part IV - Value Management	Page No.:	76-77
PUB Approved Issue No:	10. Current IT Strategic Plan an	d IT Expens	es and Projects
Topic:	Driver Z		
Sub Topic:			

Preamble to IR:

MPI states that:

"In June 2020, Driver Z program launched a pilot 1 "Driver Z virtual". This was an

- 2 unplanned initiative created and launched within 10 weeks. The pilot, a virtual course
- 3 started on June 15, 2020, along with the resumption of in-car lessons. The pilot was
- 4 successful and the decision was made to offer Driver Z virtual courses starting
- 5 September 2020."

QUESTION:

- a) Please clarify whether MPI is planning to offer Driver Z virtual courses on an ongoing basis.
- b) Please elaborate on the advantages and disadvantages of offering the Driver Z course virtually, including access for urban versus rural students, costs to MPI and to students, and other relevant considerations.

RATIONALE FOR QUESTION:

To understand the implications for MPI and Driver Z students of the course being offered virtually.

RESPONSE:

a) MPI plans to explore the possibility of offering the Driver Z classroom sessions in a hybrid model (in-class and virtual) on an ongoing basis.

b) Advantages:

- Flexibility for students to log in anywhere with internet connectivity;
- Ability to offer a course in rural areas without in-class instructors; and
- Virtual classes are not impacted by public health restrictions and school closures.

Disadvantages:

- Student engagement and participation are challenges for instructors virtually; and
- Technical and connectivity issue are an ongoing issues (primarily for rural students).

Virtual classroom sessions will benefit rural students more than urban students. The Program struggles with recruiting qualified driving instructors for both in-class and in-car in rural areas. Driver Z virtual sessions can fill classroom gapsbut not in-car instructor gaps. Virtual classroom sessions do not impact the course fee paid by student.

Associated costs to MPI in offering virtual classroom sessions:

- Software licenses for virtual platform for each instructor teaching;
- Technical support costs (internal staffing); and
- Increase in mileage and instructor fees paid to contractors travelling to rural and remote areas to conduct in-car lessons (up to 8 trips).

Part and Chapter:	Part IV – VM Appendix 11	Page No.:	PDF Page 500 Page 3 of 9
PUB Approved Issue No:	9. Cost of operations 10. Current IT Strategic Plan and IT Expenses and Projects		
Topic:	Value Management		
Sub Topic:	Capital Project Funding		

Preamble to IR:

Response to CAC(MPI)2-20 in the 2021 GRA stated:

"MPI considered using debt financing as part of its capital structure and is currently examining a strategic alignment of its capex/capital structure. MPI anticipates a Management Review will be completed in late 20/21. It should be noted that the maximization of value insinuated in the question requires taking on additional risk; i.e. the risk of not generating returns in excess of cost of borrowing funds. This risk/reward trade-off will be considered in the Management Review."

Attachment A to CAC(MPI)2-20 in the 2021 GRA included the following information:

Province of Manitoba Crown Corporations and Government Agencies

Dear Sir or Madam:

September 1, 2020

Effective September 01, 2020 the interest rates on fixed term loans made by the Province of Manitoba to its Crown Corporations and Government Agencies shall be:

Term (Years)	Principal to be Repaid at end of Term (%)	Principal to be amortized over the Term (%)
2	1.000%	1.000%
3	1.125%	1.125%
4	1.250%	1.250%
5	1.375%	1.250%
7	1.625%	1.500%
10	1.875%	1.750%
15	2.375%	2.125%
20	2.625%	2.375%
25	2.625%	2.500%
30	2.625%	2.500%

The one year cost of financing for the Province as at September 01, 2020 is 0.875%.

In the 2022 GRA, at Value Management Appendix 11, foot note 4 states:

"4 From the perspective of debt financing the Province's Department of Finance advised that based on May 3, 2021 rates, MPI could obtain financing for a 10 year period at 2.750% and for 20 years at 3.375% - Source Province of Manitoba (principal repaid at the end of term)."

QUESTION:

- a) a. Please file the Management Review referenced in Response to CAC(MPI)2-20 from the 2021 GRA.
- b) b. If not already included in the Management review, please provide a detailed assessment of MPI's findings with respect to debt-based project financing, including as available, quantitative impacts on:
 - i. Project Discounts Rates as established in VM Appendix 11
 - ii. Capital Project NPVs, including in particular Project NOVA
 - iii. Current and forecast MCT ratio, highlighting any changes in Capital Available and Capital Required
 - iv. Current and forecast capital releases from Basic, either through the CMP or through special rebate.

Please provide narrative descriptions and explanation for each of the above results.

- c) If not already included in the Management Review, please discuss the incremental risk associated with debt-based project financing, at debt rates referenced in VM Appendix 11.
- d) Please discuss and contrast the answer to c) with the incremental risk of debtbased project financing at rates that were available to MPI in September 2020.

RATIONALE FOR QUESTION:

To assess MPI's progress on evaluation of, and any conclusions regarding, debt based financing of capital projects.

RESPONSE:

MPI continues to review the utilization of debt financing. Currently, MPI funds all projects and operations internally, through operational surpluses. In the evaluation of debt financing as part of the capital structure, MPI will need to consider the additional risk from carrying debt and the servicing of interest and capital requirements in its management of cash flow. Further, MPI will need to ensure modelling and assessments of risk/reward trade-offs.

For 2021/22 and 2022/23, MPI will not pursue debt financing as it works through the assessments of its long term objectives. MPI anticipates completion and sharing of a Management Review as part of a future GRA filing. At present, borrowing money to finance capital projects is not a priority of MPI.

Part and Chapter:	Part II Vehicle For Hire	Page No.:	7
PUB Approved Issue No:	12. Vehicle for Hire		
Topic:	VFH.4.2 VFH Blanket Policy		
Sub Topic:			

Preamble to IR:

Based on MPI's preliminary research of VFH Models the corporation is considering introducing a VFH Blanket Policy.

On page 7 of Part II (Vehicle for Hire) it states:

"VFH.4.2 VFH Blanket Policy

- 15 Under this model, the VFH dispatcher, not the registered owner, purchases the policy
- with coverage provided by the blanket policy for VFH drivers while operating as a VFH.
- 17 The personal policy of the vehicle owner does not apply during VFH operation.

 The
- 18 blanket insurance policy provides Basic Autopac coverage with vehicle limitations
- 19 (type/use) that mirror those of the existing VFH program. The policy will be priced
- 20 using a per kilometer rate, with the total premium based on the total annual
- 21 kilometers driven by all of the vehicles of the VHF dispatcher. MPI is reviewing and
- 22 developing specific product details and pricing related to the blanket policy model
- 23 option."

QUESTION:

Please confirm, should MPI develop and implement a VFH Blanked Policy with type/use vehicle limitations, the VFH Blanked Policy would carry basic insurance coverage similar to 'normal' vehicle basic insurance coverages. That is to say, if a family of four were injured in a vehicle accident covered by a VFH Blanked Policy, the injured family members would be entitled to full PIPP coverages/benefits. If no, please explain.

RATIONALE FOR QUESTION:

To clarify and better understand the basic insurance coverages/benefits as they relate to a VFH .that is insured using a VFH Blanked Policy in Manitoba.

RESPONSE:

Vehicles covered under the Vehicle for Hire (VFH) blanket policy, if implemented, would carry similar Basic insurance coverage as those vehicles not insured under the VFH blanket policy.

Part and Chapter:	Part V Pro Formas	Page No.:	9 -15
PUB Approved Issue No:	2. Ratemaking and revenue forecasting		
Topic:	Higher than expected previous years premiums		
Sub Topic:			

Preamble to IR:

Per PF-4 page 9 (Explanation of Significant Variances – 2020/21 Comparative) states (\$000):

\$10,420 Higher than expected premium related to volume

\$7,103 Higher than expected related to upgrade and non HTA growth

Per PF-5 page 11 (Explanation of Significant Variances – 2021/22 Comparative) states (\$000):

\$(5,709) Lower than expected premium related to volume

\$17,484 Higher than expected 2020/21 premiums

Per PF-6 page 13 (Explanation of Significant Variances – 2022/23 Comparative) states (\$000):

\$30,288 Higher than expected 2021/22 premiums

Per PF-7 page 15 (Explanation of Significant Variances – 2023/24 Comparative) states (\$000):

\$56,664 Higher than expected 2022/23 premiums

QUESTION:

Please provide a detailed analysis and explanations for the causes of the higher than expected premiums to forecast in prior years for each of the PF statement years listed in the preamble.

RATIONALE FOR QUESTION:

To obtain a better understanding for the reasons and causes of the under forecasting of basic insurance premiums per the years listed in the preamble.

RESPONSE:

As indicated in Revenues REV.1, MPI bases its premiums written forecast <u>on the total</u> <u>premiums written in the previous year</u>, multiplied by increases or decreases in various factors including rate, volume and upgrade.

As the current years (2020/21) actual written premiums came in higher than forecast in the 2021 GRA, this favorable difference carried onward throughout the forecast. In 2021/22 this favorable difference further increased in 2021/22 due to a lower rate change (-8.8% vs -10.5%) than expected, and again further increased in 2022/23 mainly due to the elimination of the capital release provision.

Part and Chapter:	Part V Revenues	Page No.:	31
PUB Approved Issue No:	2. Ratemaking and revenue forecasting		
Topic:	Miscellaneous basic service fees		
Sub Topic:			

Preamble to IR:

Per page 31 of Part V (Revenues) Figure REV – 34 indicates Miscellaneous fees varying between \$2,892,000 to \$931,000 per year.

QUESTION:

Please provide a detailed analysis of the Miscellaneous fee revenue, by year, for fiscal years 2020/21 through to 2024/24 and explaining any major differences year over year.

RATIONALE FOR QUESTION:

To better understand the elements included in the Miscellaneous Fee account and the changes year over year.

RESPONSE:

Please refer to page 34 and 35 of Part V (*Revenues Chapter*), which identifies the items included within miscellaneous fees, provides forecast assumptions and outlines variances to the forecast from the prior year. The variance shown in the forecast results from unclaimed rebate cheques related to the 2020/21 and 2021/22 fiscal years.

Part and Chapter:	Part V REV	Page No.:	PDF Page 541 / Page 9 of 36 Figure REV-5
PUB Approved Issue No:	4. Financial forecasts 18. Impacts of COVID-19		
Topic:	Revenue Forecasts		
Sub Topic:	HTA units fore	ecast	

Preamble to IR:

At PDF Page 541 MPI states:

"Over the last 5 years, the HTA unit growth rate has averaged

- 1 1.00% per year. The
- 2 2020/21 growth rate of 1.09% was significantly higher than the forecasted growth
- 3 rate of 0.14% in the previous year. MPI based the 0.14% forecast rate on observable
- 4 decreases in earned units (from 2019/20) in the first two months of 2020/21 (at the
- onset of the COVID-19 Pandemic). However, these decreases did not continue, and
- 6 growth rates returned closer to historical averages as the year progressed.
- 7 Current Year Forecast
- 8 MPI forecasts total HTA units to grow by 1.25% in 2021/22, 1.13% in 2022/23 and by
- 9 1.06% thereafter, reflecting the aggregation of the forecasted unit growth by major
- 10 class. Figure Rev-6 below shows the selected growth rates by major class. MPI did not
- change the forecasted growth rates from last year given that the COVID-19

 Pandemic

- influenced the 2020/21 growth rates (favourably or unfavourably). MPI assumes that
- changes in customer behaviour due to the COVID-19 Pandemic affected the 2020/21
- 14 growth rates."

Question:

- a) Please explain if MPI modified the HTA unit forecast as part of the October 9, 2020 update in the 2021 GRA.
- b) Please explain when MPI experienced a reversal of HTA unit growth in 2020/21, and provide, as available by major class, monthly or quarterly data to illustrate the observed changes.
- c) Please confirm that MPI has forecasted no lasting change in Private Passenger customer behavior as a result of the COVID-19 pandemic for 2021/22 and beyond.
- d) Please explain if and how the actual HTA growth from 2020/21 is included in, or influences the forecast of 2021/22 HTA growth and beyond. Stated differently, has MPI's forecasting methodology been modified to account for the anomaly in 2020/21?
- e) Please provide a sample calculation to illustrate how MPI arrived at a forecast of 1.18% for Private Passenger HTA unit growth in 2021/22.

RATIONALE FOR QUESTION:

To understand the approach to forecasting HTA units growth in the context of the COVID-19 Pandemic

RESPONSE:

- a) No, MPI did not modify the HTA unit forecast as part of the October 9, 2020 update in the 2021 GRA.
- b) Please see <u>Figure 1</u>. Reversal of HTA unit growth in 2020/21 is indicated as a positive difference between actual and forecasted growth.

Figure 1 Policy Year 2020/21 Forecasted vs. Actual Growth in First 12 Months

		Priv	ate Passeng	er	C	Commercial			Public		N	/lotorcycles			Trailers		Off	Road Vehic	les
Line		Forecast	Actual	Diff.	Forecast	Actual	Diff.	Forecast	Actual	Diff.	Forecast	Actual	Diff.	Forecast	Actual	Diff.	Forecast	Actual	Diff.
No.		Growth	Growth		Growth	Growth		Growth	Growth		Growth	Growth		Growth	Growth		Growth	Growth	
1	Mar	31	(69)	(100)	5	0	(5)	(1)	(21)	(20)	0	0	(0)	12	(4)	(16)	6	(3)	(9)
2	Apr	36	(599)	(636)	2	(46)	(48)	1	(62)	(64)	2	(20)	(22)	14	(89)	(103)	5	(12)	(18)
3	May	60	(726)	(786)	2	(49)	(51)	2	(102)	(104)	1	(18)	(19)	23	(66)	(89)	9	16	7
4	Jun	79	(394)	(473)	3	(7)	(9)	2	(136)	(138)	3	(10)	(13)	31	113	82	12	70	58
5	Jul	146	(100)	(245)	4	(9)	(13)	3	(180)	(183)	5	7	2	60	255	195	22	115	93
6	Aug	229	208	(21)	6	12	6	5	(157)	(162)	12	29	17	96	379	283	36	149	113
7	Sep	317	452	136	8	26	19	6	(125)	(131)	19	40	21	133	467	334	52	170	119
8	Oct	441	653	212	10	36	26	7	(109)	(116)	28	61	33	183	562	379	73	211	137
9	Nov	541	671	129	13	26	13	8	(100)	(107)	35	59	24	224	591	367	93	238	145
10	Dec	612	721	109	14	63	49	8	(108)	(116)	46	61	14	288	687	398	122	333	211
11	Jan	664	1,035	371	15	89	74	8	(115)	(123)	57	64	7	312	795	484	136	476	340
12	Feb	645	1,098	453	14	97	83	9	(160)	(169)	54	59	4	301	747	446	134	416	282

c) Per <u>Part V Revenue</u> (also in the preamble), "MPI assumes that changes in customer behaviour due to the COVID-19 Pandemic affected the 2020/21 (unit) growth rates". Based on this assumption, MPI did not change the forecasted unit growth rates from the forecast of the prior year (i.e. MPI did not adjust the forecasted unit growth rates to take into consideration the actual unit growth rate for 2020/21). In doing so, MPI bases its forecasted unit growth rates on historical indications before the COVID-19 Pandemic.

Manitoba Public Insurance Page 3 of 4

MPI will continue to monitor the actual unit growth rates going into 2021/22, and will revise the forecast if applicable.

- d) Please see the response to (c). Also, per <u>Part V Revenue</u> (also in the preamble), "MPI did not change the forecasted growth rates from last year given that the COVID-19 Pandemic influenced the 2020/21 growth rates (favourably or unfavourably)."
- e) Please see *Figure 2*.

Figure 2 Growth Rate for Policy Year 2021

Line							
No.	Description	Notes	Amount				
1	Policy Year 2020						
2	Earned in 2020	[a]	431,886				
3	Forecasted Earned in 2021	[b]	392,013				
4	Total	[c] = [a] + [b]	823,900				
5	Policy Year 2020 Non Renew	[d]	2,261				
6	Forecasted Unit Growth	[e]	1.10%				
7	Policy Year 2021						
8	Forecasted Earned in 2021	[f] = ([a] + [d]) * [e]	438,923				
9	Forecasted Earned in 2022	[g] = [f] / 52.65% * (1 - 52.65%)	394,739				
10	Total	[h] = [f] + [g]	833,662				
11	Growth Rate for Policy Year 2021	[i] = [h] / [c]	1.18%				
12	Notes:						
13	[d] Aggregate difference for March to August per Figure 1; assumed as earned units on						
14	policies that were not renewed in the early months of the COVID-19 Pandemic						
15	[g] 52.65% represents the percentage of units earned in the first 12 months to the total						
16	units earned for the policy year based on historical indications.						

Part and Chapter:	Part V REV	Page No.:	PDF page 545 Page 13 of 36			
PUB Approved Issue No:	4. Financial forecasts 18. Impacts of COVID-19					
Topic:	Revenues					
Sub Topic:	Vehicle Upgrade forecast and COVID-19					

Preamble to IR:

At PDF page 545 MPI States:

- "15 The vehicle upgrade factor for 2020/21 was the lowest factor reported over the five
- 16 year period and was also lower than the forecasted 2.45%. The primary driver for this
- 17 was the effect of the COVID-19 Pandemic, which affected how Manitobans insured
- their vehicles. Changes in their work arrangements (i.e. working from home) resulted in a significant shift in the declared insurance use, with
- 1 many opting to change it from
- 2 all purpose to pleasure (higher rated to lower rated insurance use)."

At PDF page 546 MPI states

- "7 For 2021/22, MPI forecasts a higher vehicle upgrade factor (i.e. 2.69%), which
- 8 forecast assumes that Manitobans will insure their vehicles differently as the effects of
- 9 COVID-19 gradually subside. MPI forecasts the 2.69% factor such that the total
- 10 vehicle upgrade for 2020/21 and 2021/22 remains unchanged from the forecast of the
- 11 previous year."

QUESTION:

- a) Please confirm that by "insure their vehicles differently" MPI means that customers will return to insuring their vehicles as they had prior to the COVID-19 pandemic. If not confirmed, please fully explain what is meant.
- b) Please confirm that an upgrade factor of 2.69% in 2021/22 has the effect of playing "catch-up" with the vehicle upgrade factor forecast from the previous GRA, in effect eliminating any lasting effect from the COVID-19 pandemic on Vehicle upgrade. If not confirmed, please fully explain how the forecast should be understood.
- c) Please provide a numerical illustration of the statement "MPI forecasts the 2.69% factor such that the total vehicle upgrade for 2020/21 and 2021/22 remains unchanged from the forecast of the previous year".
- d) Please provide a narrative description that elaborates on what was filed in the Revenue chapter, of MPI's views of the lasting impact on of COVID-19 on Vehicle upgrade factor, and any changes or adaptations in forecasting methodology that MPI employed for this GRA.
- e) Please provide data, monthly or quarterly as available, to illustrate the changes in Vehicle Upgrade through 2020/21, and into 2021/22.

RATIONALE FOR QUESTION:

To understand any lasting impact of COVID-19 on Vehicle upgrade, and MPI's approach to forecasting.

RESPONSE:

a) Confirmed.

- b) The effect of the COVID-19 Pandemic to the 2020/21 upgrade, with "many (Manitobans) opting to change it (insurance use) from all purpose to pleasure," was a lower upgrade than forecasted. MPI assumes that the reverse effect of these Manitobans switching from pleasure to all purpose "as the effects of COVID-19 gradually subside" will be a higher upgrade than previously forecasted.
- c) Per <u>Part V Revenue, Figure Rev-10</u>, the forecasted upgrades last year for 2020/21 and 2021/22 were each 2.45%, and totalled 4.90%. Given that the actual upgrade for 2020/21 was 2.21%, MPI simply determined the 2021/22 upgrade of 2.69% by taking the difference between the 4.90% upgrade and the actual upgrade of 2.21%.
- d) MPI outlines its views on the upgrade factor in <u>Part V Revenue</u> (as well as in the preamble), with further clarification per the responses to (a) and (b) above.
- e) Per <u>Part V Revenue</u>, "MPI estimates the actual upgrade factors using the Rate Model Method. The Rate Model Method takes a snapshot of the vehicle fleet at the same point in time from the current year and the previous year. MPI then calculates the average premium for both vehicle populations using the approved rates of the most recent year (i.e. 2021/22)." This process requires a fair amount of resources to appropriately restate the two snapshots with the same rate groups and rates. As such, MPI currently only reviews upgrades annually.

Part and Chapter:	Part V REV	Page No.:	PDF page 545 Page 13 of 36		
PUB Approved Issue No:	13. Driver Safety Rating 18. Impacts of COVID-19				
Topic:	Revenue Forecast				
Sub Topic:	DSR Upgrade Forecast and COVID-19				

Preamble to IR:

At PDF page 545 MPI states:

- "13 MPI forecasts the DSR upgrade factor based on the DSR simulation model (described
- in section REV.2). For 2021/22, MPI forecasts a negative DSR upgrade. MPI expects
- 15 that there will be more registered owners at the higher end of the DSR scale, and
- therefore higher discounts on vehicle premiums leading to lower average premiums.
- 17 MPI bases its expectation on the significantly lower collision frequency seen in
- 18 2020/21, the result of which means that more Manitobans will move up the DSR scale
- 19 in 2021/22"

QUESTION:

- a) Please provide a numerical summary/illustration of MPI's modelling results that drive a -0.25% DSR upgrade forecast for 2021/22. Please provide in Excel format with formulas intact.
- b) Please discuss if MPI's proposed changes to the DSR scale (addition of level 16) and increased DSR discount impact the forecast DSR Upgrade in 2022/23. Please

provide a numerical demonstration of that impact, in excel format with formulas intact.

RATIONALE FOR QUESTION:

To understand the DSR upgrade forecast and any implications stemming from the proposed changes to the DSR system.

RESPONSE:

- a) Please see <u>Appendix 1</u>, which illustrates the modelling results of MPI for a -0.25% DSR upgrade forecast for 2021/22.
- b) The addition of DSR level 16 does not impact the DSR Upgrade for 2022/23 given that the vehicle premium discounts for DSR levels 15 and 16 will be the same (both before and after changes to the vehicle premium discounts).

MPI expexts the increases to the vehicle premium discounts (for DSR levels 10 to 15) to reduce the DSR Upgrade for 2022/23 in the DSR simulation model by 2.8%. Please see <u>Appendix 2</u>, which illustrates the modelling results of MPI for the DSR upgrade forecast for 2022/23 before and after changes to the vehicle premium discounts.

Figure App 1-1 DSR Upgrade Forecast for 2021/22 Summary

Line	DSR	Earned D	river Units	Merit Eligible Vehic	le Per Driver	Merit Eligil	ole Vehicle	Vehicle Premi	um Discount
No.	Level	2020	2021	2020	2021	2020	2021	2020	2021
1	15	292,143	313,326	1.223	1.223	357,287	383,194	33%	33%
2	14	38,828	26,529	1.181	1.181	45,867	31,339	30%	30%
3	13	28,170	29,670	1.134	1.134	31,934	33,635	29%	29%
4	12	27,922	34,136	1.082	1.082	30,225	36,952	28%	28%
5	11	37,616	28,481	1.086	1.086	40,846	30,927	27%	27%
6	10	30,374	31,747	1.045	1.045	31,741	33,176	26%	26%
7	9	25,097	30,022	0.978	0.978	24,550	29,368	25%	25%
8	8	31,483	25,061	0.951	0.951	29,939	23,832	25%	25%
9	7	25,409	28,464	0.848	0.848	21,558	24,150	25%	25%
10	6	28,954	31,504	0.794	0.794	23,002	25,027	20%	20%
11	5	32,996	30,994	0.760	0.760	25,073	23,551	15%	15%
12	4	32,061	35,370	0.677	0.677	21,715	23,956	15%	15%
13	3	37,320	40,141	0.630	0.630	23,508	25,285	10%	10%
14	2	43,189	44,870	0.578	0.578	24,947	25,918	10%	10%
15	1	50,963	48,698	0.503	0.503	25,622	24,483	5%	5%
16	0	62,932	71,448	0.445	0.445	27,997	31,786	0%	0%
17	-1	13,008	11,848	0.698	0.698	9,082	8,272	0%	0%
18	-2	10,319	8,912	0.680	0.680	7,017	6,061	0%	0%
19	-3	7,255	6,473	0.695	0.695	5,044	4,501	0%	0%
20	-4	9,851	8,479	0.704	0.704	6,935	5,969	0%	0%
21	-5	6,451	5,296	0.672	0.672	4,336	3,560	0%	0%
22	-6	4,106	3,711	0.739	0.739	3,033	2,741	0%	0%
23	-7	4,018	3,492	0.741	0.741	2,976	2,586	0%	0%
24	-8	2,786	2,637	0.735	0.735	2,047	1,937	0%	0%
25	-9	2,430	2,175	0.721	0.721	1,752	1,568	0%	0%
26	-10	2,325	2,196	0.753	0.753	1,751	1,654	0%	0%
27	-11	1,284	1,197	0.749	0.749	962	896	0%	0%
28	-12	1,416	1,241	0.767	0.767	1,086	951	0%	0%
29	-13	1,860	1,631	0.754	0.754	1,402	1,229	0%	0%
30	-14	738	695	0.632	0.632	467	439	0%	0%
31	-15	737	706	0.707	0.707	521	499	0%	0%
32	-16	738	614	0.715	0.715	527	439	0%	0%
33	-17	412	372	0.790	0.790	325	294	0%	0%
34	-18	372	367	0.811	0.811	302	298	0%	0%
35	-19	261	266	0.748	0.748	195	199	0%	0%
36	-20	1,993	1,994	0.758	0.758	1,512	1,512	0%	0%
37	Total	897,816	914,763	0.932	0.932	837,082	852,186	24.54%	24.73%

38 Vehicle Premiums Retained: 75.46% 75.27%
39 DSR Upgrade Factor: -0.25%

Figure App 2-1 DSR Upgrade Impact for 2022/23 from change in DSR Discount

Line	DSR	Earned D	river Units	Merit Eligible Vehi	cle Per Driver	Merit Eligi	ble Vehicle	Vehi	icle Premium Di	scount
No.	Level	2021	2022	2021	2022	2021	2022	2021	2022	Proposed 2022
1	15	313,326	314,122	1.223	1.223	383,194	384,168	33%	33%	37%
2	14	26,529	26,620	1.181	1.181	31,339	31,446	30%	30%	32%
3	13	29,670	35,989	1.134	1.134	33,635	40,798	29%	29%	31%
4	12	34,136	26,112	1.082	1.082	36,952	28,266	28%	28%	30%
5	11	28,481	28,735	1.086	1.086	30,927	31,202	27%	27%	29%
6	10	31,747	39,224	1.045	1.045	33,176	40,990	26%	26%	27%
7	9	30,022	23,961	0.978	0.978	29,368	23,439	25%	25%	25%
8	8	25,061	27,422	0.951	0.951	23,832	26,076	25%	25%	25%
9	7	28,464	30,683	0.848	0.848	24,150	26,032	25%	25%	25%
10	6	31,504	28,970	0.794	0.794	25,027	23,015	20%	20%	20%
11	5	30,994	33,194	0.760	0.760	23,551	25,223	15%	15%	15%
12	4	35,370	37,115	0.677	0.677	23,956	25,139	15%	15%	15%
13	3	40,141	40,395	0.630	0.630	25,285	25,445	10%	10%	10%
14	2	44,870	43,563	0.578	0.578	25,918	25,163	10%	10%	10%
15	1	48,698	50,434	0.503	0.503	24,483	25,356	5%	5%	5%
16	0	71,448	71,071	0.445	0.445	31,786	31,618	0%	0%	0%
17	-1	11,848	12,308	0.698	0.698	8,272	8,593	0%	0%	0%
18	-2	8,912	10,020	0.680	0.680	6,061	6,814	0%	0%	0%
19	-3	6,473	7,298	0.695	0.695	4,501	5,074	0%	0%	0%
20	-4	8,479	9,009	0.704	0.704	5,969	6,342	0%	0%	0%
21	-5	5,296	6,598	0.672	0.672	3,560	4,435	0%	0%	0%
22	-6	3,711	4,000	0.739	0.739	2,741	2,955	0%	0%	0%
23	-7	3,492	3,591	0.741	0.741	2,586	2,660	0%	0%	0%
24	-8	2,637	2,723	0.735	0.735	1,937	2,001	0%	0%	0%
25	-9	2,175	2,323	0.721	0.721	1,568	1,675	0%	0%	0%
26	-10	2,196	2,240	0.753	0.753	1,654	1,687	0%	0%	0%
27	-11	1,197	1,253	0.749	0.749	896	939	0%	0%	0%
28	-12	1,241	1,300	0.767	0.767	951	997	0%	0%	0%
29	-13	1,631	1,625	0.754	0.754	1,229	1,225	0%	0%	0%
30	-14	695	729	0.632	0.632	439	461	0%	0%	0%
31	-15	706	749	0.707	0.707	499	530	0%	0%	0%
32	-16	614	633	0.715	0.715	439	453	0%	0%	0%
33	-17	372	384	0.790	0.790	294	304	0%	0%	0%
34	-18	367	372	0.811	0.811	298	301	0%	0%	0%
35	-19	266	275	0.748	0.748	199	206	0%	0%	0%
36	-20	1,994	2,074	0.758	0.758	1,512	1,573	0%	0%	0%
37	Total	914,763	927,112	0.932	0.930	852,186	862,596	24.73%	24.62%	26.76%

 38
 Vehicle Premiums Retained:
 75.27%
 75.38%
 73.24%

 39
 DSR Upgrade Factor:
 0.14%
 -2.70%

 40
 Impact of Change in DSR Discounts:
 -2.84%

Part and Chapter:	Part V REV	Page No.:	PDF page 547 Page 15 of 36
PUB Approved Issue No:	4. Financial forecast		
Topic:	Revenue Forecast		
Sub Topic:	Fleet Rebate Forecast		

Preamble to IR:

Figure REV-11 indicates that net fleet rebates for 2022/23 are forecast at \$17.710 million.

Figure RM-13 and RM-14 indicate Fleet Rebates of 20.05 for Private Passenger, Commercial and Public major classes.

QUESTION:

- a) Please confirm the units for the fleet rebate amount in Figures RM-13 and RM 14 are dollars. If not confirmed, please fully explain.
- b) Please confirm that the amount 20.05 in Figures RM-13 and RM-14 can be understood as the average cost to each policy that contributes to covering the fleet rebate expense. If not confirmed, please fully explain.
- c) Please provide a reconciliation of the forecast \$17.710 million across the major classes, indicating the total contribution of coverage of the fleet rebate expense.

RATIONALE FOR QUESTION:

To fully understand how Fleet Rebates are recovered from customers.

RESPONSE:

The figures presented for fleet rebates in <u>Ratemaking Chapter Figures RM-13</u> and <u>RM-14</u> represent per unit costs. The considerations and derivation of the \$14.75 for overall is presented in <u>Ratemaking Chapter RM.4.2.1</u> (see Fleet Rebate section and <u>Figure RM-4</u>). The \$20.05, for the Private Passenger, Commercial and Public major classes, is derived as \$18,179,000 (fleet rebates for rating year 2022/23 per <u>Figure RM-4</u>) divided by 906,700 units (total units for the Private Passenger, Commercial and Public major classes per <u>Figure RM-13</u>). MPI allocates the fleet rebates to these major classes because only vehicles in these major classes are eligible for the fleet program.

Part and Chapter:	Part I Legal Application	Page No.:	4
PUB Approved Issue No:	2. Ratemaking		
Topic:	Changes to DSR		
Sub Topic:			

Preamble to IR:

On page 4 of Part I (Legal Application) it states:

"MPI also applies for changes to Vehicle Discounts available through the Driver Safety

- Rating (DSR) system; chiefly, increases on the discount applied to DSR +10 to +15.
- 17 The Driver Safety Rating Chapter details the requested changes, which involve:
- increasing the maximum merit level under the DSR scale from +15 to +16 in
- 19 the 2022/23 policy year;
- 20 allocating the rate decrease of 2.8% MPI is currently applying for to the DSR
- 21 vehicle discount levels with the most significant need for rate decreases based
- 22 on actuarial indications; and,
- 23 making no changes to DSR driver premiums"

On page 10 of Part I (Overview) it states:

"While MPI intends to maintain the current Registered Owner model, it will seek to

26 move the discount/premiums closer to their actuarial targets over the next five years."

QUESTION:

 a) In general, please elaborate on the equity and fairness of allocating the 2.8% overall rate decrease to some DSR vehicle discount level policyholders and not to other policyholders who may have demonstrated a significant improvement in their driving behavior in the last year or so.

- b) In general for greater clarity, please elaborate on and explain the actuarial processes undertaken to setting the actuarial indicated rates by DSR level and contrast these processes to setting the actuarial indicated rates for vehicles.
- c) Please provide a narrative discussion on MPI's plan to moving the discount/premiums closer to their actuarial targets over the next five years including the impact on individual and overall rates.

RATIONALE FOR QUESTION:

To obtain a better understanding of the rate setting processes for DSR levels and Vehicles.

RESPONSE:

- a) Per the <u>Legal Application Chapter</u>, <u>page 4</u>, MPI is allocating the rate decrease of 2.8% to the "DSR vehicle discount levels with the <u>most significant need for rate decreases</u> based on actuarial indications." MPI believes this approach is appropriate as it recognizes and appropriately rewards the safest drivers. By virtue of this allocation, the move recognizes policyholders who have demonstrated improvements in driving behavior through recent movements up the DSR scale, resulting in potentially higher vehicle premium discounts and lower driver license premiums.
- b) MPI presents a discussion of the methodology it used to arrive at the actuarially indicated vehicle premium discounts in <u>Driver Saftey Rating DSR Appendix I</u>.
- c) Please see *Driver Safety Rating Chapter DSR.6*.

Part and Chapter:	Part V REV	Page No.:	PDF Page 554-555 / Pages 22-23 of 36 Figure REV 21-23		
PUB Approved Issue No:	13. Driver Safety Rating				
Topic:	Revenue				
Sub Topic:	Modelled DSR Movements				

Preamble to IR:

Figure REV- 21 Probability of Upward Movement on the DSR Scale by DSR Level

Line				
No.	DSR	This Year	Last Year	Difference
1	15	96.6%	94.8%	1.8%
2	10 to 14	93.4%	90.0%	3.3%
3	0 to 9	86.9%	81.4%	5.5%
4	-1 to -10	79.3%	74.5%	4.8%
5	-11 to -20	67.5%	64.7%	2.8%

Question:

- a) Please indicate for which year the probability of movement shown in Figure REV-21 applies.
- b) Please explain what effect the addition of DSR level 16 has on the probability of upward movement on the DSR scale, for the years in which it will be in effect.
- c) Similarly, please indicate what impact the addition of DSR level 16 will have on Earned Driver Units per Driver (Figure REV-22), and indicate for which year REV-22 applies.
- d) Please explain why DSR Level 16 does not appear on Figure REV-23.

RATIONALE FOR QUESTION:

To fully understand the Driver units forecast by DSR level, in light of the addition of DSR level 16.

RESPONSE:

a) Please see <u>Figure 1</u>, which shows the probability of upward movement applied to the forecast years for the 2022 GRA.

Figure 1 Probability of Upward Movement on the DSR Scale by DSR Level

Line		202	2022 GRA				
No.	DSR	2021/22*	2022/23 & After	2021 GRA			
1	15	96.6%	94.8%	94.8%			
2	10 to 14	93.4%	90.0%	90.0%			
3	0 to 9	86.9%	81.4%	81.4%			
4	-1 to -10	79.3%	74.5%	74.5%			
5	-11 to -20	67.5%	64.7%	64.7%			

- *Adjusted for the impact of the COVID-19 pandemic per <u>Part V Revenue</u>, page 21
- b) MPI believes that the addition of DSR level 16 will have a minimal effect on the probability of upward movement. Drivers who are (and will be) eligible for DSR level 16 (in the forecast period) are already at the top of the current DSR scale, and are considered to be the safest drivers. Based on the response to part (a), almost 95% of drivers in DSR 15 will move up. MPI did not assume that this percentage will increase from adding DSR level 16.
- c) MPI does not expect the earned driver units per driver, which reflects the portion of the year for which the license is active, to change from the addition of DSR level 16. Per <u>Part V Revenue</u>, <u>Figure Rev-22</u>, the earned driver units per driver for DSR levels 10 to 15 is 0.989 (i.e. on average, this group of drivers have their licenses active for mostly the whole year).

The figures presented in <u>Part V Revenue, Figure Rev-22</u> apply to the entire forecast period.

d) MPI did not include DSR level 16 in <u>Part V Revenue</u>, <u>Figure Rev-23</u> for two reasons. First, it completed the revenue forecast prior to the approval of the changes to the DSR (i.e. the addition of DSR level 16 and changes to the vehicle premium discounts). Second, the addition of DSR level 16 does not impact revenue given that the same vehicle premium discounts and driver license premiums apply to both DSR levels 15 and 16.

Part and Chapter:	Part V REV	Page No.:	PDF Page 556 / Page 24 of 36 Figure REV 25		
PUB Approved Issue No:	13. Driver Safety Rating				
Topic:	DSR				
Sub Topic:	2022 Vehicle Premium Discount				

Preamble to IR:

Question:

- a) Please explain the rationale behind addition of DSR level 16, noting that customers in that DSR level will have the same Driver License Premium, and the same Vehicle Premium Discount as DSR Level 15.
- b) Please explain why Driver License Premium, and Vehicle Premium Discounts were determined to be the same between DSR levels 15 and 16
- c) Please explain the tangible benefits that good drivers will receive for being moved up the scale to DSR Level 16.
- d) Please explain if changes to regulation are required to add DSR level 16. If so, please discuss MPI's approach and timeline for accomplishing this.

RATIONALE FOR QUESTION:

To fully understand the rational for adding DSR Level 16.

RESPONSE:

a) Please see *Driver Safety Rating Chapter, pages 12 and 13*.

b) Per <u>Revenues Chapter, page 22</u>, MPI expects that almost 95% of drivers at DSR level 15 will move up to DSR level 16 and receive a 4% higher vehicle premium discount (37% compared to 33%), with the remaining drivers actually moving down (due to at-fault collisions and/or convictions). Drivers at DSR level 15 will mainly be new drivers previously at DSR level 14 who moved up a level due to having a claims-free year. MPI believes that the vehicle premium discount of 37% (similar to DSR level 16) is still appropriate for this group given that the actuarially indicated discount is still significantly higher (above 45% per <u>Driver Safety Rating DSR Appendix 1, Figure DSR App 1-4</u>).

MPI does not propose different driver license premiums for DSR levels 15 and 16 given that the driver license premium for DSR level 15 is already low at \$15. Further, between DSR levels 0 to 15, it is not uncommon to see the same driver license premiums for multiple DSR levels (e.g. DSR levels 10 to 14 have driver license premiums of \$20). Finally, the pricing analysis completed by MPI focused on determining the appropriate vehicle premium discounts (rather than the driver license premiums).

- c) One tangible benefit would be that, in the event of an at-fault accident, the driver at DSR level 16 would move down the DSR scale to DSR level 11, rather than to DSR level 10. The vehicle premium discount at DSR level 11 is 2% more than DSR level 10 based on the proposed changes to the vehicle premium discounts.
 - While DSR levels 15 and 16 will have the same vehicle premium discounts for rating year 2022/23, this will change for future rating years. Further, MPI also plans to gradually introduce higher DSR levels, allowing the safest customers to receive the greatest benefits.
- d) In order to add DSR level 16, MPI will require minor housekeeping changes to the Driver Safety Rating System Regulation. MPI plans to proceed with regulation changes following PUB approval and expects implementation on April 1, 2022.

Part and Chapter:	Part VI DSR	Page No.:	PDF Page 1340 Page 7 of 14		
PUB Approved Issue No:	13. Driver Safety Rating				
Topic:	DSR				
Sub Topic:	Vehicle premium discou	nts			

Preamble to IR:

"However, at the overall vehicle level, the vehicle discounts

- 9 provided (at each DSR level) are based on the collective loss experience of the drivers
- 10 of vehicles registered to owners with the same DSR level. For example, the vehicle
- 11 discount at DSR level +15 reflects the collective loss experience of the drivers of
- 12 vehicles registered to owners with DSR level +15."

(...)

"The pricing examination confirmed that the current vehicle premium discounts and

- 17 surcharges do not reflect the relative risks of registered owners at different DSR
- 18 levels. For registered owners at a DSR level of +15, the actuarially-informed discount
- 19 is 56.7%, whereas the current discount is 33%"

Question:

- a) Please elaborate, explain, and as appropriate, reconcile the two statements in the preamble, specifically addressing the point "the vehicle discounts provided (at each DSR level) are based on the collective loss experience of the drivers of vehicles registered to owners with the same DSR level"
- b) Please provide numerical support as available to explain these two statements.

RATIONALE FOR QUESTION:

To fully understand MPI's application on this issue.

RESPONSE:

- a) MPI based its pricing analysis on the DSR level of the registered owner of an MPI insured vehicle (i.e. the analysis looked at the "collective loss experience of drivers of vehicles registered to owners with the same DSR level"), and compared it to the collective loss experience for other DSR levels. Based on the pricing analysis, MPI determined that the actuarially-informed discount is 56.0% for DSR level 15 (*Driver Safety Rating Chapter Figure DSR-2*), which is different than the current vehicle premium discount of 33.0%. MPI presents a comparison of the actuarially-informed discount (or the indicated discount) to the current discount for DSR levels 0 to 15 in *Driver Safety Rating Chapter Figure DSR-2*.
- b) There is no numerical support for the first statement on collective loss experience. This statement explains both the methodology and implication of the pricing analysis conducted by MPI. MPI groups losses based on the DSR levels of the registered owners of the vehicles causing these losses.
 - MPI presents numerical support for the second statement on the actuarially-informed discount in *DSR Appendix 1 Driver Safety Rating Pricing Review*, which discusses its pricing analysis.

Part and Chapter:	Part VI DSR	Page No.:	PDF Page 1341 Page 8 of 14		
PUB Approved Issue No:	13. Driver Safety Rating				
Topic:	DSR				
Sub Topic:	2022 Pricing Analysis Revenue Neutral Scenario				

Preamble to IR:

Figure DSR- 1 Current Vs Indicated Rates

Line		Average Rate							
No.	DSR	Current	Indicated	Variance	% Variance				
1	15	\$963	\$770	-\$193	-20.1%				
2	14	\$1,045	\$988	-\$56	-5.4%				
3	13	\$1,067	\$1,010	-\$58	-5.4%				
4	12	\$1,102	\$1,049	-\$53	-4.8%				
5	11	\$1,114	\$1,074	-\$39	-3.5%				
6	10	\$1,142	\$1,123	-\$20	-1.7%				
7	9	\$1,171	\$1,178	\$8	7.0%				
8	8	\$1,171	\$1,229	\$58	5.0%				
9	7	\$1,181	\$1,298	\$117	9.9%				
10	6	\$1,268	\$1,372	\$1 05	8.3%				
11	5	\$1,349	\$1,448	\$99	7.4%				
12	4	\$1,349	\$1,529	\$1 80	13.4%				
13	3	\$1,434	\$1,625	\$191	13.3%				
14	2	\$1,428	\$1,714	\$286	20.0%				
15	1	\$1,519	\$1,833	\$314	20.6%				
16	0	\$1,543	\$1,877	\$334	21.7%				
17	-1 to -20	\$1,575	\$1,916	\$341	21.7%				
18	Total	\$1,165	\$1,165	\$0	0.0%				

Figure DSR- 2 Selected Discounts

		Discount							
Line					Sel'd less				
No.	DSR	Indicated	Selected	Current	Current				
1	15	56.0%	37.0%	33.0%	4.0%				
2	14	45.6%	32.0%	30.0%	2.0%				
3	13	44.8%	31.0%	29.0%	2.0%				
4	12	43.6%	30.0%	28.0%	2.0%				
5	11	42.1%	29.0%	27.0%	2.0%				
6	10	40.2%	27.0%	26.0%	1.0%				
7	9	37.9%	25.0%	25.0%	0.0%				
8	8	35.3%	25.0%	25.0%	0.0%				
9	7	32.2%	25.0%	25.0%	0.0%				
10	6	28.8%	20.0%	20.0%	0.0%				
11	5	25.0%	15.0%	15.0%	0.0%				
12	4	20.8%	15.0%	15.0%	0.0%				
13	3	16.2%	10.0%	10.0%	0.0%				
14	2	11.2%	10.0%	10.0%	0.0%				
15	1	5.8%	5.0%	5.0%	0.0%				
16	0	0.0%	0.0%	0.0%	0.0%				

Question:

- a) Please confirm that the indicated discounts from Figure DSR-2 were applied to the current rates in Figure REV 1 to obtain an indicated rate in Figure DSR-1. If not confirmed please fully explain.
- b) Please provide a numerical example of the calculation to obtain the indicated rates in Figure DSR-1. If possible, provide for all DSR levels shown in Figure DSR 1.
- c) Please discuss the extent of required adjustments, and if the % Variance Column in Figure DSR-1 fully captures those required adjustments. If not, please fully explain.
- d) Please explain what steps MPI will take to address required adjustments for DSR levels +9 and lower, and how rates for these customers will be brought toward indicated rates. Please include in the discussion, MPI's intentions towards adjusting

base rates, and the impact that may have on customers who are currently overpaying.

- e) Please discuss if MPI's approach to providing rate decreases only to those customers who are over-paying is a suitable long term strategy, and if the reciprocal approach, targeted rate increases only to those customers paying too little is being considered for future rate applications.
- f) Please explain and discuss MPI's preferred approach to the DSR Transition Plan, and contrast it against other approaches MPI is considering.
- g) Please discuss when and how MPI plans to incorporate customer and stakeholder feedback into the DSR Transition Plan.

RATIONALE FOR QUESTION:

To understand the approach to changing the DSR system and vehicle premium discounts.

RESPONSE:

- a) MPI confirms that it applied the indicated discounts in <u>Driver Safety Rating Chapter Figure DSR-2</u> to the current average rates in <u>Driver Safety Rating Chapter Figure DSR-1</u> to order to obtain the indicated average rates in <u>Figure DSR-1</u>. However, the indicated average rates in <u>Figure DSR-1</u> also include a 22% increase in the base rate (i.e. the rate at DSR 0) in order to offset the revenue loss as discussed in <u>Driver Safety Rating Chapter, page 9</u>.
- b) Please see *Figure 1* below, which expands on *Figure DSR-1*.

_										
Line No.	DSR	Current Undiscounted Average Rate	Current Discount	Current Discounted Average Rate	Indicated Discount	Indicated Discounted Average Rate	Balance Factor	Balanced Indicated Disc Average Rate	Variance	% Variance
1		[a]	[b]	[c] = [a] * [b]	[d]	[e] = [a] * [d]	[f]	[g] = [e] * [f]	[h] = [g] - [c]	[i] = [h] / [c]
1	15	\$1,438	-33%	\$963	-56%	\$633	22%	\$770	-\$193	-20.1%
2	14	\$1,493	-30%	\$1,045	-46%	\$812	22%	\$988	-\$56	-5.4%
3	13	\$1,503	-29%	\$1,067	-45%	\$830	22%	\$1,010	-\$58	-5.4%
4	12	\$1,530	-28%	\$1,102	-44%	\$863	22%	\$1,049	-\$53	-4.8%
5	11	\$1,526	-27%	\$1,114	-42%	\$883	22%	\$1,074	-\$39	-3.5%
6	10	\$1,544	-26%	\$1,142	-40%	\$923	22%	\$1,123	-\$20	-1.7%
7	9	\$1,561	-25%	\$1,171	-38%	\$969	22%	\$1,178	\$8	0.7%
8	8	\$1,561	-25%	\$1,171	-35%	\$1,011	22%	\$1,229	\$58	5.0%
9	7	\$1,575	-25%	\$1,181	-32%	\$1,067	22%	\$1,298	\$117	9.9%
10	6	\$1,584	-20%	\$1,268	-29%	\$1,128	22%	\$1,372	\$105	8.3%
11	5	\$1,587	-15%	\$1,349	-25%	\$1,190	22%	\$1,448	\$99	7.4%
12	4	\$1,587	-15%	\$1,349	-21%	\$1,257	22%	\$1,529	\$180	13.4%
13	3	\$1,593	-10%	\$1,434	-16%	\$1,335	22%	\$1,625	\$191	13.3%
14	2	\$1,587	-10%	\$1,428	-11%	\$1,409	22%	\$1,714	\$286	20.0%
15	1	\$1,599	-5%	\$1,519	-6%	\$1,507	22%	\$1,833	\$314	20.6%
16	0	\$1,543	0%	\$1,543	0%	\$1,543	22%	\$1,877	\$334	21.7%
17	-1 to -20	\$1,575	0%	\$1,575	0%	\$1,575	22%	\$1,916	\$341	21.7%
18	Total	\$1,506	-23%	\$1,165	-36%	\$957	22%	\$1,165	\$0	0.0%

Figure 1 Current vs Indicated Rates

- c) Based on the current pricing analysis, <u>Driver Safety Rating Chapter Figure DSR-1</u> shows how the current average rates would change for all DSR levels assuming the application of the indicated discounts in <u>Driver Safety Rating Chapter Figure DSR-2</u>, and no changes to overall revenue (i.e. rate neutral). These would be the changes required (by DSR level) to move from the current DSR discounts to the actuarially indicated discounts. However, per <u>Driver Safety Rating Chapter, page 9</u>, "rate changes of this magnitude are not publicly acceptable in a one year period", which is the reason for the changes proposed by MPI as discussed in <u>Driver Safety Rating Chapter, pages 9 and 10</u>.
- d) MPI includes details of its transition plan in <u>Driver Safety Rating Chapter DSR.6</u>. As stated, MPI continues to develop its plan, which will include customer and stakeholder feedback. Ultimately, any transition plan will need to consider public acceptability and regulatory oversight. Per <u>Driver Safety Rating Chapter DSR.7</u>, "MPI will continue to consult with stakeholders, including the PUB and Consumers Association of Canada, regarding the most appropriate implementation schedule."

¹⁹ Note: [f] - The balance factor is to offset the revenue loss from the higher indicated discounts

- e) The changes proposed by MPI to the current discounts for 2022/23 represent the first step in adopting actuarially indicated discounts (and surcharges). Per <u>Driver Safety Rating Chapter, page 10</u>, MPI is allocating the rate decrease of 2.8% to the "DSR vehicle discount levels with the most significant need for rate decreases based on actuarial indications." Ultimately, the MPI transition plan will ensure that all discounts and surcharges are appropriate and based on actuarial indications.
- f) Please see the response to (d) above.
- g) MPI proposed in the 2022/23 GRA the first step in moving towards actuarially indicated vehicle premium discounts. It hopes to have a robust discussion on this matter with the PUB and other stakeholders throughout the GRA process (and beyond), including a discussion on what the PUB and other stakeholders consider to be an appropriate transition. As this transition will create significant rate dislocations for customers, MPI will continue to collaborate with the PUB and other stakeholders to ensure that the transition plan is publicly acceptable.

Part and Chapter:	Part VI DSR Appendix 1 (MPI Exhibit 2)	Page No.:	PDF page 7 of 15		
PUB Approved Issue No:	13. Driver Safety Rating				
Topic:	DSR				
Sub Topic:	Driver Safety Rating Pricing Review				

Preamble to IR:

At MPI Exhibit 2 from the 2022 GRA, at PDF Page 7 MPI states:

"MPI assumed that the "Pool" costs did not vary with DSR level (i.e. the same average loss costs is used for 5 all DSR levels)."

At MPI Exhibit 25 from the 2021 GRA, page 6 of 14, MPI states:

- "5 The total average loss costs are then determined for each DSR level.
- 6 Total Average Loss Cost for DSR Level j = Sum Average Loss Cost for DSR Level j
- 7 for All Coverages + Average Fixed Expenses (i.e. not varying by DSR level) "

At MPI Exhibit 25 from the 2021 GRA, page 11 of 14, MPI states:

"The discount for a driver with DSR level 15 would be greater than 57.6% given

- 10 that the discount was calculated including the loss experience of other drivers
- 11 with a DSR level lower than 15.
- 12 The surcharge for a driver with DSR level -20 would be greater than \$1,919.53
- 13 given that the discount was calculated including the loss experience of other
- 14 drivers with a DSR level higher than -20."

QUESTION:

- a) Referencing MPI Exhibit 2, please explain the reasons why MPI assumed the pool cost does not vary with DSR coverage. Please also highlight and explain the implications of any other differences in methodology from the analysis presented in MPI Exhibit 25 to the 2021 GRA.
- b) Please file MPI Exhibit 25 from the 2021 GRA, on the record of this proceeding.
- c) Referencing MPI Exhibit 25 above, please explain how the "Average Fixed Expenses" are calculated and provide a sample calculation. Please also explain how claims expense and operating expense are handled within this calculation.
- d) Referencing MPI Exhibit 25 above, please discuss the reasonableness of "Average Fixed Expenses (i.e. not varying by DSR level)", in the context of the analysis to consider differences between DSR level. For instance, does MPI consider that there are some Basic program costs that are driven more by some levels of DSR driver than others, including for instance:
 - i. Driver Premium appeal program costs;
 - ii. Road safety costs related DriverZ programming; and
 - iii. Subrogation
- e) Please discuss and elaborate on any other program costs that are more so driven by some levels of DSR driver than others
- f) Please discuss if and how assigning these program costs to specific DSR levels would improve overall results of the DSR pricing study.
- g) For items c) through f), please identify any changes to the answers when referencing MPI Exhibit 2 from the 2022 GRA.

h) Please estimate (approximately) the degree to which "The discount for a driver with DSR level 15 would be greater than 57.6%" or "The surcharge for a driver with DSR level -20 would be greater than \$1,919.53"

RATIONALE FOR QUESTION:

To understand the DSR pricing analysis, and fully understand the cost causation by DSR level.

RESPONSE:

a) The allocation of the pool cost on a per unit basis is consistent with the treatment of this cost at the major class level. Per <u>Part VI Ratemaking</u>, <u>page 39</u>, pool cost was "allocated equally on a per unit basis to major classes 1, 2, 3 and 4." The allocation of the pool cost on a per unit basis implies that all MPI insured vehicles contribute equally to the claims costs incurred by other injured party or parties (including cyclists, pedestrians, and occupant(s) of out-of-province vehicles).

The change in methodology (from the analysis presented in MPI Exhibit 25 to the 2021 GRA) has the effect of flattening the overall curve. Excluding this change, the calculated discount for DSR level 15 would increase from 56.0% (*Part VI DSR Appendix 1, Figure DSR App 1-4*) to 58.7%. At the other end, the calculated surcharge for DSR level -20 would increase from \$1,756.93 (*Part VI DSR Appendix 1, Figure DSR App 1-4*) to \$1,900.29.

- b) Please see attached *Appendix 1*.
- c) Please see <u>Part VI DSR Appendix 1, Figure DSR App 1-3</u>. The "Average Fixed Expenses" are shown in the column labeled "Other Loss Cost & Exp". This column includes operating expenses. Claims expenses are included as a 17.6% load on claims costs.
- d) MPI did not vary the fixed expenses by DSR level for the following reasons:

- The allocation of fixed expenses on a per unit basis is consistent with the treatment at the major class level; and
- MPI performed the analysis based on the DSR levels of the registered owners of MPI-insured vehicles. Any benefit from programs that improve the driving behavior of a specific driver group (e.g. new drivers) affects all DSR levels, since the registered owners do not solely drive these vehicles and they may also be driven by those in the targeted group. As such, MPI believes that all vehicles should share in the costs of these programs.
- e) Please see the response to (d).
- f) Please see the response to (d).
- g) The treatment by MPI of fixed expense is the same for both the pricing analysis presented in the 2021 and 2022 GRAs.
- h) MPI did not complete the analysis required to provide this information. MPI implies the conclusions presented in <u>Part VI DSR Appendix 1, page 12</u>, that "The discount for a driver with DSR level 15 would be greater than 56.0%" or "The surcharge for a driver with DSR level -20 would be greater than \$1,756.93", based on the methodology it used for the pricing analysis, which does not capture just the relative risk of drivers at DSR levels 15 and -20.

Appendix 1: Driver Safety Rating Pricing Review

1. Introduction

PUB Order 176/19, Order 13.7 states:

- With respect to the Driver Safety Rating (DSR) system, the Corporation shall:
- 4 (a) File information in the 2021 GRA as to which rating model it intends to proceed with;
- (b) File a pricing examination in the 2021 GRA, including the financial impact on premium revenue and the cost of modifying the system, of the Registered Owner and Primary Driver rating models;
- (c) File information in the 2021 GRA as to whether it has collected data to recalibrate the amounts of driver premium to be charged under DSR system to be more statistically sound, based on experience; and
- (d) Conduct a review of best practices for rating models in other
 Canadian jurisdictions and file the results of the review in the 2021
 GRA.
- 15 The following discusses the pricing examination based on the current DSR model. The
- main purpose is to evaluate the appropriateness of the current vehicle discounts and
- driver licence surcharges on a registered owner basis. Section 2 provides an overview
- of the registered owner basis. Section 3 discusses the methodology and data used to
- determine the discounts and surcharges on a registered owner basis. Section 4 looks
- at the results and implications of the pricing examination. Finally, a brief discussion on
- 21 the primary driver basis is included in section 5.

2. Registered Owner Basis

- MPI currently provides a discount on the vehicle premium based on the DSR level of
- the registered owner of the vehicle. Registered owners with DSR levels between 1 to

- 15 are eligible for these discounts, which range from 5% for DSR level 1 to 33% for
- 2 DSR level 15. Registered owners with DSR level 0 and DSR levels -1 to -20 do not
- 3 receive a discount. A more detailed discussion of the DSR system is provided in the
- 4 <u>Driver Classification System Chapter</u>.
- 5 At the individual vehicle level, the registered owner model does not consider the
- 6 relative risk of the vehicle based on the actual driver(s) of the vehicle. Instead the
- 7 model determines the relative risk (and the vehicle discount) simply based on who
- 8 owns the vehicle.
- 9 However, at the overall vehicle level, the vehicle discounts provided (at each DSR
- level) are based on the collective loss experience of the drivers of vehicles registered
- to owners with the same DSR level. For example, the vehicle discount at DSR level 15
- reflects the collective loss experience of the drivers of vehicles registered to owners
- with DSR level 15. The vehicle discount is an adjustment (to the base rate) to reflect
- the relative risk of all drivers of vehicles registered to owners with DSR level 15 versus
- all drivers of vehicles registered to owners with DSR level 0 (i.e. the base DSR level).

3. Data and Methodology

3.1 Data

- For the pricing examination, MPI used historical reported losses and earned units for
- merit eligible passenger vehicles and light trucks. Certain insurance uses were
- excluded, which is discussed further in section 3.2 below. Notwithstanding, the pricing
- examination is still based on more than 96% of total merit eligible vehicles¹.
- 20 For Collision, Comprehensive, Property Damage and Bodily Injury coverages, MPI used
- the reported losses and earned units as of February 29, 2020 for insurance years 2015
- 22 to 2019.

 $^{^{1}}$ Per the Rate Model, there are 833,462 merit eligible vehicles. The included insurance uses account for 801,088 of those vehicles.

- 1 For PIPP coverages (i.e. Accident Benefits Other and Income Replacement
- 2 Indemnity), MPI used reported losses and earned units as of February 29, 2020 for
- 3 insurance years 2013 to 2017. The reported losses are based on the claims costs
- 4 allocation for PIPP coverages pursuant to PUB Order 97/05.
- 5 Reported losses for PIPP coverages for the two most recent accident years (2018 and
- 6 2019) were not used. As a result of Centralized Reserving implemented in 2018,
- 7 lifetime reserves (as applicable) are added if the claimant is still receiving benefits 2
- 8 years after the accident date. As such, for accident years 2018 and 2019, some claims
- 9 may not be fully reserved given that they have not passed the 2 year mark.
- Similar to the process for determining rate line relativities (see *Ratemaking RM.3.2.1*)
- the reported losses and earned units were organized by territory, insurance use, rate
- group and registered owner DSR level to facilitate running the minimum bias
- procedure² to determine DSR level relativities. MPI ran DSR level relativities for the
- 14 following:
- Combined Collision, Comprehensive, Property Damage and Bodily Injury loss costs – the combination of these four coverages will be referred to as 'Other
- than PIPP' for the remainder of this document
- PIPP loss costs

3.2 Excluded Data

- 19 Per section 3.1, the pricing examination only used the data for merit eligible
- 20 passenger vehicles and light trucks.
- MPI did not use the data for merit eligible motorcycles mainly because the data did
- not fit within the minimum bias model for passenger vehicles and light trucks given
- that motorcycles have different rating variables. Further, this data is unlikely to affect

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² Refer to https://www.casact.org/pubs/forum/02fforum/02ff591.pdf for a detailed discussion of the minimum bias procedure.

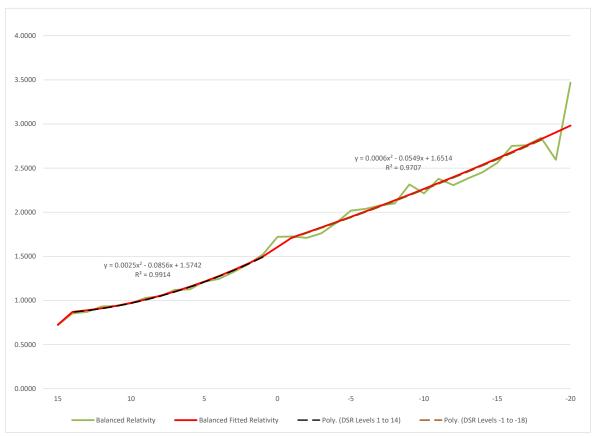
- the DSR level relativities for Other than PIPP given the relatively small proportion of
- 2 Other than PIPP loss costs for motorcycles compared to the overall.
- 3 The data for merit eligible motorhomes were excluded for the same reasons. Rate
- 4 groups for motorhomes, determined based on declared value, are different than rate
- 5 groups for passenger vehicles and light trucks, determined based on Canadian Loss
- 6 Experience Automobile Rating (CLEAR) rate groups. Further, the DSR level relativities
- 7 are unlikely to be affected.
- 8 For merit eligible passenger vehicles and light trucks, the pricing examination focused
- 9 on determining the discount/surcharge for the 'typical' insurance uses. To that extent,
- only the data for insurance uses in the Private Passenger major class were used. The
- data for merit eligible passenger vehicles and light trucks in the other major classes
- were excluded. This exclusion includes data for the following insurance uses:
- Accessible Vehicle-for-Hire
- Artisan Truck (GVW less than 16,331 kg)
- Common Carrier Local Passenger Vehicle
- Common Carrier Passenger Vehicle within 161 km in Manitoba
- Common Carrier Truck within 161 km in Manitoba
- Common Carrier Truck within city or municipality
- Limousine Vehicle-for-Hire
- Taxicab Vehicle-for-Hire
- 21 Further, the data for the Passenger Vehicle-for-Hire insurance use (within Major Class
- 1) was also excluded to be consistent with the exclusion of all other vehicle-for-hire
- insurance uses, as well as recognizing that this is not a 'typical' insurance use.

3.3 Methodology

- 24 Per section 3.1, MPI used the minimum bias procedure to determine DSR level
- ²⁵ relativities. This procedure isolates the effect of DSR level on loss costs by adjusting
- 26 for exposure correlations with other rating variables (i.e. territory, use and rate

- group). This procedure is used throughout MPI's ratemaking methodology to
- determine relativities (see <u>Ratemaking, RM.3.2.1</u> and <u>Ratemaking, RM.4.4</u>).
- 3 After the DSR level relativities are determined, curves are fitted using regression
- 4 analysis to ensure that there is a smooth increasing relativity line as the DSR level
- 5 decreases from 15 to -20. Curves are fitted to achieve the best possible goodness-of-
- 6 fit to the observed data, as measured by the R-squared. Curves are fitted separately
- 7 for the Other than PIPP DSR level relativities and PIPP DSR level relativities. The fitted
- 8 curves are shown in *Figure 1* and *Figure 2* below.

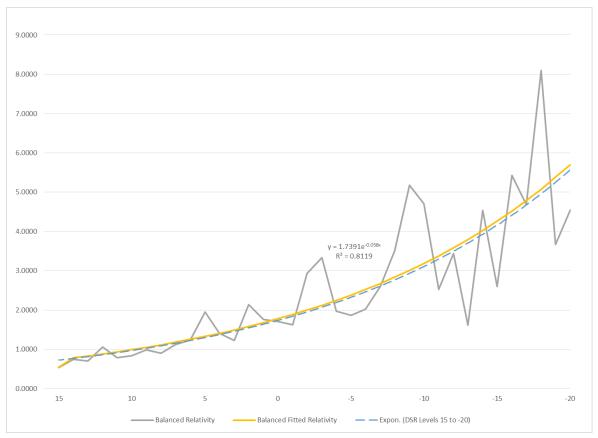
Figure 1 Other than PIPP DSR Level Relativities



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Figure 2 PIPP DSR Level Relativities



- The fitted curves are then used to determine the average loss costs for each DSR
- level. This is done separately for Other than PIPP and PIPP. By coverage:
- Average Loss Cost for DSR Level j = Fitted Relativity at DSR Level j * Average Loss
- 4 Cost for the Coverage
- 5 The total average loss costs are then determined for each DSR level.
- Total Average Loss Cost for DSR Level j = Sum Average Loss Cost for DSR Level j
- 7 for All Coverages + Average Fixed Expenses (i.e. not varying by DSR level)
- 8 Finally, the overall DSR level relativities are determined for each DSR level.

MPI Exhibit #25 2021 GENERAL RATE APPLICATION Part VI – DSR Appendix 1

- Overall DSR Level Relativity for DSR Level j = Total Average Loss Cost for DSR
- 2 Level j / Total Average Loss Cost for All DSR levels; where
- Total Average Loss Cost for All DSR Levels = Sum Average Loss Cost for All
- 4 Coverages + Average Fixed Expenses (i.e. not varying by DSR level)
- 5 The derivation of the overall DSR level relativities for all DSR levels is presented in
- 6 Figure 3 below.

Figure 3	Overall Relativities by DSR Level
----------	-----------------------------------

		Fitted Relativity			Average Lo	Average Loss Cost		
Line	-	Colli, Comp,		Colli, Comp,		Other Loss		Overall
No.	DSR	PD & BI	PIPP	PD & BI	PIPP	Cost & Exp	Total	Relativity
1	15	0.7244	0.5472	\$576.23	\$155.15	\$40.55	\$771.93	0.6895
2	14	0.8705	0.7888	\$692.42	\$223.62	\$40.55	\$956.59	0.8545
3	13	0.8885	0.8360	\$706.74	\$237.02	\$40.55	\$984.31	0.8792
4	12	0.9115	0.8861	\$725.07	\$251.22	\$40.55	\$1,016.84	0.9083
5	11	0.9396	0.9392	\$747.40	\$266.27	\$40.55	\$1,054.22	0.9417
6	10	0.9727	0.9955	\$773.73	\$282.23	\$40.55	\$1,096.51	0.9795
7	9	1.0108	1.0551	\$804.07	\$299.14	\$40.55	\$1,143.76	1.0217
8	8	1.0540	1.1183	\$838.41	\$317.06	\$40.55	\$1,196.02	1.0683
9	7	1.1022	1.1853	\$876.75	\$336.06	\$40.55	\$1,253.36	1.1196
10	6	1.1555	1.2564	\$919.10	\$356.19	\$40.55	\$1,315.84	1.1754
11	5	1.2137	1.3316	\$965.44	\$377.54	\$40.55	\$1,383.53	1.2358
12	4	1.2770	1.4114	\$1,015.80	\$400.16	\$40.55	\$1,456.50	1.3010
13	3	1.3454	1.4960	\$1,070.15	\$424.13	\$40.55	\$1,534.83	1.3710
14	2	1.4187	1.5856	\$1,128.51	\$449.55	\$40.55	\$1,618.60	1.4458
15	1	1.4971	1.6806	\$1,190.87	\$476.48	\$40.55	\$1,707.90	1.5256
16	0	1.6054	1.7813	\$1,277.00	\$505.03	\$40.55	\$1,822.58	1.6280
17	-1	1.7137	1.8881	\$1,363.13	\$535.29	\$40.55	\$1,938.97	1.7320
18	-2	1.7704	2.0012	\$1,408.28	\$567.36	\$40.55	\$2,016.19	1.8010
19	-3	1.8283	2.1211	\$1,454.30	\$601.36	\$40.55	\$2,096.21	1.8724
20	-4	1.8873	2.2482	\$1,501.20	\$637.39	\$40.55	\$2,179.14	1.9465
21	-5	1.9473	2.3829	\$1,548.98	\$675.58	\$40.55	\$2,265.12	2.0233
22	-6	2.0085	2.5257	\$1,597.65	\$716.06	\$40.55	\$2,354.26	2.1029
23	-7	2.0708	2.6770	\$1,647.19	\$758.97	\$40.55	\$2,446.70	2.1855
24	-8	2.1342	2.8374	\$1,697.60	\$804.44	\$40.55	\$2,542.59	2.2712
25	-9	2.1987	3.0074	\$1,748.90	\$852.64	\$40.55	\$2,642.09	2.3601
26	-10	2.2642	3.1876	\$1,801.08	\$903.73	\$40.55	\$2,745.36	2.4523
27	-11	2.3309	3.3786	\$1,854.14	\$957.88	\$40.55	\$2,852.56	2.5481
28	-12	2.3988	3.5811	\$1,908.07	\$1,015.27	\$40.55	\$2,963.89	2.6475
29	-13	2.4677	3.7956	\$1,962.89	\$1,076.10	\$40.55	\$3,079.54	2.7508
30	-14	2.5377	4.0231	\$2,018.58	\$1,140.58	\$40.55	\$3,199.71	2.8581
31	-15	2.6088	4.2641	\$2,075.15	\$1,208.92	\$40.55	\$3,324.62	2.9697
32	-16	2.6810	4.5196	\$2,132.60	\$1,281.35	\$40.55	\$3,454.51	3.0857
33	-17	2.7544	4.7904	\$2,190.93	\$1,358.13	\$40.55	\$3,589.61	3.2064
34	-18	2.8288	5.0774	\$2,250.14	\$1,439.50	\$40.55	\$3,730.20	3.3320
35	-19	2.9043	5.3816	\$2,310.23	\$1,525.76	\$40.55	\$3,876.54	3.4627
36	-20	2.9810	5.7041	\$2,371.20	\$1,617.17	\$40.55	\$4,028.92	3.5988
37	All DSR	Levels*		\$795.44	\$283.51	\$40.55	\$1,119.50	

^{*}From Part VI, Ratemaking, Figure RM-11 and Figure RM-12:

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³⁹ Amounts for 'Colli, Comp, PD and Bl' and 'PIPP' include claims costs and expenses

⁴⁰ Amount for 'Other Loss Cost and Exp' includes the following:

Fixed expenses - operating expenses, regulatory/appeal, road safety, commission flat fees, fleet rebates,

anti-theft discount, reinsurance, and premium taxes and commissions on driver premiums

⁴³ Fixed other income sources - driver premiums and service fees

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4. Results and Implications

- 1 Figure 4 below shows the DSR discount percentages (for DSR levels 1 to 15) and DSR
- 2 surcharge dollars (for DSR levels -1 to -20) based on the overall DSR level relativities
- presented in *Figure 3*. The discounts and surcharges were calculated by comparing the
- 4 relativity at each DSR level to the relativity at DSR level 0 (i.e. the base DSR level).

Figur	Figure 4 Calculated Discounts and Surcharges						
Line		Overall Calculated Current			Calculated	Current	
No.	DSR	Relativity	Discount (a)	Discount	Variance	Surcharge (b)	Surcharge
1	15	0.6895	57.6%	33.0%	24.6%		
2	14	0.8545	47.5%	30.0%	17.5%		
3	13	0.8792	46.0%	29.0%	17.0%		
4	12	0.9083	44.2%	28.0%	16.2%		
5	11	0.9417	42.2%	27.0%	15.2%		
6	10	0.9795	39.8%	26.0%	13.8%		
7	9	1.0217	37.2%	25.0%	12.2%		
8	8	1.0683	34.4%	25.0%	9.4%		
9	7	1.1196	31.2%	25.0%	6.2%		
10	6	1.1754	27.8%	20.0%	7.8%		
11	5	1.2358	24.1%	15.0%	9.1%		
12	4	1.3010	20.1%	15.0%	5.1%		
13	3	1.3710	15.8%	10.0%	5.8%		
14	2	1.4458	11.2%	10.0%	1.2%		
15	1	1.5256	6.3%	5.0%	1.3%		
16	0	1.6280	0.0%	0.0%	0.0%		
17	-1	1.7320				\$143.89	\$200.00
18	-2	1.8010				\$209.49	\$200.00
19	-3	1.8724				\$277.48	\$300.00
20	-4	1.9465				\$347.94	\$400.00
21	-5	2.0233				\$420.98	\$450.00
22	-6	2.1029				\$496.72	\$500.00
23	-7	2.1855				\$575.26	\$650.00
24	-8	2.2712				\$656.73	\$800.00
25	-9	2.3601				\$741.27	\$900.00
26	-10	2.4523				\$829.00	\$1,000.00
27	-11	2.5481				\$920.08	\$1,200.00
28	-12	2.6475				\$1,014.67	\$1,400.00
29	-13	2.7508				\$1,112.92	\$1,600.00
30	-14	2.8581				\$1,215.02	\$1,800.00
31	-15	2.9697				\$1,321.15	\$2,000.00
32	-16	3.0857				\$1,431.50	\$2,200.00
33	-17	3.2064				\$1,546.29	\$2,400.00
34	-18	3.3320				\$1,665.73	\$2,600.00
35	-19	3.4627				\$1,790.06	\$2,800.00
36	-20	3.5988				\$1,919.53	\$3,000.00
37	Average	e Undiscount	ed Premium (c)			\$1,548.48	

³⁸ Notes:

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³⁹ (a) 1 - Overall Relativity for the respective DSR level / Overall Relativity for DSR level 0

⁽b) [Overall Relativity for the respective DSR level / Overall Relativity for DSR level 0 - 1] 40

^{*} Average Undiscounted Premium + \$45

⁴² (c) From the Rate Model; reflects the average for merit eligible passenger vehicles and light trucks

for 'typical' insurance uses (see RSF.2.2) based on 2020/21 approved rates 43

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- 1 The discounts and surcharges calculated are applicable to vehicles insured by
- 2 registered owners with the respective DSR level. For example, a discount of 57.6% is
- 3 applicable to vehicles insured by registered owners with DSR level 15. As stated in
- 4 section 1, the discounts and surcharges reflect the collective loss experience of the
- 5 drivers of vehicles registered to owners with the same DSR level. This implies the
- 6 following:

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- The discounts and surcharges do not reflect the relative risk of drivers with different DSR levels.
- The discount for a driver with DSR level 15 would be greater than 57.6% given that the discount was calculated including the loss experience of other drivers with a DSR level lower than 15.
 - The surcharge for a driver with DSR level -20 would be greater than \$1,919.53 given that the discount was calculated including the loss experience of other drivers with a DSR level higher than -20.
- Figure 4 also compares the calculated discounts to the current discounts. For all DSR 15 levels whereby discounts are applicable (DSR levels 1 to 15), the calculated discounts 16 are higher than the current discounts. If the current discounts were increased to the 17 calculated discounts, MPI estimates that a 23.2% increase in the base rate³ would be 18 required (for merit eligible passenger vehicles and light trucks) to offset the revenue 19 loss from providing higher discounts (i.e. to achieve revenue neutrality). The new 20 overall discounted average vehicle rate would remain the same in the indicated 21 structure. However, average vehicle rates by DSR levels will change per *Figure 5* 22 below. 23
- Figure 4 also shows the current surcharges for DSR levels -1 to -20. However, these surcharges are not directly comparable to the calculated surcharges. As stated earlier, the calculated surcharges are applicable to vehicles insured by registered owners with the respective DSR level. However, the current surcharges are applicable at the driver

-

³ The base rate reflects the average undiscounted premium per *Figure 4*.

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- level (i.e. based on the driver's DSR level). The calculated surcharges represents the
- 2 minimum surcharges for drivers with the respective DSR levels.
- 3 Figure 5 shows the changes in average rate by DSR level based on applying the higher
- 4 calculated discounts offset by the 23.2% increase in the base rate required to achieve
- 5 revenue neutrality. Registered owners at DSR levels 11 to 15 would see lower average
- 6 rates.

Figure 5 Changes in Average Rate

Line		Average Rate					
No.	DSR	Current	Indicated	Variance	% Variance		
1	15	\$997	\$777	-\$221	-22.1%		
2	14	\$1,081	\$999	-\$82	-7.6%		
3	13	\$1,098	\$1,030	-\$69	-6.3%		
4	12	\$1,123	\$1,072	-\$51	-4.5%		
5	11	\$1,152	\$1,125	-\$27	-2.4%		
6	10	\$1,167	\$1,169	\$2	0.2%		
7	9	\$1,201	\$1,238	\$37	3.1%		
8	8	\$1,204	\$1,298	\$94	7.8%		
9	7	\$1,203	\$1,360	\$156	13.0%		
10	6	\$1,292	\$1,437	\$145	11.2%		
11	5	\$1,378	\$1,516	\$138	10.0%		
12	4	\$1,386	\$1,605	\$220	15.8%		
13	3	\$1,466	\$1,691	\$224	15.3%		
14	2	\$1,466	\$1,782	\$316	21.6%		
15	1	\$1,545	\$1,877	\$333	21.5%		
16	0	\$1,571	\$1,936	\$365	23.2%		
17	-1 to -20	\$1,607	\$1,980	\$373	23.2%		

- 7 Figure 6 shows the indicated surcharges (based on the overall DSR level relativities)
- 8 after adjusting for revenue neutrality.

Figure 6

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94		Carcarate	a Sarcilar
Line		Surchar	ge
No.	DSR	Indicated	Current
1	-1	\$167	\$200
2	-2	\$248	\$200
3	-3	\$331	\$300
4	-4	\$418	\$400
5	-5	\$508	\$450
6	-6	\$602	\$500
7	-7	\$698	\$650
8	-8	\$799	\$800
9	-9	\$903	\$900
10	-10	\$1,011	\$1,000
11	-11	\$1,123	\$1,200
12	-12	\$1,240	\$1,400
13	-13	\$1,361	\$1,600
14	-14	\$1,487	\$1,800
15	-15	\$1,617	\$2,000
16	-16	\$1,753	\$2,200
17	-17	\$1,895	\$2,400
18	-18	\$2,042	\$2,600
19	-19	\$2,195	\$2,800
20	-20	\$2,355	\$3,000

Calculated Surcharges

5. Primary Driver Basis

- 1 A primary driver model would provide a discount on the vehicle premium based on the
- 2 DSR level of the primary driver(s) of the vehicle (rather than the registered owner of
- 3 the vehicle). The primary driver(s) of the vehicle would have to be declared when the
- 4 insurance policy is written.
- 5 The primary driver model shares a similar shortcoming to the registered owner model
- 6 particularly if only one primary driver is captured per vehicle. At the overall vehicle
- 7 level, the vehicle discounts provided (at each DSR level) are based on the collective
- 8 loss experience of the drivers of vehicles insured by primary drivers with the same
- 9 DSR level. This implies that the discounts and surcharges do not reflect the relative
- 10 risk of drivers with different DSR levels.

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- 1 MPI did not conduct a pricing examination using the primary driver model mainly
- 2 because MPI does not have the information on the primary driver(s) of MPI insured
- yehicles. While MPI can assume that the registered owner is the primary driver in the
- 4 case of registered owners with only one registered vehicle, doing so would revert back
- to the registered owner model. Further, 24% of registered owners have more than
- one registered vehicle meaning the assumption is less likely to be applicable.
- 7 One other limitation in conducting a pricing examination relates to how a subset of
- 8 Collision losses would be handled under a primary driver model. For Collision losses
- 9 where a driver can be identified⁴, 41% of reported losses⁵ are attributable to claims
- where the driver is not the registered owner. The handling of these losses under a
- primary driver model would impact the determination of the appropriate vehicle
- 12 discounts.

⁴ Collision losses where a driver cannot be identified are commonly a result of hit-and-run accidents.

 $^{^{\}rm 5}$ For insurance years 2015 to 2019 as of February 29, 2020.

Part and Chapter:	Part VI DSR	Page No.:	14	
PUB Approved Issue No:	13. Driver Safety Rating			
Topic:	Proposed changes to Driver Safety Rating			
Sub Topic:				

Preamble to IR:

MPI states that:

"MPI intends to use the current Registered Owner model in the near term and outlined

- a plan to move the premiums closer to the actuarial target. Given the size of the gap
- 9 between the current discount/premium charge and the indicated discount/premium
- 10 charge, MPI recommends a gradual implementation to remedy the crosssubsidization
- of drivers with low DSR ratings by those with high DSR ratings. MPI will continue to
- 12 consult with stakeholders, including the PUB and Consumers Association of Canada,
- 13 regarding the most appropriate implementation schedule."

QUESTION:

- a) Please clarify what is meant by the "near term" in the excerpt above.
- b) Please elaborate on MPI's plan for the longer term, including whether the Primary Driver model will be considered in the longer term and implications for and flowing from Project NOVA.

c) Regarding the longer term (as opposed to the near term referred to in the excerpt above), please discuss whether MPI intends to conduct further customer engagement regarding any proposed changes to Driver Safety Rating, including engagement on how changes should be implemented, schedule, communication plan.

RATIONALE FOR QUESTION:

To better understand MPI's position with respect to Driver Safety Rating in the longer term, as opposed to the near term.

RESPONSE:

MPI has no plans to move to a Primary Driver model. As stated in the preamble, using the current Registered Owner model, MPI is focused on addressing the "gap between the current discount/premium charge and the indicated discount/premium charge... to remedy the cross-subsidization of drivers with low DSR ratings by those with high DSR ratings." MPI believes that addressing the gap is directionally consistent with any potential move towards a Primary Driver model at a later date. At present, the only plan in place is best described as near term (approximately 5 years).

Further, based on the DSR Public Consultation Report presented to the PUB in the 2020 GRA, customers expressed indifference when it comes to the fairness of the Primary Driver versus the Registered Owner models, with almost half (44%) preferring the Registered Owner model and only 21% preferring the Primary Driver model.

Part and Chapter:	Part VI DSR	Page No.:	Appendix 1, pdf 6-7/15		
PUB Approved Issue No:	13. Driver Safety Rating				
Topic:	DSR Level Relativities				
Sub Topic:	Fitted Model				

Preamble to IR:

The fitted regression models assume that DSR level is a numeric variable rather than a categorical variable.

QUESTION:

Please indicate why MPI considers DSR level to be a numeric variable rather than a categorical variable.

RATIONALE FOR QUESTION:

A numerical variable is a variable where the measurement or number has a numerical meaning. A categorical variable can be expressed as a number for the purpose of statistics, but these numbers do not have the same meaning as a numerical value. (https://socratic.org/questions/what-is-a-numerical-variable-and-what-is-a-categorical-variable)

RESPONSE:

MPI considers the DSR level as an ordinal categorical variable in that it is a categorical variable that has a clear ordering of categories (from +15 to -20), and the use of linear regression is appropriate. The treatment of DSR levels is similar to the treatment of rate groups, which is another ordinal categorical variable.

Part and Chapter:	Part VI DSR	Page No.:	Appendix 1, pdf 6-7/15		
PUB Approved Issue No:	13. Driver Safety Rating				
Topic:	DSR Level Relativities				
Sub Topic:	DSR Levels				

Preamble to IR:

The presentation of the relativity model does not allow for the assessment of misclassification error. We recognize that MPI fits the model to weighted average relativities by DSR level. We presume that the underlying data includes relativities by year, territory, insurance use, and rate group (i.e., the individual observations underlying the weighted averages) that would provide an indication of the spread around the weighted average.

QUESTION:

After application of relativities for other rating characteristics:

- a) Please provide a "box and whisker" plot of the DSR Level Relativities.
- b) Please provide the individual observations and the associated weights underlying the weighted average as discussed above.

RATIONALE FOR QUESTION:

If there is significant overlap in the distributions of driver relativities, then it is more likely that the DSR assignment algorithm does not appropriately identify risk differences.

RESPONSE:

MPI is unable to produce the "box and whisker" plot of the DSR level relativities since it assumes multiple sets of DSR level relativities.

The minimum bias procedure used by MPI to determine DSR level relativities produces one set of relativities per run. Per <u>Part VI DSR Appendix 1, Section 3.4</u>, MPI ran the minimum bias procedure twice to determine DSR level relativities for 'Other than PIPP'. MPI ran the procedure once for passenger vehicles and a second time for light trucks. This resulted in the generation of two sets of DSR level relativities for 'Other than PIPP'. MPI then combined these two sets by "calculating the weighted average of the individual DSR level relativities. MPI used the earned units, by DSR level, as the weights to determine the average." Please see <u>Figure 1</u>, which shows the derivation of the weighted average DSR level relativities for 'Other than PIPP'. Note that the relativities shown predate the use of the regression analysis to fit a curve.

Figure 1 Weighted Average DSR Level Relativities for Other than PIPP

Line	DSR	Passenger '	Vehicles	Light Tr	ucks	Weighted Avg
No.	Level	Units	Relativity	Units	Relativity	Relativity
1		[a]	[b]	[c]	[d]	[e]
2	15	1,154,237	0.7211	364,999	0.6958	0.7151
3	14	123,820	0.8649	39,328	0.8237	0.8550
4	13	137,347	0.8758	43,309	0.8356	0.8662
5	12	118,287	0.9380	36,079	0.8865	0.9260
6	11	120,760	0.9179	36,499	0.9809	0.9325
7	10	136,623	0.9579	40,483	0.9985	0.9672
8	9	95,434	1.0369	28,038	1.0362	1.0368
9	8	87,957	1.0425	25,322	1.0926	1.0537
10	7	86,706	1.0967	24,522	1.1300	1.1040
11	6	79,691	1.1255	21,890	1.1341	1.1274
12	5	77,593	1.1886	21,299	1.2506	1.2019
13	4	77,172	1.2422	20,957	1.1942	1.2319
14	3	74,584	1.3276	19,976	1.3096	1.3238
15	2	75,165	1.4238	19,857	1.4786	1.4352
16	1	76,152	1.5300	20,401	1.6066	1.5462
17	0	80,477	1.7501	21,409	1.6944	1.7384
18	-1	27,098	1.7691	9,388	1.8261	1.7838
19	-2	22,836	1.7379	7,438	1.6974	1.7279
20	-3	16,101	1.6989	5,684	2.0055	1.7789
21	-4	20,179	1.9263	7,239	1.9619	1.9357
22	-5	13,656	2.0932	4,481	2.2167	2.1237
23	-6	9,430	2.2596	3,812	2.0522	2.1999
24	-7	9,041	2.0501	3,621	2.1711	2.0847
25	-8	6,105	2.0811	2,782	2.1883	2.1147
26	-9	5,507	2.3664	2,166	2.9011	2.5173
27	-10	4,973	2.3781	2,124	2.3000	2.3547
28	-11	3,163	2.2256	1,382	2.5788	2.3330
29	-12	3,236	2.4102	1,504	2.5613	2.4581
30	-13	3,381	2.6702	1,858	2.4793	2.6025
31	-14	1,709	2.5047	791	2.7678	2.5879
32	-15	1,539	2.9430	750	2.4030	2.7662
33	-16	1,335	2.8764	636	3.3554	3.0310
34	-17	908	3.0973	530	2.5000	2.8772
35	-18	825	2.8523	404	2.4624	2.7241
36	-19	644	2.7965	353	2.6531	2.7457
37	-20	3,801	3.8971	2,180	3.4823	3.7459

Note: [e] = ([a] * [b] + [c] * [d]) / ([a] + [c])

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Part and Chapter:	Part VI DSR	Page No.:	Appendix 1, pdf 6-7/15		
PUB Approved Issue No:	13. Driver Safety Rating				
Topic:	DSR Level Relativities				
Sub Topic:	Fitted Model				

Preamble to IR:

The application includes limited supporting statistical output for the fitted regression models.

QUESTION:

- a) Provide the complete regression output provided by statistical software or by the LINEST/LOGEST functions in Excel.
- b) Provide any analysis of residuals performed by MPI.

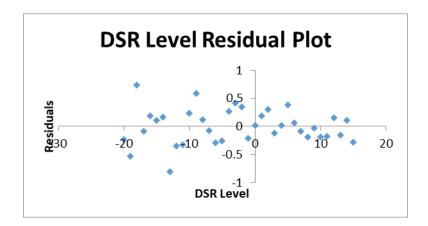
RATIONALE FOR QUESTION:

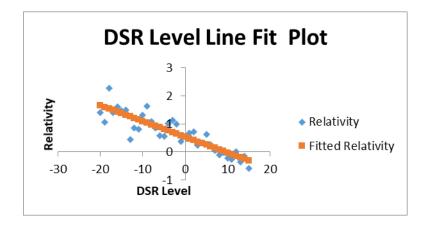
We view R^2 as one of the metrics (but not the sole metric) required to evaluate a model.

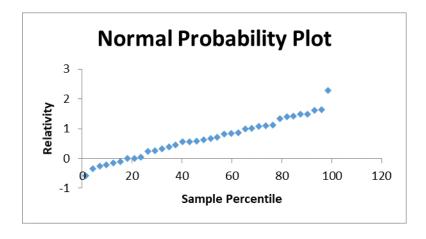
RESPONSE:

- a) Please see *Appendix 1* for the complete regression output.
- b) Please see the charts below for an analysis of residuals performed by MPI. MPI mainly focuses on the residual plot and normal probability plot to ensure no bias within the model.

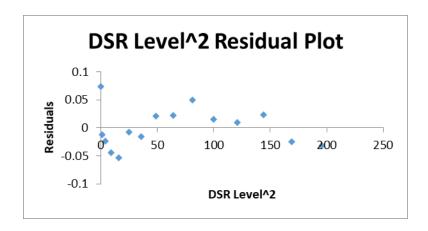
PIPP Output:

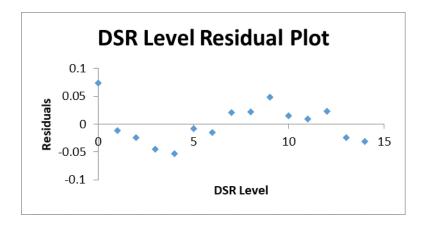


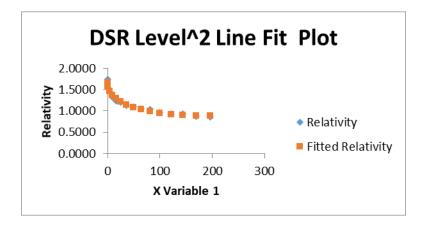


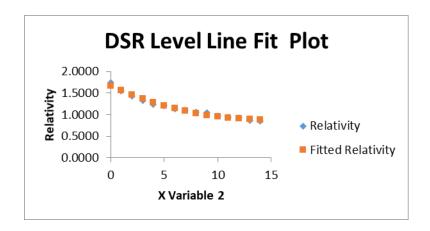


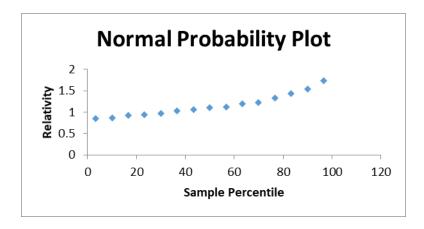
Non-PIPP Output 1:



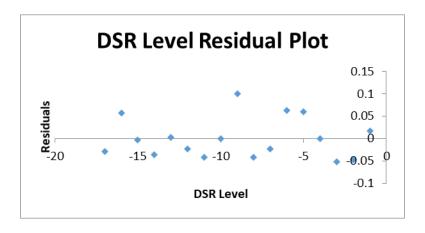


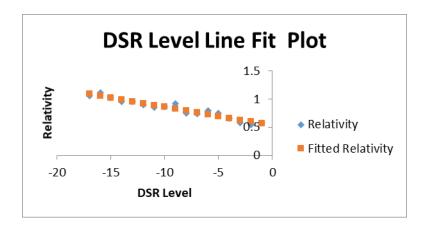


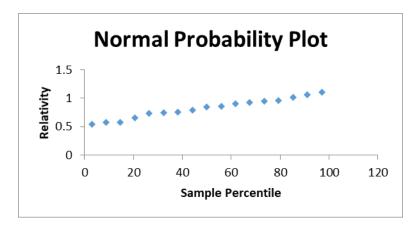




Non-PIPP Output 2:







DSR Relativities Other than PIPP

DSR Level	Actual Relativity	Fitted Relativity
15	0.7151	0.7157
14	0.8550	0.8869
13	0.8662	0.8915
12	0.9260	0.9040
11	0.9325	0.9244
10	0.9672	0.9525
9	1.0368	0.9886
8	1.0537	1.0325
7	1.1040	1.0842
6	1.1274	1.1438
5	1.2019	1.2113
4	1.2319	1.2866
3	1.3238	1.3698
2	1.4352	1.4608
1	1.5462	1.5597
0	1.7384	1.6664
-1	1.7838	1.7563
-2	1.7279	1.8147
-3	1.7789	1.8750
-4	1.9357	1.9373
-5	2.1237	2.0016
-6	2.1999	2.0682
-7	2.0847	2.1369
-8	2.1147	2.2079
-9	2.5173	2.2813
-10	2.3547	2.3571
-11	2.3330	2.4354
-12	2.4581	2.5163
-13	2.6025	2.5999
-14	2.5879	2.6863
-15	2.7662	2.7756
-16	3.0310	2.8678
-17	2.8772	2.9631
-18	2.7241	3.0616
-19	2.7457	3.1634
-20	3.7459	3.2685

Regression Analysis

Dependent Variable: DSR Relativities Independent Variable: DSR Level Method: Least Squares

Method: Least Squa

SUMMARY OUTPUT 1

Regression Statistics	
Multiple R	0.9910
R Square	0.9820
Adjusted R Square	0.9790
Standard Error	0.0377
Observations	15

ANOVA

	df	SS	MS	F	Significance F
Regression	2	0.9298	0.4649	327.2896	3.4039E-11
Residual	12	0.0170	0.0014		
Total	14	0.9468			

	Coefficients	Standard Error	t Stat	P-value
Intercept	1.6648	0.0257	64.7973	1.21008E-16
DSR Level^2	0.0039	0.0006	6.6854	2.2427E-05
DSR Level	-0.1105	0.0085	-12.9774	2.01166E-08

SUMMARY OUTPUT 2

Regression Statistics	
Multiple R	0.9646
R Square	0.9304
Adjusted R Square	0.9258
Standard Error	0.0466
Observations	17

ANOVA

	df	SS	MS	F	Significance F
Regression	1	0.4360	0.4360	200.5949	4.35335E-10
Residual	15	0.0326	0.0022		
Total	16	0.4686			
l otal	16	0.4686			

	Coefficients	Standard Error	t Stat	P-value	
Intercept	0.5295	0.0237	22.3894	6.11377E-13	
DSR Level	-0.0327	0.0023	-14.1632	4.35335E-10	

DSR Relativities PIPP

DSR Level	Actual Relativity	Fitted Relativity
4-	2 4	0.7074
15	0.5554	0.5674
14	0.8687	0.8062
13	0.7014	0.8519
12	1.0091	0.9003
11	0.7675	0.9513
10	0.8047	1.0053
9	0.9936	1.0623
8	0.9028	1.1226
7	1.0550	1.1863
6	1.2978	1.2536
5	1.8852	1.3247
4	1.3782	1.3998
3	1.2768	1.4792
2	2.0539	1.5631
1	1.9403	1.6518
0	1.7379	1.7455
-1	1.4633	1.8445
-2	2.6913	1.9492
-3	3.0668	2.0597
-4	2.7777	2.1766
-5	1.7410	2.3001
-6	1.7877	2.4305
-7	2.3360	2.5684
-8	2.9889	2.7141
-9	5.1000	2.8681
-10	3.7586	3.0308
-11	2.2658	3.2027
-12	2.3423	3.3844
-13	1.5735	3.5764
-14	4.4226	3.7792
-15	4.3789	3.9936
-16	5.0572	4.2202
-17	4.0643	4.4596
-18	9.8045	4.7125
-19	2.9038	4.9799
-20	4.1109	5.2623

Regression Analysis

Dependent Variable: DSR Relativities Independent Variable: DSR Level Method: Least Squares

Model $y = 1.7084 * (e^{-0.055x})$ (For DSR level 15 to -20)

SUMMARY OUTPUT

Regression Statistics					
Multiple R	0.8848				
R Square	0.7829				
Adjusted R Square	0.7765				
Standard Error	0.3154				
Observations	36				

ANOVA

	df	SS	MS	F	Significance F
Regression	1	12.1939	12.1939	122.6183	8.04796E-13
Residual	34	3.3812	0.0994		
Total	35	15.5750			

	Coefficients	Standard Error	t Stat	P-value	
Intercept	0.5322	0.0541	9.8442	1.74141E-11	
DSR Level	-0.0560	0.0051	-11.0733	8.04796E-13	

Part and Chapter:	Part II Basic Autopac Coverage and Benefits	Page No.:	Page 5-6
PUB Approved Issue No:	2. Ratemaking		
Topic:	Territories and Uses		
Sub Topic:			

Preamble to IR:

In the 2022 GRA, Part II, Basic Autopac Coverage and Benefits, pages 5-6, MPI provides an update on the reviews that were described in the 2021 GRA, including Basic Compulsory Insurance Review, PIPP Coverage Review, Appeal Process Review, and Motorcycle Product Review.

In the 2021 GRA, the response to CAC (MPI) 1-17 stated:

"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."

QUESTION:

Please provide an update with respect to the status of the review of territories and insurance uses described in CAC (MPI) 1-17 from the 2021 GRA.

RATIONALE FOR QUESTION:

To follow up on the territories and uses review discussed in the 2021 GRA.

RESPONSE:

Reviews of insurance use and territories are in progress. It is anticipated that the reviews will be completed with detailed summaries made available at the next General Rate Application.

Part and Chapter:	Part V REV	Page No.:	PDF Page 558 Page 26 of 36
PUB Approved Issue No:	4. Financial forecast		
Topic:	Revenue Forecast		
Sub Topic:	Appeal Reductions		

Preamble to IR:

At PDF page 558 MPI states:

"MPI based the appeals reduction for the forecasted period on the recent 2019 policy year, as it is the most relevant."

QUESTION:

- a) Please explain why the 2019 policy year is the most relevant.
- b) Please extend Figure REV-27 to include 2020 data.
- c) Please describe and quantify the adjustment for appeals that was selected.
- d) Please summarize impact of Appeal reductions in terms of dollars for each of 2017 through 2020, as requested in part b above.

RATIONALE FOR QUESTION:

To fully understand the impact of Appeal reductions on the Driver Premium forecast.

RESPONSE:

- a) The 2019 policy year is the most relevant because it is the most recent complete policy year. A policy year becomes complete over a 24 month period (e.g. the 2019 policy year is from March 1, 2019 to Feb 28, 2021).
- b) MPI lacks comparable data given that 2020 is an incomplete policy year.
- c) Per <u>Part V Revenue</u>, <u>page 25</u>, "A driver can appeal the additional driver premium on their licence to the Rates Appeal Board through the rates appeal process." MPI adjusted the forecasted driver premiums to account for reductions due to the rates appeal process. Please see part (d) for the actual reductions due to the rates appeal process for policy years 2017 to 2019, as well as the forecasted reductions for 2020 to 2025 by DSR level.
- d) Please see Figure 1 below.

Figure 1 Driver Written Premium Appeal Reduction Dollars

Line	DSR				Pol	icy Year				
No.	Level	2017	2018	2019	2020	2021	2022	2023	2024	2025
1	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	-1	\$0	\$25,245	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	-2	\$0	\$21,040	\$10,864	\$10,319	\$8,912	\$10,020	\$10,959	\$11,199	\$11,544
4	-3	\$7,525	\$30,933	\$15,004	\$14,509	\$12,947	\$14,595	\$15,022	\$15,510	\$15,830
5	-4	\$0	\$48,787	\$19,699	\$19,702	\$16,958	\$18,017	\$18,695	\$19,372	\$20,043
6	-5	\$19,521	\$48,752	\$54,877	\$51,607	\$42,369	\$52,785	\$54,457	\$56,380	\$58,148
7	-6	\$0	\$31,552	\$4,376	\$4,106	\$3,711	\$4,000	\$4,154	\$4,349	\$4,478
8	-7	\$4,345	\$39,346	\$12,944	\$12,054	\$10,477	\$10,774	\$11,602	\$12,173	\$12,599
9	-8	\$0	\$38,908	\$21,086	\$19,502	\$18,457	\$19,061	\$19,832	\$20,515	\$21,135
10	-9	\$13,393	\$55,168	\$27,231	\$24,298	\$21,752	\$23,227	\$24,468	\$25,504	\$26,448
11	-10	\$9,409	\$41,468	\$23,211	\$20,928	\$19,765	\$20,163	\$21,742	\$22,529	\$23,312
12	-11	\$0	\$35,583	\$13,656	\$11,555	\$10,772	\$11,280	\$11,898	\$12,385	\$12,859
13	-12	\$0	\$71,095	\$50,281	\$46,727	\$40,941	\$42,895	\$44,743	\$47,025	\$48,796
14	-13	\$26,100	\$64,174	\$67,889	\$68,828	\$60,329	\$60,121	\$62,393	\$64,551	\$66,551
15	-14	\$11,945	\$50,251	\$27,062	\$22,892	\$21,540	\$22,594	\$23,753	\$24,846	\$25,821
16	-15	\$27,245	\$44,514	\$40,273	\$34,625	\$33,180	\$35,196	\$36,432	\$38,031	\$39,299
17	-16	\$22,467	\$32,939	\$38,772	\$39,853	\$33,163	\$34,198	\$35,529	\$36,839	\$38,056
18	-17	\$14,248	\$26,916	\$23,680	\$20,993	\$18,989	\$19,595	\$20,381	\$21,253	\$22,089
19	-18	\$18,690	\$32,696	\$31,601	\$28,304	\$27,896	\$28,247	\$28,791	\$29,772	\$30,751
20	-19	\$29,492	\$32,737	\$19,861	\$16,690	\$16,996	\$17,611	\$18,315	\$19,050	\$19,777
21	-20	\$171,305	\$267,470	\$264,108	\$241,155	\$241,249	\$250,903	\$258,929	\$266,645	\$274,359
22	Total	\$375,684	\$1,039,575	\$766,476	\$708,648	\$660,402	\$695,280	\$722,095	\$747,926	\$771,895

Part and Chapter:	Part V REV	Page No.:	PDF page 559 Page 27 of 36		
PUB Approved Issue No:	4. Financial forecast 18. Impacts of COVID-19				
Topic:	Revenue				
Sub Topic:	Earned Driver Premium Forecast and COVID-19				

Preamble to IR:

Figure REV- 29 Driver Earned Premium Forecast

Line		Earned Premium					
No.	Year	This Year	Last Year	Difference			
1	(\$000)						
2	2020/21 (a)	67,343	66,781	562			
3	2021/22	63,506	67,623	(4,117)			
4	2022/23	62,499	68,656	(6,157)			
5	2023/24	64,895	69,816	(4,921)			
6	2024/25	66,951	71,004	(4,053)			
7	2025/26	68,806					

Question:

- a) Please confirm if MPI could characterize the ongoing reduction in earned driver premium, of between \$4 and \$6 million annually, as lasting impact of the COVID-19 pandemic. If not confirmed, please fully explain the forecasting results.
- b) Please elaborate on how the increased number of drivers at DSR level 15 as a result of the COVID-19 pandemic is expected to impact earned premium in years 2022/23 and beyond.
- c) Please discuss and provide supporting data to illustrate how stable the subset of drivers at DSR level 15 has been through time. Please provide absolute numbers, and relative proportions to the overall set of Manitoba drivers.

d) Please discuss if the COVID-19 pandemic has resulted in a step change in the number of DSR level 15 drivers. If not, please fully explain in the context of Figure REV-29.

RATIONALE FOR QUESTION:

To understand the impact of COVID-19 on Earned Driver Premiums.

RESPONSE:

- a) Confirmed. Per <u>Part V Revenues, page 27</u>, "The significant reductions in written driver premium forecast for 2021/22 and outward are attributed to the increased movement up the DSR scale for 2021/22 as a result of significantly lower collision frequency in 2020/21." Further, <u>per Part V Revenues, page 21</u>, "for 2021/22, MPI adjusted the forecasted driver movement probabilities to recognize the impact of the COVID-19 Pandemic on collision frequency in 2020/21."
- b) MPI expects the increased number of drivers at DSR level 15 as a result of the COVID-19 pandemic to decrease earned driver premiums in years 2022/23 and beyond as more drivers pay a lower premium. The driver premium for drivers at DSR level 15 is \$15 compared to \$20 at DSR level 14.
 - That said, the higher number of drivers moving from DSR level 14 to DSR level 15 does not significantly drive the decrease in written driver premiums, per <u>Part V</u> <u>Revenue, Figure Rev-28</u>, since these drivers only experience a \$5 decrease in their driver premiums. Rather, the movement of drivers at the lower end of the DSR scale is primarily driving this decrease (e.g. drivers at DSR level -20 moving to DSR level -13 will see a decrease in their driver premiums from \$3,000 to \$1,600, or a decrease of \$1,400).
- c) Please see <u>Figure 1</u> below for the driver counts for policy years 2017 to 2021. Note that the driver count for DSR level 15 for 2021 includes the adjustment per the response to (a).

Figure 1 Driver Counts for Policy Years 2017 to 2021

Line	DSR					
No.	Level	2021	2020	2019	2018	2017
1	15	316,662	298,121	293,936	292,181	276,945
2	Overall	934,591	917,570	914,088	905,731	894,406
3	% of Total	33.9%	32.5%	32.2%	32.3%	31.0%

d) MPI would characterize the increased movement up the DSR scale for 2021/22 as an additional adjustment to recognize the impact of lower collision frequency in 2020/21. This adjustment is not persistent in that MPI only applied it to 2021/22. However, this adjustment decreased the driver premiums for 2021/22 and beyond given that MPI expects a significant number of drivers to see a favorable impact on their DSR level, and will start (in 2021/22) from a more favorable position on the DSR scale (therefore paying less in driver premiums going forward).

Part and Chapter:	Part V REV	Page No.:	PDF Page 560 Page 28 of 36		
PUB Approved Issue No:	9. Cost of operations and cost containment measures				
Topic:	Revenue Forecast				
Sub Topic:	Reinsurance				

Preamble to IR:

"This unique program protects

- 10 MPI from financial volatility due to single and multiple weather related catastrophic
- 11 events. MPI renewed this program again in 2021/22 with two modifications: (i) it
- 12 increased the upper coverage limit to \$400 million (from \$300 million); and (ii) it
- in a increased the aggregate deductible to \$40 million. While these changes resulted in a
- \$1.7 million increase in catastrophe premiums over the previous year, MPI significantly
- 15 expanded its protection against large hail events.
- 16 As a result of a favourable hail season, MPI did not seek any recoveries from its
- 17 reinsurer in 2020/21."

Question:

Please discuss the reasons why MPI increased its reinsurance coverage. Please include in the discussion, details of any catastrophe experience that justifies in the increase cost, and/or the relative pricing of the additional coverage to the base coverage that MPI previously relied on. Please include all available supporting data that informed the decision to increase reinsurance coverage.

RATIONALE FOR QUESTION:

To understand the reasons for increased re-insurance costs.

RESPONSE:

MPI based its decision to increase the upper limit of the catastrophic reinsurance coverage from \$300 million to \$400 million on many factors.

First, MPI desired an alignment of its reinsurance limits with a 1-in-100 target risk level, as recent modelling projections predict that a 1-in-100 year scenario would exceed the current reinsurance protection available to MPI (i.e. \$300 million). Specifically, internal modelling predicts that a 1-in 100 year event would result in MPI incurring approximately \$340 million in claims costs (with external modelling predicting a similar result).

Second, Canada experienced its greatest catastrophic hail loss in the fiscal year 2020/21 (i.e. the Calgary storm of 2020), during which incurred automobile claim losses totaled approximately \$390 million. If Winnipeg was to experience a similar weather event, MPI estimates that its losses could equal or even exceed those sustained by insurers as a result of the Calgary storm.

Last but not least, climate change is real and now occurring. MPI must prepare for the unique and sudden weather events that it knows are happening across Canada and around the world. MPI believes the cost (\$2 million) of the \$100 million of additional protection it obtained is relatively low compared to the value its ascribes to its ability to adequately respond to the effects of climate change in Manitoba.

Part and Chapter:	Part V REV	Page No.:	PDF Page 564 Page 32 of 36		
PUB Approved Issue No:	18. Impacts of COVID-19				
Topic:	Basic Fees				
Sub Topic:	COVID-19 Relief efforts				

Preamble to IR:

- "11 Motor vehicle late payment fees remain unchanged at \$20. On April 6, 2021, MPI
- 12 announced that it will waive interest and late fees on missed payments to provide
- 1 financial relief caused by the COVID-19 Pandemic. As a result, fiscal year 2020/21
- 2 total is significantly lower than budgeted. MPI continues to base the late fees forecast
- 3 on the forecasted volume increases and product maturity considerations."

Question:

- a) Please explain the reasons for providing this relief on an after the fact basis, and if MPI considered providing notice of this relief to customers on a prospective basis through the pandemic in 2020, in a manner similar to the City of Winnipeg's relief on property tax interest described here:
 - https://winnipeg.ca/cao/media/news/nr 2020/nr 20200403.stm#1
- b) Please provide the late payment fee actuals for 2020/21, prior to MPI's decision to waive these fees, and explain why a residual \$7000 remains in Figure REV-36.
- c) Please advise if MPI intends to waive interest and late fees through the remainder of the pandemic.

d) Please explain why MPI did not also waive dishonored check and default fees.

RATIONALE FOR QUESTION:

To understand the approach and financial implications of waiving late fees and interest.

RESPONSE:

- a) Line 11 of Revenues Chapter page 31 should read "On April 6, 2020". As per the Government of Manitoba announcement of April 3, 2020, MPI began providing relief to customers in April of 2020, which included waiving late payment fees, interest on arrears balances, and NSF charges.
- b) MPI charged late payment fees for the first few days of April 2020, prior to its decision to stop charging them. As a result, the amount for the year is not zero.
- c) Yes, MPI intends to continue waiving late payment fees and arrears interest until the Government of Manitoba ends the Provincial state of emergency.
- d) MPI did waive dishonored NSF charges from April to August, 2020. When it initially halted all interest and penalties, it also suspended the entire arrears and suspension notice process as there was no other way to quickly implement the decision from a systems perspective. This move led to a spike in accounts receivable as MPI did not send notices to its customers. In early August 2020, MPI resumed the arrears notice process and reinstated the NSF fee but continued to waive interest and late fees.

Part and Chapter:	Part V REV	Page No.:	PDF Page 566 Page 34 of 36		
PUB Approved Issue No:	4. Financial forecast 9. Cost of operations and cost containment measures				
Topic:	Revenue Forecast				
Sub Topic:	Financing Interest Rates				

Preamble to IR:

MPI bases financing interest rates for quarterly and monthly payments on the prime

10 rate set by the Bank of Canada plus 2%.

QUESTION:

- a) Please explain MPI's process to review interest rates charged for financing, and file a copy any results from the last review.
- b) Please also discuss how interest charges are levied to customers, given the variable rate of interest. For example, are interest charges calculated once, based on the prevailing rate at the time of financing, or to all customer interest charges increase/decrease with changes in Bank of Canada Prime rate.

RATIONALE FOR QUESTION:

To understand how MPI sets its financing rates, and how it collects financing interest from customers.

RESPONSE:

a) and b) please see response below:

The Manitoba Public Insurance Corporation Act provides answers to the above noted questions:

- Pre-Authorized Payment Agreement section 66(8) explains interest calculations and how levied
- Four Pay Financing Plan section 65(8) explains interest calculations and how levied
- Arrears and Interest section 47(2) explains interest calculations and how levied

Please refer to *Figure 1* below for the recent interest rates for Autopac Online.

Figure 1 Finance Rate Review for Autopac Online

	Review date	Prime Rate		
Line	(60 days prior to	per Bank of Canada	MPI Finance rate	
No.	Effective date)	at Review date	(Prime + 2%)	Effective Date
1	31-Dec-19	3.95%	5.95%	01-Mar-20
2	31-Mar-20	3.76%	5.76%	01-Jun-20
3	30-Jun-20	2.45%	4.45%	01-Sep-20
4	30-Sep-20	2.45%	4.45%	01-Dec-20
5	31-Dec-20	2.45%	4.45%	01-Mar-21
6	31-Mar-21	2.45%	4.45%	01-Jun-21
7	30-Jun-21	2.45%	4.45%	01-Sep-21

Part and Chapter:	Part V REV	Page No.:	PDF Page 567 Page 35 of 36		
PUB Approved Issue No:	4. Financial forecast				
Topic:	Revenues				
Sub Topic:	Miscellaneous Fees Forecast				

Preamble to IR:

Figure REV- 43 Miscellaneous Fees Forecast

Line							
No.	Fiscal Year	2020/21(a)	2021/22	2022/23	2023/24	2024/25	2025/26
1	(\$000)						
2	This Year	1,998	931	2,892	1,716	947	949
3	Last Year	670	671	670	666	662	-
4	Difference	1,329	260	2,221	1,050	285	-

Question:

Please provide additional detail and explanation for the significant variation in Misc. Fees Forecast from 2021/22 to 2022/23 and 1023/24

RATIONALE FOR QUESTION:

To understand the variation in the forecast.

RESPONSE:

Please refer to CAC (MPI) 1-43.

Part and Chapter:	Part I, Overview Part V Claims Incurred	Page No.:	13 Overview 16-18 Claims Incurred	
PUB Approved Issue No:	11. Claims Forecasting (including PIPP) 18. Covid 19 impact			
Topic:	Premium Rebates in excess of \$335 million			
Sub Topic:				

Preamble to IR:

On page 13 of Part I (Overview) it states:

"MPI anticipates that by the end of this fiscal year it will have returned in excess 24 of \$335 million to ratepayers as a result of Pandemic-associated savings."

On pages 16 to 18 of Part V (Claims Incurred) MPI discusses the claims incurred impact for the period Apr 1/21 to Sept 30/21 reflecting a total claims incurred saving of \$42.6 million (Figure CI – 10 page 18).

QUESTION:

- a) In general terms, please provide a narrative discussion on MPI's observation on longer lasting improved driving behavior as a result of the pandemic which could be factored into the claims forecasting process.
- b) Please provide an analysis of the Covid-19 impacts included in the claims incurred forecasts for the years 2022/23 through to 2025/26, if any. If not please discuss the reasons for not reflecting potential Covid-19 financial impacts and the process MPI may be implementing to monitor Covid-19 impacts going forward.

RATIONALE FOR QUESTION:

To start assessing potential improved driving behavior changes that may have been motivated by the pandemic which could be taken into account in future loss prevention strategies and claims incurred forecasts.

RESPONSE:

- a) MPI does not currently have a clear understanding of all the potential lasting impacts COVID-19 on claims incurred and can only speculate on what those impacts might be. One potential lasting impact is that more employers will offer their employees the opportunity to work from home, thus reducing traffic and decreasing the frequency of collisions (compared to pre-pandemic levels). However, it is unclear how many employers will offer this option, what the option will actually look like and how many employees will ultimately pursue it.
- b) MPI believes that the current forecast submitted in the 2022 GRA is its best estimate. MPI is currently unaware of any reliable evidence that would support, as a best estimate, a reduced collision frequency assumption in 2022/23 through 2025/26 forecast years.

MPI continually monitors collision frequency for the impacts of COVID-19 Pandemic. Should the effects last long after the end of the Pandemic, such as improved driver behaviour, MPI will adjust its forecast accordingly.

Part and Chapter:	Part II Basic Autopac Coverage	Page No.:	8-9		
PUB Approved Issue No:	9. Cost of operation and cost containment measures				
Topic:	Dispute resolution process.				
Sub Topic:					

Preamble to IR:

Claimants have the right to a dispute resolution process if they feel that they have not been adequately treated or compensated under PIPP.

On page 8 and 9 of Part II (Basic Autopac Coverage) it describes the process:

"This dispute resolution process consists of:

- A review of decision(s) by the Internal Review Office
- A right of appeal to the Automobile Injury Compensation Appeal Commission
- 23 (AICAC)
- An option for an independent mediation by the Automobile Injury Mediation
- office (after filing an appeal, but prior to scheduling a hearing with AICAC)
- Claimants considering an appeal of PIPP claim decisions can also engage
- 2 claimant advisers via the Claimant Adviser Office (CAO)
- A further limited right of appeal of an AICAC decision to the Manitoba Court of
- 4 Appeal (with leave from the court)
- Note: AICAC and the CAO fall under the jurisdiction of Manitoba Finance and
- 6 are independent of MPI"

QUESTION:

- a) Please provide a table, by dispute category, describing the nature of the disputes, the number of disputes, the number of disputes resolved and the number of disputes outstanding.
- b) Please elaborate as to the effectiveness of the dispute resolution process. Is MPI planning on undertaking a review of the dispute resolution process and if yes, please elaborate in terms of timing.

RATIONALE FOR QUESTION:

To better understand the claimants dispute resolution process and if improvements are required or anticipated; especially in light of the upcoming implementation of Project Nova—which potentially will transform the entire organization; including claimants' accessibility to their claim data.

RESPONSE:

a) Please see <u>Figure 1</u> below which summarizes the Internal Review Office (IRO), Automobile Injury Compensation Appeal Commission (AICAC) and Mediation (MED) appeals concluded and outstanding.

Line		Number Concluded					Number									
No.			2017			2018			2019			2020		0	utstand	ing
		IRO	AICAC	MED	IRO	AICAC	MED	IRO	AICAC	MED	IRO	AICAC	MED	IRO	AICAC	MED
1	Care Giver Weekly Indemnity	4	1	1	5	1		9	1		7	1			5	5
2	Catastrophic Benefits				1			2			1				1	
3	Denial of PIPP Benefits	96	63	27	116	29	26	111	39	34	126	27	27	19	152	37
4	Dental	13	3	1	23	6	6	25	4	2	18	1	4	6	10	2
5	Determinations (180- day, Two Year)	2	2	1	22	4	6	23	7	4	27	7	6	9	19	8
6	Expenses (e.g. optometric, equipment, etc.)	39	16	5	55	2	7	62	25	20	77	15	14	10	40	17
7	Income Replacement Indemnity	217	91	23	176	58	45	221	43	39	187	45	47	28	154	30
8	Lump Sum Indemnity	3	1	1		1	1	3			7				1	1
9	Medication	26	2	1	31	2	1	25	3	3	23	2	2	2	16	7
10	Other	25	15	-	13	10	13	4	1	1	1	4		2	10	
11	Permanent Impairment	96	17	8	98	11	18	56	13	18	149	21	17	28	71	28
12	Personal Care Assistance	65	14	7	65	5	7	68	8	7	84	11	10	20	28	8
13	Repayment	-	-	1	3			8			13	3	2	2	7	3
14	Section 160 (Suspension, Termination)	15	7	-	16	4	2	31	8	3	22	4	4	4	28	5
15	Travel	7	2	2	7			8	1	2	9				3	1
16	Treatment (AT, Chiro, Massage, Physio, Other)	151	21	17	146	25	30	177	20	29	188	27	24	34	77	27
17	Total	759	255	94	777	158	162	833	173	162	939	168	157	164	622	179
18																

Figure 1 Dispute Resolution 2017 to 2020

Note: As a claim proceeds through the various stages of appeal it may be counted multiple times through the stages. For example; a claim counted in IRO that was upheld may proceed to mediation and AICAC and be counted in each column.

b) On average, MPI renders over 15,000 decisions annually, with an average appeal rate of 5.5%; indicating that customers accept 95% of decisions as reasonable and/or correct. In 2017, internal review supported 75.2% of the case management decisions appealed, which demonstrates that the IRO provides an independent review based on the claim facts. Leadership within injury claims reviews all appeal decisions to identify and act upon any training opportunities. The results of this learning can be seen in the results from 2020, where the percentage of appealed case management decisions supported by the IRO increased to 88.2%.

In 2019/20, MPI began work on an important new strategy designed as a roadmap toward becoming a more customer-centric business – the Customer Experience Strategy. This strategy focuses on enhancing all MPI operations to ensure a positive experience (i.e. a simple interaction that meets their needs) at every touchpoint within the organization. Part of this work includes implementing a

unified, corporate-wide, process of documenting and monitoring customer complaints in order to better understand the customer experience and to identify opportunities for improvement.

MPI launched the new Customer Complaint & Resolution Tracking Program on June 11, 2021. While not a formal appeal mechanism for customers, the new process gives them more visibility about how and who they can discuss concerns with, and MPI more visibility into the areas and issues of most concern. MPI expects that the data captured within this new process will identify synergy opportunities between different areas of the business as well as opportunities to refine current business practices. Complaint tracking provides MPI with information that allows for a more fulsome picture of the journey customers take through the organization. It can help to support the appropriateness of current policies or procedures, and can help leaders make adjustments (whether large or small), where it makes sense to do so. All of this in the interest of enhancing the customer experience and meeting the needs of Manitobans.

The data captured through this tracking will inform MPI if a review of the dispute resolution process would be beneficial for customers.

Part and Chapter:	Part II Comparison of Basic Policies to Other Jurisdictions	Page No.:	7
PUB Approved Issue No:	11. Claims Forecasting, including PIPP		
Topic:	PIPP review		
Sub Topic:			

Preamble to IR:

MPI recently completed a PIPP review as stated on page 7 of Part II (Comparison of Basic Policies to other Jurisdictions):

- "22 A recent PIPP review has been completed, and a number of coverage
- 23 changes/enhancements have been proposed to government. The intent of the changes
- 24 are to modernize benefits, ensuring indemnities reflect economic loss. Additional detail
- 25 will be included in future applications, following formal government approval."

QUESTION:

- a) Once government approves the PIPP changes/enhancements, please advise when these changes/enhancements would become effective.
- b) Please advise whether the cost of the proposed PIPP changes/enhancements have been included in the 2022 GRA forecasts. If yes, please provide a summary of the additional PIPP projected claims incurred costs included in the forecasts by coverage.

RATIONALE FOR QUESTION:

To assess the additional costs related to the proposed PIPP enhancements and changes included in the 2022 GRA forecasts ensuring rates reflect all future costs.

RESPONSE:

- a) The implementation timeline will depend on the specifics of government approval, as a result MPI is unable to estimate when it will implement these changes and when they will become effective.
- b) MPI did not factor these financial impacts into the forecast, please review the response to <u>PUB (MPI) 1-87</u> for additional information.

Part and Chapter:	Part V Pro Formas	Page No.:	5	
PUB Approved Issue No:	10. Claims forecasting			
Topic:	Claims incurred interest rate impact			
Sub Topic:				

Preamble to IR:

On page 5 of Part V, (Pro Formas) PF -1 (Statement of Operations) on line 16 indicates the interest rate impact on claims incurred for 2020/21 Actuals of \$44.2 million. For future years the interest rate impact on claims incurred ranges between \$10 and \$12 million. The interest rate impact on investment income is relatively negligible.

On page 13 of Part V (Claims Incurred) CI.2.6 (Duration of Claims Incurred) states:

- "14 The Investment Policy Statement (IPS) of MPI states that the duration of the fixed
- 15 income portfolio will match the duration of claims liabilities."

QUESTION:

Please provide a detailed analysis and explain the significant interest rate impact on claims incurred for 2020/21 relative to the small impacts forecasted in future years compared to the negligible interest rate impact on investment income.

RATIONALE FOR QUESTION:

To better understand the interest rate impact on claims incurred compared to the interest rate impact on investment income; assuming the interest rate impacts between claims incurred and investment income were to substantially offset each other.

RESPONSE:

The decline in the claims discount rate of 21bps (3.09% to 2.88%) was largely due to a decline in yields. Government, corporate and non-marketable bonds all experienced yield declines from 2019/2020 to 2020/2021. This resulted in an unfavourable \$44.2M interest rate impact to claims incurred. This impact can be broken down as follows: decline in yield for corporate bonds (\$32.3M), decline in yield for government bonds (\$10.2M), decline in yield for non-marketable bonds (\$4.0M), and offset by a decline in the weight of non-marketable bonds (-\$2.2M).

Figure 1 Bonds Yield and Weight Changes

Line No.		Change (%)	Weight (%)	Impact to CDR (%)	Portion of CDR (%)
1	Change in Yield				
2	Government Bonds	-0.09%	52%	-0.05%	23%
3	Corporate Bonds	-0.63%	24%	-0.15%	73%
4	Non-marketable Bonds	-0.08%	24%	-0.02%	9%
5	Change in Weight	-	-	0.01%	-5%
	Total	-	-	-0.21%	100%

MPI continues to match the duration of the fixed income portfolio to the duration of the Basic claims liabilities. However, MPI did not match the convexity of the fixed income portfolio to the convexity of the Basic claims liabilities prior to June 2021. Therefore, investment income and claims did not increase in lockstep due to this mismatch and as a result of a non-parallel shift in the yield curve.

In 2021/2022, MPI forecasted the claims discount rate to decrease from 2.88% to 2.83%, resulting in an unfavourable \$12.5M interest rate impact to claims. MPI attributes this to a decline in weight for non-marketable bonds (\$5.8M), declining yield for non-marketable bonds (\$4.8M), declining yield for government bonds (\$3.1M), partially offset by a change in management fees (-\$1.3M).

Part and Chapter:	Part V Claims Incurred	Page No.:	13		
PUB Approved Issue No:	10. Claims Forecasting				
Topic:	IFRS 17 potential financial impact				
Sub Topic:					

Preamble to IR:

Page 13 of Part V, CI.2.5 states the following:

- "9 IFRS 17 is effective for annual reporting periods on or after January 1, 2023.
- 10 Accordingly, IFRS 17 will be implemented by MPI for the fiscal year 2023/24. MPI has
- 11 partnered with an externally-appointed actuary as it continues to work towards fully
- 12 understanding the potential IFRS 17 impacts, including how the policy liability will be
- 13 impacted."

QUESTION:

- a) Please provide a narrative update on MPI's readiness to implement IFRS 17 effective for annual reporting periods on or after January 1, 2023.
- b) Please confirm that the Pro Forma forecasts do not include the potential financial impact of IFRS 17 for forecasts for fiscal years 2023/24 and beyond.
- c) Please provide a preliminary potential financial impact IFRS 17 may have on the pro forma forecasts for years 2023/24 and beyond, if available.

d) In the event MPI expects a negative financial impact as a result of IFRS 17, please discuss the funding process MPI expects to follow to mitigate any significant rate shock for the impacted rating year.

RATIONALE FOR QUESTION:

To review MPI's readiness status of IFRS 17 and the potential financial future impact of MPI's financial operations and potential impact on Basic insurance rates.

RESPONSE:

a) The evaluation by MPI of the proposed changes to International Financial Reporting Standards (IFRS) 17 and IFRS 9 continues to progress as the respective governing bodies update the change requirements. The status report in the Annual Financial Statements remains unchanged.

Collaboration between financial and actuarial functions occurs regularly to ensure that MPI meets IFRS timelines. MPI requires such coordination for tasks such as financial disclosures and methodologies for the valuation of the insurance liability, including discount rate, risk adjustment, and confidence interval. Actuarial modelling, with assistance from external resources, advances to assist with the implementing and testing of key data inputs, as well as to provide technical resources to the actuarial group.

MPI is currently reviewing mock-up of data requirements for financial statements and note disclosures. Its staff members also meet virtually with representatives of SGI, and ICBC to share their respective experiences and challenges with the implementation of IFRS 17.

Additionally, ongoing alignment and cooperation with Project NOVA ensures that MPI can identify and develop resolution plans for any interdependency issues.

MPI communicated working assumptions based on its review of the technical topics and accounting policy choices available. These assumptions, and position papers,

have not yet been approved and finalized by its Board of Directors (BoD). MPI expects that the working assumptions will be approved and finalized once they are validated following further testing and modelling, which will be done during 2021/22.

- b) Confirmed. The Pro Forma forecasts do not include the potential financial impact of IFRS 17 for forecasts for fiscal years 2023/24 and beyond. MPI will complete this work once MPI obtains approval of its BoD and alignment with governing bodies for same.
- c) IFRS 17 will bring changes in terminology, format and the information that will be required for financial statement presentation and related disclosures, including reinsurance. The presentation of insurance liabilities and the methodology that underlies their calculation will also be modified. Refer to <u>CAC (MPI) 1-69 Appendix</u> 1 Financial Statement Presentation IFRS 4 vs. IFRS 17.

Key changes in presentation and terminology anticipated due to IFRS 17 adoption include:

- Insurance Revenue (replaces Gross Written Premium) Insurance revenue under IFRS 17 is not tied to the premium received and/or written in the period. Insurance revenue should reflect the consideration to which MPI expects to be entitled in exchange for the services provided on an earned basis. Therefore, the presentation is essentially the amount of revenue earned for the period (based on passage of time or seasonal earnings distributions), gross of reinsurance, and excluding other revenue not direct related to insurance contracts such as DVA operations recovery.
- Insurance Service Expenses A single line item on the face of the income statement which reflects the costs incurred in providing insurance services in the period (such as incurred claims, claims expense, commissions related to insurance, premium taxes, and any other costs which are incurred in providing insurance services in the period).

- Net expenses from reinsurance contracts held A single line item on
 the face of the income statement, with details disclosed in the notes to the
 financial statements, such as reinsurance expenses, other incurred directly
 attributable expenses, effect of changes in the risk of reinsurers nonperformance, claims recovered, and changes that relate to past service –
 adjustments to incurred claims.
- Insurance service result a new subtotal on the income statement (there is no longer "Underwriting Income" presented). The insurance service result is calculated prior to the investment income, the insurance finance income and expenses, and the other income/expenses that are not directly related to the underlying insurance contract revenue or expenses.
- Finance expenses from insurance contracts (and finance income from reinsurance contracts) two new line items on the income statement which comprise of the change in the carrying amount of the group of insurance contracts arising from: (i) the effect of the time value of money and changes in the time value of money; and (ii) the effect of financial risk and changes in financial risk. The amount of finance expenses (or income) attributable to reinsurance contracts must be presented separately on the face of the statement of operations. These line items are where the effect of changes to the discount rate to the insurance liabilities will be recorded.
- Net insurance and investment result a new subtotal which is the sum
 of the following three line items: Insurance service result, Investment
 income, Net insurance finance expenses.
- Other income and other expenses Under IFRS 17, income and expenses which are not directly attributable to starting, fulfilling, or maintaining the insurance contracts are presented below the net insurance and investment result as other income and other expenses, for example, it is expected that DVA operations (i.e. recovery and related expense portion) would not be considered directly attributable to fulfilling the insurance

contracts that MPI issues. Other operating expenses which are not directly attributable to the insurance contracts would also be included in other income or other expenses.

- Deferred Policy Acquisition Costs Acquisition costs will not be deferred and amortized under IFRS 17, so there will no longer be this line item on the IFRS 17 balance sheet.
- Reinsurance asset A single line item on the IFRS 17 balance sheet accounting for the net reinsurance asset, which will replace the IFRS 4 accounts: due from other insurance companies, reinsurers' share of unearned premiums, reinsurers' share of unpaid claims, and due to other insurance companies. There are required note disclosures (i.e. rollforwards) which will provide more detail on the movement in the reinsurance asset from prior period to current.
- Insurance contract liability A single line item on the IFRS 17 balance sheet, which will replace the IFRS 4 accounts: unearned premiums and fees, and provision for unpaid claims. Any policy related receivables or payables will also be included within this line item. There are detailed note disclosures which will be required to show the movements within the insurance contract liabilities from period to period, and must separately present the movements between the components of the unexpired and expired portion of the liability.

Quantitative Assessment: Note that all financial impacts are presented on a theoretical basis as at a specific point in time and can fluctuate based on changes within key assumptions and/or economic inputs. MPI has identified the following quantitative adjustments upon transition to IFRS 9 and IFRS 17 that will have a financial impact:

 Deferred policy acquisition costs (DPAC) will be written off upon transition to IFRS 17, after which they will be expensed as incurred.

- Non-marketable (MUSH) bonds accounting measurement will change from amortized cost to fair value through profit and loss (meaning that any unrealized gains or losses at transition date will be recognized through retained earnings).
- Actuarial Valuation: new methodology to determine the claims discount rate (using the risk-free discount rate plus a liquidity premium)
- Actuarial Valuation: replace IFRS 4 provision for adverse deviation with IFRS 17 risk adjustment for non-financial risks.

Figure 1 Day one impacts from IFRS 17 and IFRS 9

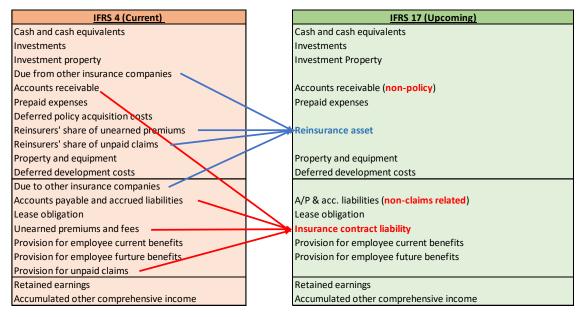
Line				Retained	
No.	(in \$millions)	Assets	Liabilities	Earnings	Input as of
1	DPAC write off	(63.8)	-	(63.8)	June 2021
2	MUSH @ fair value	70.8	-	70.8	June 2021
3	Claims discount rate	-	(150.0)	150.0	August 2020
4	Risk adjustment	-	TBD	TBD	N/A
5	Total	7.0	(150.0)	157.0	

The transitional adjustments in Figure 1 above will impact retained earnings (and the capital of MPI). Currently, MPI expects a positive financial impact as a result of adopting the accounting standard IFRS 17. Subsequent to transition date, and on an ongoing basis, MPI expects there to be negligible impact on rate-setting since rates will continue to be based on Accepted Acturial Practices (and therefore is largely independent of accounting presentation changes).

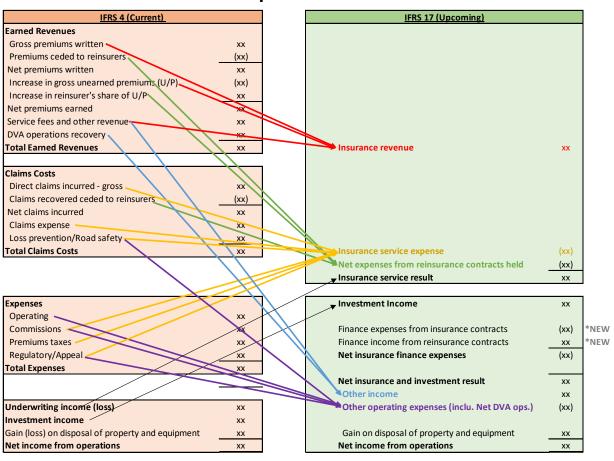
Any investments reclassified from fair value through other comprehensive income measurement to fair value through profit and loss measurement will transfer any unrealized gains or losses as at transition date from accumulated other comprehensive income (AOCI) to retained earnings. There is no impact to overall capital due to these adjustments, since the transfer is within equity. Using the relevant unrealized gains or losses as at June 30, 2021, this transfer from AOCI to retained earnings would be approximately \$142.2 million.

d) MPI does not expect any significant negative financial impact as a result of adopting IFRS 17. However the linkage between assets and liabilities will not be as tight for purposes of asset-liability management of Basic claims and therefore interest rate volatility may increase. As noted above MPI expects there to be negligible impact on rate-setting since rates will continue to be based on Accepted Acturial Practices (and therefore is largely independent of accounting presentation changes).

Statement of Financial Position IFRS 4 vs. IFRS 17



Statement of Operations IFRS 4 vs. IFRS 17



Part and Chapter:	Part V Claims Incurred	Page No.:	21 and 26	
PUB Approved Issue No:	10. Claims Forecasting 18. Covid-19 potential impact scenario			
Topic:	Figure CI – 14 Weekly Indemnity Ultimate Losses and Figure CI 18			
Sub Topic:				

Preamble to IR:

Both Figure CI 14 (Weekly Indemnity Ultimate Losses) and CI 18 (Accident Benefit Other – Indexed Ultimate Losses) report significant year over year **decreases** in ultimate losses from 2019/20 to 2020/21 (23.71% and 24.44% respectively) due to Covid -019.

On page 21 of Part V (Claims incurred) (Weekly Indemnity Ultimate Losses) it states:

- "8 The 2021/22 forecasted ultimate losses of \$90.2 million are based on the forecasted
- 9 claim counts and severity after the impact of COVID-19. Claim counts are forecasted
- 10 based on the all-year trend excluding 2020/21. After applying the forecasted impact
- of COVID-19, the ultimate losses were decreased by \$5.9 million."

On page 26 of Part V (Claims incurred) (Accident Benefits Other – Indexed Ultimate Losses) it states:

- "7 The 2021/22 forecasted ultimate losses of \$63.0 million are based on the forecasted
- 8 claim counts and severity after the impact of COVID-19. **Claim counts are forecasted**
- 9 based on the all year trend excluding 2020/21. After applying the forecasted impact of

1 COVID-19, the ultimate losses were decreased by \$4.1 million."

Emphasis added.

On page 6 of Part VIII EAR Attachment B (External Actuary Review—March 31, 2021) it states:

"To recognize significant claims reduction due to COVID-19, we made a one-time adjustment to the weight applied toward the projected ultimate loss ratio in BF methods from 25% in October to 75% in fiscal accident year 2020 for both Accident Benefits - Weekly Indemnity and Accident Benefits - Other (Indexed). The impact of this change on the net actuarial present value is a **reduction of \$28.3 million** (\$14.1 million for Accident Benefits - Weekly Indemnity, \$9.7 million for Accident Benefits - Other (Indexed) and \$4.4 million on internal loss adjustment expenses)."

Emphasis added

QUESTION:

- a) Please re-forecast both Figure CI 14 and CI 18 including 50% of the 2020/21 claim count experience in the all year trend to assess the impact on the claims incurred forecast should the Covid 19 experience result in a change in driving behavior going forward.
- b) Please explain and discuss whether the net actuarial present value reduction of \$28.3 million (EAR Attachment B page 6) is for 2020/21 fiscal year only or is the reduction also factored into the forecasting years. If yes, please provide the financial impact analysis for each forecasting year.

RATIONALE FOR QUESTION:

To assess a potential impact of the recent Covid 19 experience on claims incurred going forward impacting basic rates.

RESPONSE:

a) MPI created a new claims count forecast that uses 50% of the original forecast and 50% of the revised all-year trend which includes 2020/21. The resulting ultimates are shown below for Weekly Indemnity and ABO-Indexed. Note that the original forecast included an adjustment for COVID-19 in 2021/22. MPI removed that adjustment for this revision to avoid double counting the impacts of COVID-19.

Figure 1 Weekly Indemnity Ultimate Losses

					Last Year's	Variance to
	Claim Count		Ultimate	Annual	Forecast	Forecast
Accident Year	Incurred >\$0	Severity	(\$000)	% Change	(\$000)	(\$000)
2006/07	2,086	\$34,897	\$72,794	26.21%	\$73,414	(\$619)
2007/08	2,063	\$36,599	\$75,503	3.72%	\$75,147	\$356
2008/09	1,885	\$39,294	\$74,070	-1.90%	\$74,804	(\$734)
2009/10	1,861	\$38,586	\$71,808	-3.05%	\$68,687	\$3,121
2010/11	1,948	\$47,953	\$93,413	30.09%	\$90,909	\$2,505
2011/12	1,843	\$48,481	\$89,351	-4.35%	\$86,345	\$3,007
2012/13	2,007	\$42,332	\$84,961	-4.91%	\$87,372	(\$2,411)
2013/14	1,874	\$38,137	\$71,468	-15.88%	\$72,969	(\$1,501)
2014/15	1,686	\$44,560	\$75,128	5.12%	\$73,779	\$1,349
2015/16	1,783	\$49,985	\$89,124	18.63%	\$91,116	(\$1,992)
2016/17	1,807	\$52,247	\$94,410	5.93%	\$93,859	\$551
2017/18	1,928	\$49,067	\$94,598	0.20%	\$94,788	(\$190)
2018/19	1,896	\$48,316	\$91,622	-3.15%	\$94,585	(\$2,963)
2019/20	1,738	\$53,198	\$92,454	0.91%	\$99,907	(\$7,453)
2020/21	1,252	\$56,336	\$70,538	-23.71%	\$84,040	(\$13,503)
5-year Trend	1,334	\$55,525	\$73,758	-21.53%	\$89,081	_
10-year Trend	1,570	\$55,380	\$86,952	-5.36%	\$95,905	
All year Trend	1,606	\$55,470	\$90,108	-8.48%	\$96,431	
2021/22	1,697	\$53,748	\$91,205	29.30%	\$94,161	(\$2,956)
2022/23	1,678	\$56,191	\$94,270	3.36%	\$95,260	(\$991)
2023/24	1,658	\$58,745	\$97,425	3.35%	\$96,371	\$1,054
2024/25	1,639	\$61,415	\$100,672	3.33%	\$97,494	\$3,178
2025/26	1,620	\$64,207	\$104,012	3.32%		
	2006/07 2007/08 2008/09 2009/10 2010/11 2011/12 2012/13 2013/14 2014/15 2015/16 2016/17 2017/18 2018/19 2019/20 2020/21 5-year Trend 10-year Trend All year Trend 2021/22 2022/23 2023/24 2024/25	Accident Year Incurred >\$0 2006/07 2,086 2007/08 2,063 2008/09 1,885 2009/10 1,861 2010/11 1,948 2011/12 1,843 2012/13 2,007 2013/14 1,874 2014/15 1,686 2015/16 1,783 2016/17 1,807 2017/18 1,928 2018/19 1,896 2019/20 1,738 2020/21 1,252 5-year Trend 1,334 10-year Trend 1,570 All year Trend 1,606 2021/22 1,697 2022/23 1,678 2023/24 1,658 2024/25 1,639	Accident Year Incurred >\$0 Severity 2006/07 2,086 \$34,897 2007/08 2,063 \$36,599 2008/09 1,885 \$39,294 2009/10 1,861 \$38,586 2010/11 1,948 \$47,953 2011/12 1,843 \$48,481 2012/13 2,007 \$42,332 2013/14 1,874 \$38,137 2014/15 1,686 \$44,560 2015/16 1,783 \$49,985 2016/17 1,807 \$52,247 2017/18 1,928 \$49,067 2018/19 1,896 \$48,316 2019/20 1,738 \$53,198 2020/21 1,252 \$56,336 5-year Trend 1,570 \$55,380 All year Trend 1,606 \$55,470 2021/22 1,697 \$53,748 2022/23 1,678 \$56,191 2023/24 1,658 \$58,745 2024/25 1,639 \$61,415	Accident Year Incurred >\$0 Severity (\$000) 2006/07 2,086 \$34,897 \$72,794 2007/08 2,063 \$36,599 \$75,503 2008/09 1,885 \$39,294 \$74,070 2009/10 1,861 \$38,586 \$71,808 2010/11 1,948 \$47,953 \$93,413 2011/12 1,843 \$48,481 \$89,351 2012/13 2,007 \$42,332 \$84,961 2013/14 1,874 \$38,137 \$71,468 2014/15 1,686 \$44,560 \$75,128 2015/16 1,783 \$49,985 \$89,124 2016/17 1,807 \$52,247 \$94,410 2017/18 1,928 \$49,067 \$94,598 2018/19 1,896 \$48,316 \$91,622 2019/20 1,738 \$53,198 \$92,454 2020/21 1,252 \$56,336 \$70,538 5-year Trend 1,570 \$55,380 \$86,952 All year Trend </td <td>Accident Year Incurred >\$0 Severity (\$000) % Change 2006/07 2,086 \$34,897 \$72,794 26.21% 2007/08 2,063 \$36,599 \$75,503 3.72% 2008/09 1,885 \$39,294 \$74,070 -1.90% 2009/10 1,861 \$38,586 \$71,808 -3.05% 2010/11 1,948 \$47,953 \$93,413 30.09% 2011/12 1,843 \$48,481 \$89,351 -4.35% 2012/13 2,007 \$42,332 \$84,961 -4.91% 2013/14 1,874 \$38,137 \$71,468 -15.88% 2014/15 1,686 \$44,560 \$75,128 5.12% 2015/16 1,783 \$49,985 \$89,124 18.63% 2016/17 1,807 \$52,247 \$94,410 5.93% 2017/18 1,928 \$49,067 \$94,598 0.20% 2018/19 1,896 \$48,316 \$91,622 -3.15% 2019/20 1,738</td> <td>Accident Year Claim Count Incurred >\$0 Severity Ultimate (\$000) Annual (\$000) Forecast (\$000) 2006/07 2,086 \$34,897 \$72,794 26.21% \$73,414 2007/08 2,063 \$36,599 \$75,503 3.72% \$75,147 2008/09 1,885 \$39,294 \$74,070 -1.90% \$74,804 2009/10 1,861 \$38,586 \$71,808 -3.05% \$68,687 2010/11 1,948 \$47,953 \$93,413 30.09% \$90,909 2011/12 1,843 \$48,481 \$89,351 -4.35% \$86,345 2012/13 2,007 \$42,332 \$84,961 -4.91% \$87,372 2013/14 1,874 \$38,137 \$71,468 -15.88% \$72,969 2014/15 1,686 \$44,560 \$75,128 5.12% \$73,779 2015/16 1,783 \$49,985 \$89,124 18.63% \$91,116 2016/17 1,807 \$52,247 \$94,410 5.93% \$93,859 <</td>	Accident Year Incurred >\$0 Severity (\$000) % Change 2006/07 2,086 \$34,897 \$72,794 26.21% 2007/08 2,063 \$36,599 \$75,503 3.72% 2008/09 1,885 \$39,294 \$74,070 -1.90% 2009/10 1,861 \$38,586 \$71,808 -3.05% 2010/11 1,948 \$47,953 \$93,413 30.09% 2011/12 1,843 \$48,481 \$89,351 -4.35% 2012/13 2,007 \$42,332 \$84,961 -4.91% 2013/14 1,874 \$38,137 \$71,468 -15.88% 2014/15 1,686 \$44,560 \$75,128 5.12% 2015/16 1,783 \$49,985 \$89,124 18.63% 2016/17 1,807 \$52,247 \$94,410 5.93% 2017/18 1,928 \$49,067 \$94,598 0.20% 2018/19 1,896 \$48,316 \$91,622 -3.15% 2019/20 1,738	Accident Year Claim Count Incurred >\$0 Severity Ultimate (\$000) Annual (\$000) Forecast (\$000) 2006/07 2,086 \$34,897 \$72,794 26.21% \$73,414 2007/08 2,063 \$36,599 \$75,503 3.72% \$75,147 2008/09 1,885 \$39,294 \$74,070 -1.90% \$74,804 2009/10 1,861 \$38,586 \$71,808 -3.05% \$68,687 2010/11 1,948 \$47,953 \$93,413 30.09% \$90,909 2011/12 1,843 \$48,481 \$89,351 -4.35% \$86,345 2012/13 2,007 \$42,332 \$84,961 -4.91% \$87,372 2013/14 1,874 \$38,137 \$71,468 -15.88% \$72,969 2014/15 1,686 \$44,560 \$75,128 5.12% \$73,779 2015/16 1,783 \$49,985 \$89,124 18.63% \$91,116 2016/17 1,807 \$52,247 \$94,410 5.93% \$93,859 <

Figure 2 Accident Benefits Other - Indexed Ultimate Losses

Line		Claim Caunt		l III imata	Annual	Last Year's	Variance to
No.	Accident Year	Claim Count Incurred >\$0	Severity	Ultimate (\$000)	Annual % Change	Forecast (\$000)	Forecast (\$000)
1	2006/07	12,031	\$5,531	\$66,548	17.05%	\$65,166	\$1,382
2	2007/08	11,889	\$5,786	\$68,795	3.38%	\$69,016	(\$221)
3	2008/09	11,457	\$4,654	\$53,321	-22.49%	\$53,395	(\$74)
4	2009/10	11,033	\$5,408	\$59,661	11.89%	\$59,263	\$399
5	2010/11	12,067	\$5,028	\$60,668	1.69%	\$54,602	\$6,066
6	2011/12	11,198	\$5,740	\$64,282	5.96%	\$61,591	\$2,691
7	2012/13	12,211	\$4,731	\$57,775	-10.12%	\$59,730	(\$1,955)
8	2013/14	12,205	\$4,341	\$52,978	-8.30%	\$51,362	\$1,616
9	2014/15	10,592	\$4,548	\$48,177	-9.06%	\$49,587	(\$1,410)
10	2015/16	11,661	\$5,513	\$64,284	33.43%	\$62,966	\$1,317
11	2016/17	11,558	\$6,697	\$77,408	20.42%	\$71,303	\$6,104
12	2017/18	11,877	\$5,849	\$69,464	-10.26%	\$69,772	(\$307)
13	2018/19	11,228	\$5,784	\$64,937	-6.52%	\$67,967	(\$3,030)
14	2019/20	9,911	\$6,242	\$61,864	-4.73%	\$70,013	(\$8,149)
15	2020/21	6,781	\$6,894	\$46,746	-24.44%	\$62,822	(\$16,076)
16	5-year Trend	6,815	\$6,529	\$43,407	-30.36%	\$63,359	
17	10-year Trend	9,022	\$6,742	\$61,044	-9.48%	\$70,544	
18	All year Trend	9,791	\$6,204	\$59,919	-6.87%	\$66,109	
19	2021/22	10,197	\$6,332	\$64,567	38.12%	\$70,142	(\$5,575)
20	2022/23	10,045	\$6,633	\$66,636	3.20%	\$71,213	(\$4,578)
21	2023/24	9,894	\$6,949	\$68,755	3.18%	\$72,301	(\$3,546)
22	2024/25	9,742	\$7,280	\$70,924	3.16%	\$73,405	(\$2,480)
23	2025/26	9,590	\$7,627	\$73,145	3.13%		

b) MPI applied the net actuarial present value reduction of \$28.3 million to the 2020/21 fiscal year. The forecast for PIPP does not use data from 2020/21 in its averages and selection of severity growth factors. Many of the averages for claims counts and severity exclude the latest year as it is largely undeveloped and may significantly change.

Part and Chapter:	Part V Claims Incurred	Page No.:	Page 17-18 of 91 (pdf 738-739/2196)				
PUB Approved Issue No:	11. Claims Forecasting 18. Impacts of COVID-19	11. Claims Forecasting 18. Impacts of COVID-19					
Topic:	COVID-19						
Sub Topic:							

Preamble to IR:

Based on the discussion on lines 3-4 on page 17 of 91, the application indicates that there will be no lasting effect from the COVID-19 pandemic in the 2022/23 program year. However, lines 4-5 of page 17 of 91 state, "For the purposes of forecasting accident years 2021/22 and forward for the 2022 GRA, MPI excluded the assumed impacts of COVID-19 to ensure they would have no impact on the forecasting of future loss years. They were later re-added to the 2022/23 forecast only." **Emphasis Added**

QUESTION:

Does MPI assume any effect on claims frequency or claims severity beyond September 30, 2021?

If there is no effect, please describe what is being "re-added" to the 2022/23 forecast.

If there is an effect, please describe the magnitude.

RATIONALE FOR QUESTION:

We are requesting clarification as to COVID-19 considerations, if any, in the proposed rates.

RESPONSE:

The paragraph should read, "For the purposes of forecasting accident years 2021/22 and forward for the 2022 GRA, MPI excluded the assumed impacts of COVID-19 to ensure they would have no impact on the forecasting of future loss years. They were later re-added to the **2021/22** forecast only."

MPI assumes there will no longer be a reduction in the frequency of claims resulting from the COVID-19 Pandemic after September 30, 2021. This assumption is informed by the low-range scenario vaccination plan prepared by the Government of Manitoba. As outlined in *Claims Incurred Chapter CI.2.11*, MPI expected vaccinations to be available to the general adult population (18+) by the end of June 2021. MPI then assumed a gradual return to workplaces in the three months that followed (i.e. July, August and September). Please see the figure below for reference.

Figure CI- 1 Government of Manitoba Vaccination Plan



Part and Chapter:	Part V: Claims Incurred	Page No.:	Page 9-10 of 91 (pdf 730-731/2196				
PUB Approved 2. Ratemaking							
Issue No:	11. Claims forecasting	11. Claims forecasting					
Topic:	Actuarial Assumptions						
Sub Topic:	Use of the work of the appointed actuary's work						

Preamble to IR:

Actuarial estimates should be considered in the context in which they were prepared. Estimates/assumptions developed by an appointed actuary in the context of developing reserves may not be appropriate for use in ratemaking.

QUESTION:

- a) As guided by Section 1510.01 of the CIA Standards of Practice, in the context of this rate application, is MPI taking responsibility for the assumptions of the Appointed Actuary?
- b) If so, is MPI concerned that development factors from an analysis of policy liabilities may not be appropriate for ratemaking?

RATIONALE FOR QUESTION:

We would like to understand the nature of MPI's review of the Appointed Actuary's assumption in a ratemaking context.

RESPONSE:

a) The Review of Policy Liabilities/Appointed Actuary's Report as of October 31, 2020 and March 31, 2021 (*Part VIII EAR Attachment A* and *Part VII EAR Attachment B*) are a collaboration between MPI and the Appointed Actuary. The assumptions are

set by MPI and are discussed/reviewed/challenged by the Appointed Actuary. The Appointed Actuary signs off on the review once he/she is satisfied that the review has been completed based on accepted actuarial practice. The Appointed Actuary is an agent of MPI and acts on its behalf with express authority. Based on the above, MPI takes responsibility for the assumptions of the Appointed Actuary as they are generally one in the same for the purpose of fulfilling the actuarial responsibilities of MPI.

b) Given that MPI uses the same set of data for ratemaking as for the Review of Policy Liabilities as of March 31, 2021, MPI is not concerned with using the same set of loss development factors (LDFs). Further, as per *Part VI Ratemaking, page 35*, MPI adjusted the LDFs where such adjustment was applicable and appropriate to recognize different subsets of data. "The calculation of the loss development factors by major class used data that, in some cases, exhibit significant year-to-year fluctuations and/or is not fully credible. The selected factors used considered both the major classes' indications and the overall loss development factors taken from the "Appointed Actuary's Report as at March 31, 2021" as presented in External Actuary Review."

Part and Chapter:	Part IV RM Appendix 9, Table 6	Page No.:	Page 15 (pdf 1161/2196)
PUB Approved Issue No:	2. Ratemaking		
Topic:	Actuarial Assumptions		
Sub Topic:	Trend		

Preamble to IR:

Table 6 presents MPI's pure premium trends.

QUESTION:

- a) Does MPI review frequency and severity trends separately?
- b) Please provide frequency and severity data underlying the ultimate incurred claims in Table 6?

RATIONALE FOR QUESTION:

Reviewing frequency and severity trends provides a better understanding of changes in claim costs.

RESPONSE:

- a) MPI did not review frequency and severity trends separately as part of the ratemaking process. However, it did review the frequency and severity trends in the claims forecasting process to determine the forecasted ultimate incurred, which it then used in the ratemaking process when determining the required rates for 2022/23.
- b) Per the response to part (a), MPI reviewed frequency and severity trends in the claims forecasting process to determine the forecasted ultimate incurred claims. Please refer to <u>Claims Incurred Chapter</u> for details of the claims forecasting process.

Part and Chapter:	Part V Claims Incurred	Page No.:	Page 17-18 of 91 (pdf 738-739/2196)
PUB Approved Issue No:	18. Impacts of COVID-19		
Topic:	COVID-19		
Sub Topic:			

Preamble to IR:

The Application generally does not consider 2020/21 claims experience for trend analysis as it includes the effects of COVID-19 pandemic. However, many of the pure premiums consider include 2020/21 experience without adjustment.

QUESTION:

- a) Did MPI consider using the 2020/21 experience with adjustment to remove the effects of COVID-19.
- b) What criteria did MPI consider related to the use of 2020/21 experience.

RATIONALE FOR QUESTION:

Despite the pandemic, the 2020/21 experience may provide predictive information for ratemaking purposes.

RESPONSE:

a) MPI did not consider doing this as it would involve additional assumptions about what the 2020/21 experience would have been absent the COVID-19 Pandemic. Further, these assumptions would likely be based on the same trend analysis that MPI used for forecasting 2021/22 and outwards, which would have excluded the 2020/21 experience. b) MPI assumes that this question refers to the pure premium trend in <u>Part VI RM</u> <u>Appendix 9, Table 6</u>.

MPI removed the 2020/21 experience for Collision, Property Damage, Income Replacement Indemnity and Accident Benefits – Other (Indexed). MPI assumes that the COVID-19 Pandemic affected these coverages given that these coverages saw significant decreases in pure premiums for 2020/21, when compared with recent indications. Further, this aligns with the decrease in Collision frequency observed for 2020/21, which would have affected the other coverages.

MPI did not remove the 2020/21 experience for Bodily Injury, Comprehensive, and Accident Benefits – Other (Non-Indexed), given that the 2020/21 pure premiums for these coverages did not exhibit a significant difference from historical indications.

Part and Chapter:	Part II BAC Part II CBP	Page No.:	PDF page 62 / Page 6 of 10 PDF page 100 / Page 4 of 62	
PUB Approved Issue No:	11. Claims forecasting, including PIPP			
Topic:	PIPP			
Sub Topic:	PIPP Coverage F	Review		

Preamble to IR:

At PDF Page 62, MPI states:

"PIPP Coverage Review:

- 22 o The PIPP entitlements and coverage review, which proposed a number
- 23 of coverage changes/enhancements, is pending formal government
- 24 approval. Additional details will be included in future applications, once
- 25 government approval is obtained."

At PDF page 100 MPI states:

- British Columbia recently moved to a no-fault model, under their new Enhanced
- 14 Care Accident Benefits, effective May 1, 2021. The new and enhanced benefits
- 15 (part of Basic insurance) will be more comparable to those of other "no-fault"
- 16 provinces, including Manitoba, and will similarly remove the ability to sue, in
- most cases. (See CBP.4 for Highlights of the Enhanced Care Accident Benefits.)"

QUESTION:

a) Please provide a more detailed status update on the PIPP Coverage Review, including if available, a project charter and current timeline for government approval. b) Please discuss if the no-fault model adopted by ICBC has been reviewed in detail by MPI, and if the ICBC has or may inform MPI's PIPP coverage review.

RATIONALE FOR QUESTION:

Status of the PIPP Coverage review does not appear to have changed from 2021 GRA. Developments in other jurisdictions since the completion of the review may be relevant MPI.

RESPONSE:

- a) There are no updates to the status and timelines of the proposed legislative and regulatory changes as government approval is still pending. Please see the response to PUB (MPI) 1-087 for additional information.
- b) The PIPP coverage review occurred prior to ICBC adopting the no-fault model. As a result, MPI did not analyze the experiences of ICBC and it does not inform its coverage review. However, MPI will continue to collaborate with ICBC and analyze its no-fault model as it matures in order to determine and establish best practices.

Part and Chapter:	Part VII RMF Appendix 5	Page No.:	P. 4	
PUB Approved Issue No:	11. Claims forecasting, including but not limited to PIPP and changes or enhancements to claims forecasting design;			
Topic:	Claims complexity			
Sub Topic:	Mental health and concussion claims			

Preamble to IR:

In the 2021, 2020, 2019 and 2018 GRAs, there was discussion of concussion and mental health claims, including the number and increasing complexity of such claims.

For example, in the 2021 GRA, Part VII – RFM Appendix 3 – Redacted, page 4 stated:

As experienced by ICBC, there is a risk that PIPP claims retention may increase over time as a result of various converging factors that may or may not be within MPI's control. Such as, a change in medical science that increases claims complexity, such as concussion and mental health claims, a resulting increase in reported injury relapses, and precedent setting court decisions that expand coverage. Political influences that impact resourcing levels reducing case management capacity. Any one or a combination of these factors will impact claims durations, and/or the severity and overall cost of each claim.

In the 2020 GRA, Part IV(i) Service Delivery Model, p 20 state:

The injury and medical environment, in which PIPP operates, continues to evolve. The complexity of injury claims is increasing, and so too are the costs of treatments and rehabilitation. The number of mental health claims, such as addictions, depression, anxiety, and chronic pain, as well as concussion and post-concussion diagnosis are rising, which has led to an increase the program's future liabilities. By utilizing Lean continuous improvement methodologies, MPI has created processes that are increasingly adaptable, and can reduce the financial impact of these influences.

In the 2019 GRA, CAC (MPI) 1-36 related to mental health claims.

In the 2018 GRA, CAC (MPI) 1-66 related to mental health claims.

In the 2022 GRA, increasing claims complexity is discussed at Part VII – RMF Appendix 5 – Redacted:

If PIPP claims retention increases due to increasing claims complexity, a resulting increase in reported injury relapses, and precedent setting court decisions that expand coverage causes variance of actual versus budget and impact customer rates.

QUESTION:

- a) Please confirm whether the increasing claims complexity referred to in the 2022 GRA Risk Scorecard is the same issue identified in the 2021 GRA Risk Scorecard, namely "a change in medical science that increases claims complexity, such as concussion and mental health claims, a resulting increase in reported injury relapses, and precedent setting court decisions that expand coverage." If not confirmed, please clarify what is meant by increasing claims complexity in the 2022 GRA Risk Scorecard.
- b) Please provide a detailed update with respect to MPI's assessment of the risk that PIPP claims retention may increase over time as a result of various converging factors that may or may not be within MPI's control, such as, a change in medical science that increases claims complexity, such as concussion and mental health claims, a resulting increase in reported injury relapses, and precedent setting court decisions that expand coverage.
- c) As referred to in the 2021 GRA, please provide an update with how ICBC has responded to the risk that personal injury claims retention may increase over time as a result of various converging factors such as, a change in medical science that increases claims complexity, such as concussion and mental health claims, a resulting increase in reported injury relapses, and precedent setting court decisions that expand coverage.

- d) Where there is a change in medical science that increases claim complexity, has MPI witnessed situations where there are disagreements within the medical community? If such situations arise, what is MPI's process to resolve a situation where there is disagreement between a PIPP claimant's medical evidence and MPI's medical evidence?
- e) Please provide an explanation of how MPI ensures it uses up-to-date medical science relating to mental health claims, including addictions, depression, anxiety, and chronic pain, as well as concussion and post-concussion diagnosis, in its assessment of PIPP claims.
- f) For comparison purposes, please provide an explanation of how SGI and ICBC ensure they are using up-to-date medical science relating to mental health claims, as well as concussion and post-concussion diagnosis.
- g) Please discuss whether other types of injuries, such as brain injuries, also fall within the category of claims becoming increasingly complex. If so, please elaborate on why. If not, please explain why.

RATIONALE FOR QUESTION:

To follow up on concussion and mental health claims and to understand MPI's process with respect to these claims, which have the potential to impact long-term future rate changes for Basic insurance.

RESPONSE:

- a) Confirmed, this is referencing the same issue.
- b) MPI continuously reviews trends as it relates to complex claims. Claims duration has stabilized based on controls put into place to mitigate the risk of increasing claims complexity. The figure below demonstrates that in the more recent loss years (2018-2020) less claims remain ongoing beyond the 2 year (24 month) stage.

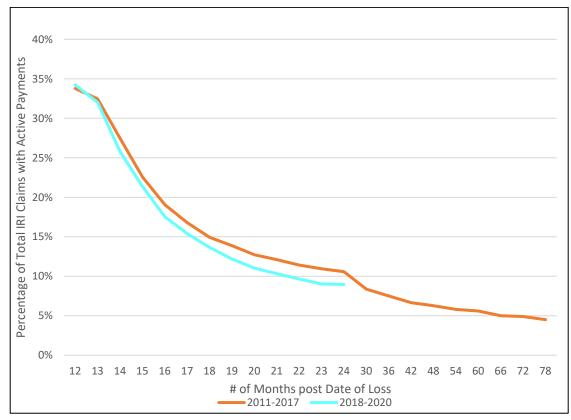


Figure 1 Income Replacement Disability Duration Percentage of Claims Ongoing

Controls in place include risk assessment at claims intake to ensure that the claim is assigned to the correct resource who is best suited to handle the claim based on complexity. Additionally, check-points occur on claims that are reviewed by the case manager, supervisor, management and medical professionals on our health care services team to ensure that the appropriate claims management approach is being utilized based on the claimant's specific injuries and circumstances.

MPI continues to monitor evolving trends and resources available, most recently MPI has seen challenges with the availability of psychological services for claimants. MPI is actively working with the Psychological Society of Manitoba to ensure claimants have access to this care.

- c) ICBC has recently implemented a no-fault model which is in the very early stages, as a result MPI does not have any specific information on ICBC's response to any increase in claims complexity.
- d) On complex claims there are often many medical practitioners involved in the claimant's care. In general, MPI collects medical information from all involved medical providers and treatment plans are evaluated on the basis of all information (and not solely on the opinion of one care provider). MPI works with a health care services team made up of medical professionals from various specialties who opine on the treatment plan to support the case manager in rendering a decision. Any disagreements over medical evidence are resolved at the Automobile Injury Mediation office or the Automobile Injury Compensation Appeal Commission (and the Manitoba Court of Appeal, with leave).

An example of an emerging trend with varying opinions in the medical community is the use of herbal cannabis. Due to the varying opinions on the issue a comprehensive review was supported by members of our health care services team who completed substantive research to form the basis on MPI's stance on herbal cannabis (*Attachment A*). This is not a static opinion, as trends evolve and data becomes more readily available, MPI will continue to assess its position.

A similar approach will be taken if there are further areas requiring assessment based on emerging trends.

- e) The medical professionals within MPI's health care services team are responsible for ensuring they remain up to date on emerging trends and medical science through the requirements of their respective medical associations. This knowledge is utilized to opine on the PIPP claims. As evidenced by the herbal cannabis position paper, this team supports MPI in ensuring that up-to-date medical science is utilized.
- f) MPI does collaborate with both SGI and ICBC on various items however MPI does not have specific information on how SGI and ICBC ensure they are using up-todate medical science.

g) Brain injuries do contribute to increasing claims complexity as concussions and mental health issues often exist as co-morbidities with brain injuries.

Herbal Cannabis Position Paper

The current discussion about the authorization of cannabis as a medical requirement for the treatment of bodily injuries needs to be considered in the context of the opioid crisis. Across North America, thousands of people are dying due to the inappropriate use and abuse of opioids. The widespread use of opioids in the 1990's for chronic non-malignant pain originated for several reasons. First, opioids were shown to be effective for the short term management of non-malignant pain. (1) The short duration trials did not show the significant harms associated with the long term use of opioids. The long-term ramifications of opioid use have been demonstrated. Adverse events most commonly reported include constipation, nausea and vomiting, dizziness, and drowsiness. Much more serious long-term consequences of opioids have only been more clearly identified from observational and epidemiologic investigations, and include inhibition of endogenous sex hormone production, hypogonadism, infertility, immunosuppression, falls and fractures in older adults, neonatal abstinence syndrome, cardiac issues, including QT prolongation, sleep-disordered breathing, opioid induced hyperalgesia, nonfatal overdose hospitalizations, emergency department visits, drug diversion and death from unintentional poisoning. (2)

The second plank in the platform justifying the use of opioids was provided by the pharmaceutical industry. False claims regarding the long term efficacy and safety of this class of drugs were made by the several big pharma representatives. One pharmaceutical company was forced to pay over 600 million dollars acknowledging that they misled clinicians regarding the efficacy and safety of the long term use of their products (oxycontin). (3)

The third component of the opioid crisis was the willful and naïve participation of the medical community, often associated with conflicts of interest. Freedom from pain became a "human right", and medical advocates working for pain societies championed high dose opioids as a solution to the

Manitoba Public Insurance Page 1 of 12

burden of chronic pain. (4) These three main factors prompted physicians to prescribe opioids in record numbers, ultimately harming many patients and contributing to a societal epidemic.

To learn from this socio-cultural lesson and prevent another iatrogenic crisis, several safeguards need to be considered before herbal cannabis can be considered medically required for the treatment of pain. Multi-year trials are required to document the efficacy and safety of herbal cannabis in the treatment of pain and restoration of function. Patients may report initial benefit from smoking cannabis, and as with many mood altering substances such as alcohol, opioids, benzodiazepines and cocaine, experience temporary relief from pain or anxiety. Short term benefit in pain may come at a long term cost, as with opioids. The harms of long term cannabis use are well documented. The claims of the cannabis industry need to be carefully scrutinized for exaggeration and embellishment.

Guidelines from the medical community need to be forensically examined for conflict of interest and conclusions that are not supported by the medical evidence. The evidence of harm from herbal cannabis in long term users far outweighs any evidence of benefit documented in short term trials in a limited number of patients.

No long term trials evaluating the safety and efficacy of herbal cannabis for the treatment of pain have been published. The longest trial studying herbal cannabis for pain is less than one month in duration. (5) The limited number of studies of herbal cannabis for pain relief have had small sample sizes as well as short exposure to the drug. There have been few if any functional outcomes measured. Return to work and other occupational outcomes have not been evaluated.

Research regarding herbal cannabis has some unique difficulties. Commentators have observed that it is very difficult to blind cannabis users in the experimental context. (6) Blinding can be a challenge when the active treatment is difficult to disguise from placebo, as with herbal cannabis. The design of analgesic clinical trials usually involves a comparison between placebo and the active study medication. An assumption is made that treatment effects can be approximated by subtracting the

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response to placebo from that attained with the use of active study medication. However, the psychoactivity of cannabinoids may unmask their presence and lead to an over-statement of pain relief. For example, study participants biased toward the belief that cannabis is beneficial for their condition might be more inclined to report positive effects if they were to accurately identify the active treatment because of its perceptual effects. This may lead to incorrect assumptions regarding the efficacy of a cannabinoid. (6) Recognizable side-effects such as distorted thinking, or jocularity might lead to poor concealment of group allocation. This could cause false conclusions regarding the results of a clinical trial. Compared with trials in which authors reported adequately concealed treatment allocation, trials in which concealment was either inadequate or unclear yielded larger estimates of treatment effects.

Odds ratios were exaggerated by 41% for inadequately concealed trials and by 30% for unclearly concealed trials after adjustment for other aspects of quality. (6)

In contrast to the dubious benefits of cannabis, the harms associated with use are well known.

Cannabis is a potent, psychoactive substance that can have significant harmful acute and chronic cognitive effects. Its acute effects can include perceptual distortions, cognitive impairment, euphoria, and anxiety. The use of cannabis may be associated with persisting neuropsychological deficits, even after a period of abstinence. (7) Patient access to herbal cannabis has been mandated by the courts.

Physicians are not allowed to *prescribe* herbal cannabis given that Health Canada has not reviewed data on its safety or effectiveness and has not approved it for therapeutic use for the treatment of any medical condition. Physicians can only *authorize* this drug for their patients, to prevent legal difficulties faced by patients interested in using this substance.

There is a complete absence of long term trials indicating that herbal cannabis is an effective and safe treatment for pain. (7) The medical evidence that herbal cannabis is an effective pain reliever is limited and weak. (7) Several meta-analyses have documented this. Only five randomized controlled trials with a total of 178 patients were found in a 2015 meta-analysis. (8) The longest trial was two

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weeks in duration. The authors concluded that five to six patients needed to be treated to have one patient demonstrate significant pain relief from the use of herbal cannabis. Kahan documented that as of 2014, there had only been a few studies evaluating the safety and efficacy of herbal cannabis for pain.

(7)

In contrast, the evidence indicating that long term use of herbal cannabis is associated with significant harms is considerable and alarming. (9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31) The following are the adverse effects long-term or heavy use of herbal cannabis.

- Impaired short-term memory making it difficult to learn and retain information
- Impaired motor coordination interfering with driving skills and increasing the risk of injuries.
- An increase in road traffic accidents including fatal crashes.
- Altered judgment, increasing the risk of sexual behaviors that facilitate the transmission of sexually transmitted diseases.
- Sympathomimetic toxicity
- Intractable vomiting
- Paranoia and psychosis.
- Addiction. (Generally around 10% of users, 17% of those who begin use in adolescence and up to 50% of those who are daily users will become addicted)
- Altered brain development.
- Lower verbal memory, processing speed, as well as deficits in attention.
- Adverse educational outcomes with increased likelihood of dropping out of school.
- Cognitive impairment with lower IQ among those who are frequent users during adolescence.

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- Problems with finances
- Conflict in relationships
- Diminished life satisfaction and achievement
- Chronic bronchitis/sputum production/wheezing.
- Increased risk of chronic psychotic disorders including schizophrenia
- Respiratory cancers.
- Increase risk of depression.
- Two to four-fold risk of suicide in regular users.
- Three to four fold risk for myocardial infarction and stroke.
- Two to three fold risk for testicular cancers.
- Increased risk of abusing other addictive substances.
- Increased risk of unemployment, welfare use and worklessness.
- Decreased motivation to work. (9, 10,11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24,25, 26, 27, 28, 29, 30, 31)

Cannabis has historically been assumed to have low acute toxicity. Recent data challenges this supposition. Cannabis was found in 26% of those patients presenting to emergency rooms with acute substance toxicity. The problems were characterized by central nervous system depression, sympathomimetic toxicity, and psychiatric disorders. (32)

Morbidities related to the long term use of herbal cannabis are a major public health problem. ((9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24,25, 26, 27, 28, 29, 30, 31) Cannabis dependence is the most common harm. Those who are dependent on cannabis have a higher risk of experiencing the negative consequences of using the drug, such as short-term memory impairment, mental health problems, and respiratory diseases. (9) Regular use and dependence can also lead to problems with finances, conflict in relationships with family and friends, as well as employment

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problems. For those who smoke herbal cannabis, there is a risk of increased chronic cough, sputum production, wheezing and bronchitis, even after controlling for tobacco use. Cardiovascular manifestations such as stroke and heart attack are also potential health risks. There are several adverse mental health risks including depression, anxiety, bipolar disorder, as well as poor academic achievement when cannabis use is adopted in adolescence. The risk of psychotic disorders including schizophrenia is a significant consequence. (9)

Growing evidence suggests that regular cannabis users are more likely to report suicidal ideation and attempts. (9, 10, 11, 12, 13, 14) There is also evidence of non-suicidal self-injury. Daily cannabis use was associated with a four fold increased incidence of suicide among men. A study of 19,000 medicolegal death investigations toxicological findings indicated that the presence of THC was related to the use of a violent suicide method. Alcohol intoxication was not related to any violent suicide method. (12) Cannabis use is associated with suicidal ideation and suicide attempts. All levels of cannabis use are related to suicidal ideation, regardless of duration. (13, 14)

Herbal cannabis use has persisting negative effects on brain function and structure in adolescents and adults. There is an increase in learning errors, as well as structural changes in critical brain areas including the hippocampus and the corpus callosum. (15) Cannabis users demonstrate lower verbal memory, processing speed, as well as deficits in attention. MacDonald stated that there are broad spectrum lasting effects leading to underachievement mediated by disruptions of critical developmental of brain circuits (gyrification) that lead to a "broad spectrum of abridgement of human potential". (15) Heavy cannabis use has not been studied, because it is unethical. (15) Heavy use has been described as those who have used cannabis more than 50 times. This volume of use is associated poor psycho-social outcomes. (30) Individuals treating chronic pain would surpass this volume of use in the first month of treatment if following current recommendations. (7) Therapeutic use of this magnitude has never been studied.

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Substantial scholarship is required to justify herbal cannabis as medically required in the rehabilitation of claimants injured in car crashes and workplace injuries. This is particularly important, as the use of herbal cannabis has been well documented as being associated with adverse employment outcomes and worklessness. Ferguson et al demonstrated that increasing cannabis use in late adolescence and early adulthood is associated with poorer educational outcomes, lower income, greater welfare dependence and unemployment and lower relationship and life satisfaction. (29) Danielson et al showed that heavy cannabis use among Swedish men in late adolescence appears to be associated with unemployment and being in need of social welfare assistance in adulthood. (30) These associations are not explained fully by other health-related, social or behavioral problems. Hyggen showed that In Norway, the use of cannabis is associated with a reduction in work commitment among adults. (31)

The potential negative effect of cannabis on the return to work process needs to be carefully evaluated in long term studies before it can be considered medically required in claimants. Research trials involving claimants injured in car crashes and workplace accidents who use herbal cannabis over a long treatment interval are needed. Claimants face several rehabilitative obstacles not encountered in all pain patients. The interface between pain, impairment, disability, work, case managers and other medicolegal influences doubles the risk of a negative outcome in this group. (33, 34) The subjects in herbal cannabis trials to date have not been claimants, but individuals with specific types of neuropathic pain that are not representative of the problems faced by claimants injured in car crashes and work injuries. The well documented deleterious effects of herbal cannabis on employment status, cognitive function, motivation, and self-injurious behavior will need to be carefully evaluated in this context. In addition, herbal cannabis use shows a strong relationship with anxiety, mood disorders, as well as suicidal thoughts, all conditions that are more common in the injured worker and other claimants. (7) Cannabis use can trigger anxiety and panic attacks, especially at high doses. Cannabis use can worsen psychiatric impairment in patients with anxiety disorders.

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The use of herbal cannabis for the treatment of chronic pain would interfere with an individual's autonomy, as users are not to drive for up to 6 hours after use. (7) At the recommended dosing schedule of inhalation three times a day, many users would never be able to drive. Herbal cannabis use would provide an obstacle to engaging in occupations requiring cognitive alertness, motor coordination, memory and attentiveness.

The medical literature at this time documents serious potential harms with chronic cannabis use, and sparse benefit. However, this has not prohibited major medical regulatory officials from issuing supportive statements for cannabis use that do not seem justified by the evidence. The National Academy of Science published the following conclusion:

CONCLUSION 4-1 There is substantial evidence that cannabis is an effective treatment for chronic pain in adults. (35)

The evidence justifying the conclusion with regard to smoked herbal cannabis? One paper studying 25 cannabis smokers with neuropathic pain due to HIV. The trial lasted for 5 days. (36) The National Academy relied heavily on one meta-analysis, which again, evaluated only the one publication on smoked cannabis and pain noted above. (36, 37) The use of cannabinoid medications was conflated with smoked herbal cannabis.

Recommendations for the use of smoked cannabis in the treatment of pain were also published in the Canadian Family Physician. (7) The paper included the following conclusion:

Smoked cannabis is indicated for severe neuropathic pain that has failed to respond to standard treatments (level II evidence).

This recommendation was given despite the author's observation that the evidence supporting smoked cannabis for pain was limited and weak. The authors noted that only five controlled trials have examined smoked cannabis for the treatment of chronic pain. The trials had small sample sizes and only lasted between 1 and 15 days. Other important outcomes including functional status or quality of life

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were not measured because the trials were only a few days' duration. The authors did note numerous contra-indications to the use of herbal cannabis, as well as multiple complications. (7) It seems incomprehensible that a recommendation for chronic use of a substance with numerous harms could be justified by trials of two weeks duration.

The current medical literature does not establish that herbal cannabis is medically required for the treatment of chronic non-malignant pain. Studies of a limited number of poorly blinded patients over a few weeks do not justify the use of this substance which has been associated with so much harm in long term recreational users. Recommendations made by regulatory bodies need to be based on long term trials that fully investigate the potential benefits and potential harms. Careful vetting of all those who contribute to guidelines needs to be conducted for conflict of interest.

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CAC (MPI) 1-77

Part and Chapter:	Part VIII External Actuary Report	Page No.:	5-6					
PUB Approved Issue No:	11. Claims forecasting 15. Run-off of prior year claims durin	1. Claims forecasting 5. Run-off of prior year claims during 2020/21						
Topic:	2017 PIPP Strategic Review and Cent	2017 PIPP Strategic Review and Centralized Reserving						
Sub Topic:								

Preamble to IR:

In Part VIII, External Actuary Report, pages 5-6, MPI states:

- "7 For long term Personal Injury Protection Plan coverages with benefits extending
- 8 beyond 24 months, the dedicated centralized reserving unit (established in 2018)
- 9 continues to review the adequacy and accuracy of case reserves. This process results
- 10 in earlier and more consistent reporting of long term case reserves.
- 11 For Weekly Indemnity, runoff from experience in the first seven months of fiscal year
- 12 2020/21 was favourable on an overall basis. This is mainly due to lower than
- 13 anticipated reported case reserves in prior years.
- 14 For Accident Benefits Other (ABO) Indexed, runoff from experience in the first seven
- 15 months of fiscal year 2020/21 was unfavourable on an overall basis. This is
- predominantly the result of a concerning adverse development in prior loss years.
- 17 However, this adverse development largely appears to be the result of several one
- 18 time, isolated claims events (e.g. a major unexpected change in the personal care
- 19 needs of catastrophic claims). In response to this development, MPI increased the

- 20 assumed tail factors to recognize the experience, at least in part. Partially offsetting
- 21 this increase is a decline in the use of rehabilitation and other treatments resulting
- from the COVID 19 pandemic, this resulted in a favourable 1 runoff from recent loss
- 2 years.
- 3 ABO Non-Indexed shows favourable runoff, generally in the 2015 and 2016 insurance
- 4 years. MPI held case reserve estimates due to a backlog of permanent impairment
- 5 claims that occurred in these insurance years. It subsequently cleared out this backlog
- and attained better than expected results, relative to the case reserve estimates.

 MPI
- 7 expects that its remaining case reserves contain no redundancies."

In the 2021 GRA, the 2017 strategic review of PIPP and the centralized reserving unit were discussed in CAC (MPI) 1-6, CAC (MPI) 2-6, PUB (MPI) 1-12 and PUB (MPI) 1-13. MPI indicated in response to IRs in the 2021 GRA that changes flowing from the 2017 PIPP review and centralized reserving would continue to be seen over time. For example, in response to PUB (MPI) 1-13, MPI stated:

"MPI expects these methodologies to converge and stabilize over the next several years."

QUESTION:

Please provide an update with respect to the outcomes flowing from MPI's strategic review of PIPP in 2017 and the establishment of the dedicated centralized reserving unit (established in 2018) in terms of successes, challenges and uncertainties and whether it is delivering on the improvements in claims management and reserving expected.

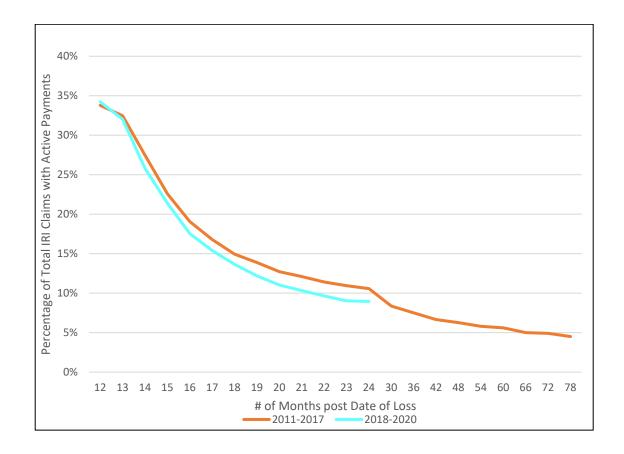
RATIONALE FOR QUESTION:

To better understand the outcomes, especially on claims management and reserving, flowing from the PIPP review of 2017.

RESPONSE:

A reduced claims duration resulted from the improved claims management that flowed from the 2017 review. The figure below demonstrates that, in the more recent loss years (2018-2020), fewer claims remain active beyond the 2 year (24 month) stage.

Figure 1 Income Replacement Disability Duration Percentage of Claims
Ongoing



Centralized reserving improved the stability and posting of reserves earlier in the lifecycles of claims. Successes include predictable review cycles and a continued emphasis on utilizing data to support reserving. The most significant success however, is that reserves now reflect exposure without application of bias when assessing the ability of claimants to return to work.

The recent years show evidence of earlier reporting, an outcome MPI anticipated from the use of centralized reserving for Weekly Indemnity and Accident Benefits – Other (ABO) Indexed. These years also show lower loss development factors (LDFs) in later stages of development for Weekly Indemnity, another positive outcome that aligns with outcome expectations. As seen in *External Actuary Review Attachment A, Exhibit 3, Sheet 5, MPI* experienced favourable runoff in the Weekly Indemnity following its valuation in March 2021. This outcome is largely the result of the gradual recognition of experience from the Centralized Reserving process.

There continues to be adverse variation in the runoff experience of ABO – Indexed, which is largely attributable to several one time, isolated claims events (e.g. a major unexpected change in the personal care needs of a catastrophic claimant). MPI continues to evaluate these entitlements to increase the stability, while appreciating that the lifecycles of PIPP claims can quickly change for some injuries and that it can take time for new patterns to develop.

COVID-19 caused disruptions that will hamper the ability of MPI to evaluate trends and select new LDFs based on centralized reserving. MPI currently requires more evidence to confidently change the LDF selections for ABO – Indexed.

Due to the lifecycles of PIPP claims and the disruption caused by COVID-19, MPI will continue to evaluate these methodologies as they converge and stabilize over the next several years.

CAC (MPI) 1-78

Part and Chapter:	PART VII Investments	Page No.:	26				
PUB Approved Issue No:	8. Performance of investment portfolio, composition, etc						
Topic:	Improvements to the Current ALM Strategy						
Sub Topic:	Completion portfolio						

Preamble to IR:

MPI has established a new portfolio 'completion portfolio'. On page 26 of Part VII (Investments) it states the following:

- "15 Improvements to Current ALM Strategy
- 16 On May 31, 2021, MPI implemented a refinement to the current dollar and duration
- 17 matching strategy in order to better protect it from both parallel and non-parallel
- 18 changes in interest rates. MPI accomplished this by establishing a new portfolio, called
- 19 the "completion portfolio", to be managed by Addenda Capital. Going forward,
- 20 Addenda will be responsible for ensuring that the dollar value, duration and convexity
- 21 of the total Basic Claims asset portfolio matches the dollar value, duration and
- 22 convexity of the Basic Claims liabilities on a daily basis. Addenda will monitor the
- 23 duration and convexity of the Provincial bonds, non-marketable bonds and corporate
- 24 bonds and will adjust the duration of the completion portfolio as required in order to
- 25 ensure that that the overall duration and convexity are matched to the claims
- 26 liabilities. This strategy is called moment matching and is expected to reduce the
- 27 corporation's interest rate risk by 40% to 50% with minimal impact on the yield of the
- 28 portfolio."

QUESTION:

- a) Please provide a copy of the manager investment objectives and mandate agreed to by Addenda Capital.
- b) Please file the cost benefit analysis for this new portfolio, including the costs of employing Addenda Capital, and the forecast of benefits to MPI by protecting against parallel and non-parallel changes in interest rates.
- c) Please provide a listing of the investments included in the 'completion portfolio'.
- d) Please provide the performance analysis from inception to-date of the 'completion portfolio'.

RATIONALE FOR QUESTION:

To assess and understand the new investment portfolio established by MPI to mitigate interest rate risk.

RESPONSE:

- a) Please see the following documents:
 - <u>Attachment A</u>: Investment Policy MPI Completion Mandate
 - <u>Attachment B</u>: First Amendment to the Investment Management Agreement
- b) MPI expects the benefits of implementing moment matching (\$1.8 million) to be significantly larger than the associated costs (\$60,000).
 - Based upon the assets managed by Addenda at June 30, 2021 the annual cost is estimated at \$240,000; MPI expects the fees paid to the Province of Manitoba for these assets to be reduced by \$180,000 in the near future, meaning that the incremental cost for this mandate will be \$60,000.

MPI expects the moment matching strategy to reduce its interest rate risk by approximately 40% by carving out the portfolio MUSH assets and matching to specific liabilities and also providing better protection from non-parallel shifts in the yield curve. Addenda estimated that the return differentials between the Basic Claims assets & liabilities would decrease from 0.201% to 0.116% after implementing moment matching. As a result, implementing moment matching is estimated to reduce surplus volatility by approximately \$1.8 million (Basic Claims asset value at June 30, 2021 x reduction in volatility = \$2,139 million x 0.085%) over one year with 67% confidence (i.e. one standard deviation of events or 2/3 of the observations).

- c) See <u>Attachment C</u> for a listing of the investments included in the "completion portfolio".
- d) As MPI fully implemented the "completion portfolio" in early June 2021, it remains too early to provide any meaningful performance analysis.



Investment Policy

MPI Completion Mandate

May 14, 2021

1. General

The Manitoba Public Insurance Corporation (the "Client") holds asset portfolios (the "Basic Claims Portfolio") in order to pay liabilities (the "Basic Claims Liabilities") as they come due and to provide investment income from interest, dividends and capital gains that will assist in stabilizing premiums payable by policy holders.

One of these portfolios is the Basic Claims Portfolio and its objective is to back policyholder claims and ensure funds are available as liabilities come due and to minimize interest rate risk through duration matching. This portfolio is comprised of the MUSH Portfolio and Marketable Portfolio and their respective components are as follows:

MUSH Portfolio

Manitoba rural municipality, school division and health-care facility bonds

Marketable Portfolio

- Government bonds
- Corporate bonds (managed by Addenda)
- Short term
- Completion bond portfolio (managed by Addenda)

The MPI completion bond portfolio (the "Completion Mandate") aims to complement the other assets of the Basic Claims Portfolio in order to have the interest rate sensitivity of the total assets of the Basic Claims Portfolio closely match the interest rate sensitivity of the Basic Claims Liabilities.

This Investment Policy document applies to the Completion Mandate and is indented to provide a framework and, set of rules under which Addenda Capital Inc. (the "Manager") shall abide by.

Should this document conflict with the official Investment Policy Statement found in Schedule B of the Investment Management Agreement, then the official Investment Policy Statement will prevail.

2. Investment Objective

The Completion Mandate's primary objective is to ensure, to the extent possible, that the value of the Basic Claims Portfolio does not decline relative to the value of liabilities. To meet this goal, the Basic Claims Portfolio is expected to track the return of a liability

benchmark (the "Liability Benchmark").

3. Liability Benchmark

The Liability Benchmark has two components, the MUSH Liability Benchmark and the Market Liability Benchmark.

The MUSH Liability Benchmark is defined as the present value of the expected liability cash flows matching the MUSH Portfolio's cash flows, discounted using the book yield of the MUSH Portfolio adjusted for the margins determined by the Client from time to time.

The Market Liability Benchmark is the present value of the remaining liability cash flows (ex-MUSH), discounted using a custom interest rate curve produced by the Manager. The discount rate curve should be a reasonable proxy to the yield curve underlying the Marketable Portfolio. The discount rate curve is adjusted by the margins determined by the Client from time to time.

4. Permitted Investments

The Completion Mandate may be invested in the following:

- 4.1. Cash, T-bills or short-term notes with maturity of less than one year at the time of purchase, denominated in Canadian dollars.
- 4.2. Bonds and debentures issued or guaranteed by the Government of Canada, its agencies and Crown corporations, by any province of Canada, its agencies and Crown corporations or by any Canadian municipality, denominated in Canadian dollars.
- 4.3. Bonds included in the FTSE Canada Universe Government Index, at the time of purchase.
- 4.4. Units of any Addenda pooled fund as authorized by the Client.

5. Risk Management

Credit rating means the rating of a debt security issued by Dominion Bond Rating Service ("DBRS"), S&P Global Ratings ("S&P") or Moody's. In the event of one or more ratings differing from the others, the majority rating will prevail, or, in the event of all three ratings differing, the median rating shall prevail. In the event that there are only two ratings available, the more conservative rating will prevail. For short term securities, credit rating means the rating issued by DBRS.

The Manager shall have full discretion as to the structure of the Completion Mandate and as to the amount invested in any security, subject to the following conditions:

- 5.1. Short term securities must have a minimum credit rating of R1-low at the time of purchase.
- 5.2. Fixed income securities, other than listed in Section 5.1, must have a minimum credit rating of A-low at the time of purchase.
- 5.3. The Marketable Portfolio's first moment may range from +/- 0.25 year in relation to the first moment of the Market Liability Benchmark.
- 5.4. No more than 10% calculated on the Completion Mandate's total market value shall be in invested in fixed income securities issued by Canadian municipalities.
- 5.5. No more than 15% calculated on the Completion Mandate's total market value shall be in invested in fixed income securities that are not guaranteed by the Government of Canada, its agencies and Crown corporations, by any province of Canada, its agencies and Crown corporations. These limitations do not apply to securities described in Section 5.4.
- 5.6. No more than 10% calculated on the Completion Mandate's total market value shall be invested in any single issue.
- 5.7. In the event of a downgrade of a Completion Mandate's security causing a compliance breach, the Manager will advise the Client and shall specify the action that will be taken in the best interest of the Client.

6. Securities Lending

The Portfolio may not carry out securities lending operations.



First Amendment to the Investment Management Agreement

First Amendment dated May 14, 2021 to the Investment Management Agreement (the "IMA") dated April 8, 2019.

BETWEEN: HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF

MANITOBA AS REPRESENTED BY THE MINISTER OF FINANCE AS AGENT FOR THE MANITOBA PUBLIC INSURANCE CORPORATION, having a place of business or its head office or residence located at 929 - 234 Donald Street, Winnipeg, Manitoba R3C 4A4, herein acting and represented by duly authorized officer(s) as he (they) so declare(s) in Schedule A

of the IMA;

(hereinafter referred to as the "Client")

AND: ADDENDA CAPITAL INC., a company duly incorporated, with

its head office located at 800 René-Lévesque Blvd. West, Suite 2750, Montréal, Québec, H3B 1X9, herein acting and

represented by a duly authorized officer;

(hereinafter referred to as "Addenda")

(hereinafter collectively referred to as the "Parties")

WHEREAS the Parties have entered into the IMA on April 8, 2019;

WHEREAS under Section 3.2 of the IMA, Addenda was awarded the discretionary authority to manage a corporate bond mandate whereby Addenda would invest in the Addenda Corporate Bond Pooled Fund and the Addenda Corporate Long Bond Pooled Fund defined as the Initial Pooled Investments as well as a segregated account that is defined as the Basic Claims Portfolio;

WHEREAS the reference to Basic Claims Portfolio in Section 3.2 b) can be misleading and should be replaced by "Segregated Account Portfolio"

WHEREAS the Parties wish to define the Initial Pooled Investments and the Segregated Account Portfolio as being the "Initial Mandate");

WHEREAS in accordance with Section 3.1.c) of the IMA, the Initial Mandate was subject to the Investment Policy described in Schedule B of the IMA;

WHEREAS the Client wishes to award Addenda an additional mandate to manage a liability driven investment/completion portfolio mandate (the "Completion Mandate");

WHEREAS Section 5.1 e) of the IMA, mentions that Addenda will pay a referral fee to BFinance on the initial value of the Client's Initial Mandate and of any subsequent related investments within the first 3 years in accordance with the terms of the request for proposal conducted by BFinance;

WHEREAS the Completion Mandate awarded to Addenda is not directly related to the Initial Mandate that was awarded further to the request for proposal conducted by BFinance and should not be considered as a subsequent related investment;

WHEREAS the Parties wish to amend the IMA by modifying and restating Clause 3.2 b), modifying Schedule B - Investment Policy and deleting Schedule D - Management Fees dated April 8, 2019, in its entirety and replacing it with the attached Schedule D - Management Fees dated May 14, 2021.

NOW THEREFORE, for good and valuable consideration, the Parties agree to amend the IMA as follows:

- Section 3.2 b) of the IMA is amended and restated as follows:

"To make discretionary decisions and perform discretionary transactions with respect to the Portfolio, relating to the investment, disposition and reinvestment of the Client's assets. The Investment Manager confirms that the Portfolio will initially include a \$50 million allocation to the Addenda Corporate Bond Pooled Fund and a \$90 million allocation to the Addenda Corporate Long Bond Pooled Fund (collectively, the "Initial Pooled Investments") and the Investment Manager shall provide ninety (90) days written notice to the Client in the event the Investment Manager determines to dispose of such Initial Pooled Investments. The Investment Manager also confirms that it will manage a segregated account for the Client's Basic Claims Portfolio (the "Segregated Account Portfolio"). The Segregated Account Portfolio shall only be invested in investment grade Canadian corporate bonds and will be benchmarked against a 50/50 split of the FTSE TMX mid-term corporate bond index and the FTSE TMX long-term corporate bond index. For greater certainty, Addenda shall not invest the Segregated Account Portfolio in any U.S. limited partnership or U.S. limited liability company. The Initial Pooled Investments and the Segregated Account Portfolio are hereinafter referred to as the "Initial Mandate"; and"

- -The Client and Addenda agree that Clause 5.1 e) shall not apply to the Completion Mandate;
- Schedule B Investment Policy dated April 8, 2019, shall be amended by adding the attached investment policies pertaining to the Completion Mandate and the Initial Mandate;
- Schedule D Management Fees dated April 8, 2019, shall be deleted in its entirety and replaced with the attached Schedule D Management Fees dated May 14, 2021.

The Schedule D - Management Fees shall be effective as of May 14, 2021.

All other terms and conditions of the IMA shall remain unchanged.

IN WITNESS WHEREOF the Parties have executed this Amendment on 2021.

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF MANITOBA AS REPRESENTED BY THE MINISTER OF FINANCE AS AGENT FOR THE MANITOBA PUBLIC INSURANCE CORPORATION

(Name of Client)

? / / / // F

ame: D. DELISHE

Title: ASSISTANT DEPUTY MINISTER

TREASURY DIVISION

er:

Name: Title: Scott Wiebe Director Treasury Operations Province of Maniloba

ADDENDA CAPITAL INC.

Per:

Name: Roger J. Beauchemin

Title: President and Chief Executive

Officer

Schedule B — Investment Policy

Refer to attached document

Portfolio Valuation

ADDENDA

CAPITAL

For the month ending June 30, 2021

MONTRÉAL

800 René-Lévesque Blvd. West Suite 2750 Montréal (Québec) H3B 1X9 514-287-7373 1-866-855-7373

GUELPH

130 Macdonell Street Priory Square Guelph (Ontario) N1H 6P8 519-767-3902

REGINA

1920 College Avenue Regina (Saskatchewan) S4P 1C4 306-347-6276

TORONTO

110 Yonge Street Suite 1600 Toronto (Ontario) M5C 1T4 416-943-1010

addendacapital.com

Manitoba Public Insurance - Completion Mandate AS414

Portfolio Summary

As of June 30, 2021 (on trade date basis)

Manitoba Public Insurance - Completion Mandate

Account Number: AS414

Currency: CAD

BOOK VALUE

MARKET VALUE (CLOSING PRICE)

	Total Cost	Book Yield	Market Value	Market Yield	Accrued Income	Total Market Value	Modified Duration	Market Value
	\$	%	\$	%	\$	\$	years *	%
TOTAL Cash	36,233	0.00	36,233	0.00	0	36,233	0.00	0.01
FIXED INCOME								
Money Market								
Canada	349,860	0.19	349,860	0.19	51	349,911	0.14	0.08
	349,860	0.19	349,860	0.19	51	349,911	0.14	0.08
<u>Bonds</u>								
Canada	403,400,447	2.18	413,916,826	2.28	1,099,495	415,016,321	16.96	99.91
	403,400,447	2.18	413,916,826	2.28	1,099,495	415,016,321	16.96	99.91
TOTAL Fixed Income	403,750,307	2.18	414,266,686	2.28	1,099,546	415,366,232	16.95	99.99
PORTFOLIO TOTAL	403,786,539	2.18	414,302,919	2.28	1,099,546	415,402,465		100.00

^{*}The modified duration applies to fixed income securities only.

Account Number: AS414

Currency: CAD

Portfolio Valuation

As of June 30, 2021 (on trade date basis)

SECURITY DESCRIPTION BOOK VALUE					MARKET VALUE (CLOSING PRICE)							
Par Value / Issuer Quantity	Coupon / Maturity / Class Dividend	Average Unit Cost	Total Cost	Book Yield	Market Price	Market Value	Market Yield	Accrued Income	Total Market Value	Modified Duration		
	% / \$ (yyyy-mm-dd)	(local curr.)	\$	%	(local curr.)	\$	%	\$	\$	years *	%	
CASH												
36,233 CANADIAN DOLLAR		1.000	36,233	0.00	1.000	36,233	0.00		36,233	0.00	0.01	
TOTAL CASH			36,233	0.00		36,233	0.00	0	36,233	0.00	0.01	
FIXED INCOME MONEY MARKET Canada Discount Notes												
350,000 NEWFOUND & LAB T/B	DISC. 2021-08-19	99.960	349,860	0.19	99.960	349,860	0.19	51	349,911	0.14	0.08	
Sub-total Discount Notes			349,860	0.19		349,860	0.19	51	349,911	0.14	0.08	
Sub-total Canada			349,860	0.19		349,860	0.19	51	349,911	0.14	0.08	
SUB-TOTAL MONEY MARKET			349,860	0.19		349,860	0.19	51	349,911	0.14	0.08	
Government Federal Government Regular Bonds 12,600,000 CANADA GOVT Sub-total Regular Bonds Sub-total Federal Government Provincial Guaranteed and Non-Guarant	2.750 2064-12-01 eed	118.200	14,893,200 14,893,200 14,893,200	2.11 2.11 2.11	125.275	15,784,683 15,784,683 15,784,683	1.89 1.89 1.89	27,530 27,530 27,530	15,812,213 15,812,213 15,812,213	27.31	3.81 3.81 3.81	
Regular Bonds												
10,000,000 ALBERTA PROV	3.100 2050-06-01	103.942	10,394,200	2.90	107.437	10,743,728	2.73	24,630	10,768,358	19.37	2.59	
7,500,000 ALBERTA PROV	2.950 2052-06-01	101.400	7,605,000	2.88	104.613	7,846,012	2.73	17,579	7,863,591		1.89	
20,300,000 BC PROV	4.300 2042-06-18	123.822	25,135,780	2.70	130.492	26,489,911	2.43	28,698	26,518,609		6.39	
8,200,000 HYDRO QUEBEC	2.100 2060-02-15	83.454	6,843,228	2.80	86.768	7,114,957	2.65	63,690	7,178,647		1.72	
20,000,000 MANITOBA PROV	3.150 2052-09-05 4.500 2037-04-17	95.037 122.650	19,007,400	3.37	110.421 123.316	22,084,244 18,497,350	2.66	201,945	22,286,190 18,634,199		5.33 4.46	
15,000,000 NEWFOUNDLAND PROV 27,000,000 ONTARIO PROV	3.150 2022-06-02	102.905	18,397,440 27,784,293	2.71 -1.24	102.624	27,708,516	2.68 0.25	136,849 64,467	27,772,983		6.69	
13,750,000 ONTARIO PROV	2.850 2023-06-02	102.903	14,390,774	0.00	104.395	14,354,250	0.25	30,678	14,384,929		3.46	
21,000,000 ONTARIO PROV	2.050 2030-06-02	106.428	22,349,880	1.19	101.146	21,240,639	1.91	33,025	21,273,663		5.13	
3,100,000 ONTARIO PROV	6.200 2031-06-02	136.952	4,245,498	1.81	137.805	4,271,968	1.98	14,744	4,286,712		1.03	
25,000,000 ONTARIO PROV	4.700 2037-06-02	138.445	34,611,200	1.78	130.916	32,728,942	2.36	90,137	32,819,079		7.90	
18,000,000 ONTARIO PROV	3.500 2043-06-02	113.467	20,424,102	2.59	116.314	20,936,482	2.53	48,329	20,984,810		5.05	

Account Number: AS414

Currency: CAD

Portfolio Valuation

As of June 30, 2021 (on trade date basis)

SECURITY DESCRIPTION BOOK VALUE MARKET VALUE (CLOSING PRICE)

Par Value / Quantity	Issuer	Coupon / Dividend	Maturity / Class	Average Unit Cost	Total Cost	Book Yield	Market Price	Market Value	Market Yield	Accrued Income	Total Market Value	Modified Duration	
		% / \$	(yyyy-mm-dd)	(local curr.)	\$	%	(local curr.)	\$	%	\$	\$	years *	%
20,000,000	ONTARIO PROV	2.800	2048-06-02	115.443	23,088,600	2.00	103.703	20,740,688	2.61	42,959	20,783,647	18.96	5.01
23,950,000	ONTARIO PROV	1.900	2051-12-02	83.436	19,982,826	2.68	84.719	20,290,307	2.63	34,843	20,325,150	22.17	4.90
5,800,000	QUEBEC PROV	2.750	2025-09-01	106.693	6,188,194	1.10	106.719	6,189,688	1.10	53,749	6,243,438	3.92	1.49
15,000,000	QUEBEC PROV	5.000	2041-12-01	134.488	20,173,250	2.66	140.831	21,124,702	2.45	59,589	21,184,291	14.07	5.10
11,100,000	QUEBEC PROV	4.250	2043-12-01	119.571	13,272,380	2.95	130.176	14,449,496	2.49	37,482	14,486,977	15.49	3.49
14,500,000	QUEBEC PROV	2.850	2053-12-01	101.958	14,783,910	2.76	105.649	15,319,127	2.59	32,053	15,351,179	21.38	3.70
Sub-tota	l Regular Bonds				308,677,955	1.97		312,131,005	2.17	1,015,446	313,146,451	13.76	75.34
Principal Stri	os												
35,000,000	HYDRO QUEBEC RES	0.000	2050-02-15	43.591	15,256,850	2.91	46.224	16,178,404	2.71	0	16,178,404	28.27	3.90
35,000,000	HYDRO QUEBEC RES	0.000	2055-02-15	38.100	13,335,000	2.88	40.705	14,246,618	2.69	0	14,246,618	33.21	3.44
27,000,000	ONTARIO PROV RES	0.000	2050-12-02	42.973	11,602,710	2.88	45.388	12,254,791	2.70	0	12,254,791	29.05	2.96
50,000,000	ONTARIO PROV RES	0.000	2051-12-02	42.202	21,101,000	2.85	44.593	22,296,354	2.67	0	22,296,354	30.04	5.38
Sub-tota	l Principal Strips				61,295,560	2.88		64,976,168	2.69	0	64,976,168	30.11	15.68
Sub-tota	l Provincial Guaranteed	and Non-Guara	nteed		369,973,515	2.12		377,107,173	2.26	1,015,446	378,122,619	16.58	91.02
<u>Municipal</u>													
Regular Bond	S												
17,350,000	CITY OF WINNIPEG	4.100	2045-06-01	106.823	18,533,731	3.56	121.181	21,024,971	2.87	56,518	21,081,489	16.04	5.07
Sub-tota	l Regular Bonds				18,533,731	3.56		21,024,971	2.87	56,518	21,081,489	16.04	5.07
Sub-tota	l Municipal				18,533,731	3.56		21,024,971	2.87	56,518	21,081,489	16.04	5.07
Sub-tota	l Government				403,400,447	2.18		413,916,826	2.28	1,099,495	415,016,321	16.96	99.91
<u>Sub-tota</u>	l Canada				403,400,447	2.18		413,916,826	2.28	1,099,495	415,016,321	16.96	99.91
SUB-TOT	AL BONDS				403,400,447	2.18		413,916,826	2.28	1,099,495	415,016,321	16.96	99.91
TOTAL FIXE	O INCOME				403,750,307	2.18		414,266,686	2.28	1,099,546	415,366,232	16.95	99.99
PORTFOLIO 1	<u> </u>				403,786,539	2.18		414,302,919	2.28	1,099,546	415,402,465	j	100.00
	•												

^{*}The modified duration applies to fixed income securities only.

Account Number: AS414

Manitoba Public Insurance - Completion Mandate

Currency: CAD

Outstanding Transactions

As of June 30, 2021 (on trade date basis)

DATES	TRANSACTION DESCRIPTION									GAIN / LOSS		
Trade Settlement Issuer	Coupon / Maturity / Class Dividend	Yield	Par Value / Quantity	Unit Price	Exchange Comm. Rate	Net Amount	Accrued Interest	Total Amount	Avg. Cost of Position Sold	Gain / Loss		
(yyyy-mm-dd)	% / \$ (yyyy-mm-dd)	%		(local curr.)	\$	\$	\$	\$	\$	\$		
FIXED INCOME												
Bonds												
Canada												
Purchase												
2021-06-29 2021-07-02 ONTARIO PROV	2.850 2023-06-02	0.53	3,950,000	104.420	(4,124,590	9,253	4,133,843	0	0		
2021-06-29 2021-07-02 QUEBEC PROV	2.750 2025-09-01	1.10	5,800,000	106.693	(6,188,194	53,749	6,241,943	0	0		
2021-06-30 2021-07-05 ONTARIO PROV	1.900 2051-12-02	2.64	2,150,000	84.660	(1,820,190	3,693	1,823,883	0	0		
						12,132,974	66,695	12,199,669	0	0		
Sale												
2021-06-29 2021-07-02 ONTARIO PROV	1.900 2051-12-02	2.66	6,000,000	84.000	(5,040,000	9,370	5,049,370	4,998,891	41,110		
2021-06-29 2021-07-02 QUEBEC PROV	2.850 2053-12-01	2.62	5,000,000	104.811	(5,240,550	12,103	5,252,653	5,097,900	142,650		
2021-06-30 2021-07-05 ONTARIO PROV	3.150 2022-06-02	-0.04	1,800,000	102.620	(1,847,160	5,126	1,852,286	1,852,286	-5,126		
						12,127,710	26,599	12,154,309	11,949,077	178,633		

Transactions Summary

From June 1st to June 30, 2021 (on trade date basis)

Manitoba Public Insurance - Completion Mandate

Account Number: AS414

Currency: CAD

		GAIN / LOSS					
Transaction Type	Commission	Net Amount	Accrued Interest	Total Amount	Avg. Cost of Position Sold	Gain / Loss	
	\$	\$	\$	\$	\$	\$	
Purchase	0	25,659,110	73,422	25,732,532	0	0	
Sale	0	21,060,022	32,351	21,092,373	19,737,943	172,514	

Detailed Transactions

Account Number: AS414

From June 1st to June 30, 2021 (on trade date basis)

Currency: CAD

DATES			TRA	ANSACTION DE	SCRIPTION						GAIN /	LOSS
Trade Settl	lement Issuer	Coupon / Maturity / Class Dividend	Yield	Par Value / Quantity	Unit Price	Exchange Rate	Comm.	Net Amount	Accrued Interest	Total Amount	Avg. Cost of Position Sold	Gain / Loss
(yyyy-mm-d	d)	% / \$ (yyyy-mm-dd)	%	Laurency	(local curr.)	nace	\$	\$	\$	\$	\$	\$
FIXED INCOME												
Money Market												
<u>Canada</u>												
Purchase												
2021-06-03 2021	-06-03 NEWFOUND & LAB T/B	DISC. 2021-08-19	0.19	1,000,000	99.960		0	999,600	0	999,600	0) (
2021-06-03 2021	-06-03 ONTARIO PROVINCE T/B	DISC. 2021-09-01	0.14	500,000	99.965		0	499,825	0	499,825	0) (
							0	1,499,425	0	1,499,425	0) (
Sale												
2021-06-07 2021	-06-07 NEWFOUND & LAB T/B	DISC. 2021-08-19	0.20	650,000	99.960		0	649,740	0	649,740	0) (
2021-06-07 2021	-06-07 ONTARIO PROVINCE T/B	DISC. 2021-09-01	0.19	500,000	99.965		0	499,825	-50	499,775	0) (
							0	1,149,565	-50	1,149,515) (
Bonds							Ü	1,117,303	30	1,117,313		`
Canada												
Purchase												
	-06-03 QUEBEC PROV	4.250 2043-12-01	2.64	1,100,000	127.180		0	1,398,980	256	1,399,236	0) (
	-06-04 CANADA GOVT	0.250 2022-11-01	0.25	1,100,000	100.005		0	1,100,055	256	1,100,311	0	
	-06-07 ALBERTA PROV	2.950 2052-06-01	2.88	7,500,000	101.400		0	7,605,000	3,637	7,608,637	0	
2021-06-18 2021		4.300 2042-06-18	2.42	300,000	130.760		0	392,280	141	392,421	0	
	-06-28 ONTARIO PROV	1.900 2051-12-02	2.62	1,800,000	85.022		0	1,530,396	2,436	1,532,832	0) (
	-07-02 ONTARIO PROV	2.850 2023-06-02	0.53	3,950,000	104.420		0	4,124,590	9,253	4,133,843	0) (
2021-06-29 2021	-07-02 QUEBEC PROV	2.750 2025-09-01	1.10	5,800,000	106.693		0	6,188,194	53,749	6,241,943	0) (
	-07-05 ONTARIO PROV	1.900 2051-12-02	2.64	2,150,000	84.660		0	1,820,190	3,693	1,823,883	0) (
							0	24,159,685	73,422	24,233,107) (
Sale								2 1,107,000	75,	2.,255,.67	· ·	•
	-06-07 CANADA GOVT	0.250 2022-11-01	0.23	1,100,000	100.002		0	1,100,022	279	1,100,301	1,100,055	· -3:
	-06-07 ONTARIO PROV	3.150 2022-06-02	0.23	5,000,000	102.852		0	5,142,600	2,158	5,144,758	5,145,239	
	-06-28 ONTARIO PROV	3.150 2022-06-02	0.03	1,500,000	102.675		0	1,540,125	3,366	1,543,491	1,543,572	
	I-07-02 ONTARIO PROV	1.900 2051-12-02	2.66	6,000,000	84.000		0	5,040,000	9,370	5,049,370	4,998,891	
	-07-02 QUEBEC PROV	2.850 2053-12-01	2.62	5,000,000	104.811		0	5,240,550	12,103	5,252,653	5,097,900	
	-07-05 ONTARIO PROV	3.150 2022-06-02	-0.04	1,800,000	102.620		0	1,847,160	5,126	1,852,286	1,852,286	
202. 00 30 2021	o. o. ominio i no	5.130 EdE 00 dE	0.04	1,000,000	.02.020				•			
							0	19,910,457	32,401	19,942,858	19,737,943	172,514

Account Number: AS414

Currency: CAD

Income Summary

From June 1st to June 30, 2021 (on trade date basis)

Transaction Type	Interest / Dividend \$
Interest	4,415,775

Detailed Income

Account Number: AS414

From June 1st to June 30, 2021 (on trade date basis)

Currency: CAD

Settlement Date	Issuer	Coupon / Dividend	Maturity / Class	Par Value / Quantity	Interest / Dividend	Exchange Rate	Interest / Dividend
(yyyy-mm-dd)		% / \$	(yyyy-mm-dd)	Quantity	(local curr.)	Rate	\$
FIXED INCOME							
Bonds							
<u>Canada</u>							
Interest							
2021-06-01	ALBERTA PROV	3.100	2050-06-01	10,000,000	155,000		155,000
2021-06-01	CANADA GOVT	2.750	2064-12-01	12,600,000	173,250		173,250
2021-06-01	CITY OF WINNIPEG	4.100	2045-06-01	17,350,000	355,675		355,675
2021-06-01	QUEBEC PROV	5.000	2041-12-01	15,000,000	375,000		375,000
2021-06-01	QUEBEC PROV	4.250	2043-12-01	10,000,000	212,500		212,500
2021-06-01	QUEBEC PROV	2.850	2053-12-01	19,500,000	277,875		277,875
2021-06-02	ONTARIO PROV	3.150	2022-06-02	35,300,000	555,975		555,975
2021-06-02	ONTARIO PROV	2.850	2023-06-02	9,800,000	139,650		139,650
2021-06-02	ONTARIO PROV	2.050	2030-06-02	21,000,000	215,250		215,250
2021-06-02	ONTARIO PROV	6.200	2031-06-02	3,100,000	96,100		96,100
2021-06-02	ONTARIO PROV	4.700	2037-06-02	25,000,000	587,500		587,500
2021-06-02	ONTARIO PROV	3.500	2043-06-02	18,000,000	315,000		315,000
2021-06-02	ONTARIO PROV	2.800	2048-06-02	20,000,000	280,000		280,000
2021-06-02	ONTARIO PROV	1.900	2051-12-02	26,000,000	247,000		247,000
2021-06-18	BC PROV	4.300	2042-06-18	20,000,000	430,000		430,000
							4,415,775

Part and Chapter:	Part VII Investments	Page No.:	54			
PUB Approved Issue No:	8. Performance of the investment portfolio					
Topic:	Investment performance rep	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, 2021 and June 30, 2021 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:

For the investment performance report as of March 31, 2021, please see PUB (MPI) 1-33(a). Ellement provides performance reports annually, at the corporation's fiscal year end; an investment report as of June 30, 2021 from Ellement is therefore not available.

Part and Chapter:	VII INV	Page No.:	PDF page 1412 Page 27 of 81				
PUB Approved Issue No:		4. Financial forecast 8. Investment portfolio					
Topic:	Investment Forecas	Investment Forecasts					
Sub Topic:	Return Assumptions	S					

Preamble to IR:

The investments forecast relies on a number of assumptions, including the Naïve Interest Rate Forecast

QUESTION:

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.

RATIONALE FOR QUESTION:

The appropriateness of the naïve interest rate forecast remains relevant to the investment forecasts

RESPONSE:

An update of the analysis is below. There are no material deviations from past results. The naïve forecast continues to be the best estimate of forecasting interest rates.

Figure INV- 1 Historical Analysis of SIRF, 50/50 & Naïve Forecast: 2005 to 2021 GRA

Line No.	Year	SIRF Forecast	Actual	Difference	50/50 Forecast	Actual	Difference	Naïve Forecast	Actual	Difference
INO.	I eai	ruiecasi	Actual	Dillelelice	FUIECASI	Actual	Dillelelice	FUIECASI	Actual	Difference
1	2005 GRA	4.86%	4.27%	0.58%	4.62%	4.27%	0.35%	4.38%	4.27%	0.11%
2	2006 GRA	4.41%	4.13%	0.28%	4.34%	4.13%	0.21%	4.27%	4.13%	0.15%
3	2007 GRA	4.49%	4.03%	0.46%	4.31%	4.03%	0.28%	4.13%	4.03%	0.10%
4	2008 GRA	4.19%	3.64%	0.55%	4.11%	3.64%	0.47%	4.03%	3.64%	0.39%
5	2009 GRA	3.73%	3.13%	0.60%	3.69%	3.13%	0.56%	3.64%	3.13%	0.51%
6	2010 GRA	2.87%	3.39%	-0.52%	3.00%	3.39%	-0.39%	3.13%	3.39%	-0.26%
7	2011 GRA	4.00%	3.30%	0.70%	3.69%	3.30%	0.39%	3.39%	3.30%	0.09%
8	2012 GRA	3.73%	1.99%	1.74%	3.51%	1.99%	1.52%	3.30%	1.99%	1.31%
9	2013 GRA	2.48%	1.84%	0.64%	2.23%	1.84%	0.39%	1.99%	1.84%	0.15%
10	2014 GRA	2.22%	2.43%	-0.21%	2.03%	2.43%	-0.40%	1.84%	2.43%	-0.59%
11	2015 GRA	3.14%	1.30%	1.84%	2.78%	1.30%	1.48%	2.43%	1.30%	1.13%
12	2016 GRA	2.04%	1.19%	0.85%	1.67%	1.19%	0.48%	1.30%	1.19%	0.11%
13	2017 GRA	1.76%	1.64%	0.12%	1.48%	1.64%	-0.16%	1.19%	1.64%	-0.45%
14	2018 GRA	2.10%	2.24%	-0.14%	1.87%	2.24%	-0.37%	1.64%	2.24%	-0.60%
15	2019 GRA	2.66%	1.94%	0.72%	2.45%	1.94%	0.51%	2.24%	1.94%	0.30%
16	2020 GRA	2.28%	0.70%	1.58%	2.11%	0.70%	1.41%	1.94%	0.70%	1.24%
17	2021 GRA	0.69%	1.56%	-0.87%	0.70%	1.56%	-0.86%	0.70%	1.56%	-0.86%
18	Average			0.53%			0.35%			0.17%
19	Min			-0.87%			-0.86%			-0.86%
20	Max			1.84%			1.53%			1.31%
21	Standard Dev	iation		0.74%			0.67%			0.63%
22	Standard Erro	r		0.18%			0.16%			0.15%

In the updated historical analysis, the average deviation of the naïve forecast from actual remains the lowest at 17 bps. The naïve forecast continues to produce an unbiased forecast that is more accurate than either the 50/50 or SIRF forecasts.

The actuarial standards of practice establish that a best estimate should be unbiased. To check for any bias, MPI performed a paired sample t-test on the sample mean, to test whether the 50/50 or naïve forecasts produced statistically significant results from each other.

The test results show that the naïve forecast produces a statistically significant forecast from the 50/50 forecast with less error (bias) at a 99% confidence level. See Figure INV-11 below.

Figure INV- 2 t-Test Paired Two Sample for Means

Line			
No.	Statistic	50/50	Naïve
1	Mean	0.0035	0.0017
2	Variance	0.0000454	0.0000397
3	Observations	17	17
4	Pearson Correlation	0.9819	
5	Hypothesized Mean Difference	0	
6	df	16	
7	t Stat	5.6510	
8	P(T<=t) one-tail	0.00002	
9	t Critical one-tail	1.7459	
10	P(T<=t) two-tail	0.00004	
11	t Critical two-tail	2.1199	

Figure INV-12 below shows how each of the three interest rate forecasts differ from the actual. As indicated, there is marginal difference in the variance between the 50/50 and naïve forecast (as seen by the overall length of the 'whisker' in the box and whisker plot below). However, the naïve forecast is less biased than the 50/50 forecast (given that the range of differences of the naïve forecast plots closer to the 'zero difference' line – that is, the 'box' in the box and whisker plot is more centered around the zero difference line) and, as seen above, the naïve forecast is statistically less biased than the 50/50 forecast.

Further, the middle line of the 'box', the median, is closest to 0.00% in the naïve forecast, while the 50/50 forecast produced forecasts that are at least 39 basis points higher than actual, 50% of the time.

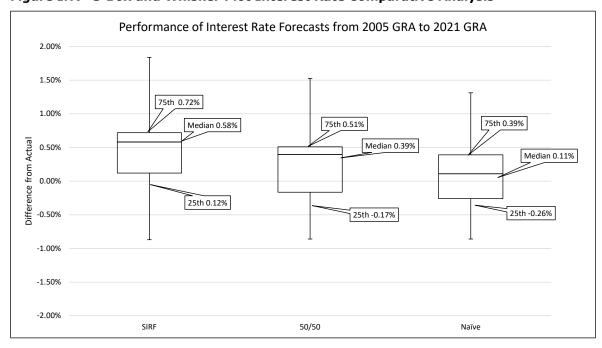


Figure INV- 3 Box and Whisker Plot Interest Rate Comparative Analysis

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PUB Approved Issue No:	8. Investment portfolio					
Topic:	Investments					
Sub Topic:	Transition to New Inves	tment Portfo	olios			

Preamble to IR:

"The transition from the consolidated portfolio into five unique portfolios began on

- 7 March 1, 2019 and is now complete. MPI reduced the allocation to growth assets
- 8 (equities, real estate, and infrastructure) in order to fund the purchase of additional
- 9 fixed income assets. MPI invested fully in corporate bonds and global equities by
- 10 September 2019 and in its initial commitment to private debt in April 2021."

QUESTION:

- a) Recognizing that the prior ALM resulted in significant changes to MPI's portfolios, please explain if MPI has any reason to expect that implementation of future ALM strategies to be as lengthy?
- b) Please summarize any lessons learned about portfolio transition, that may be relevant to future ALM driven portfolio realignments.

RATIONALE FOR QUESTION:

To gain insight on ALM implementation, and set general expectations for future ALM study implementations

RESPONSE:

- a) To the extent that future ALM studies involve allocations to illiquid private asset classes the time required to fully implement the recommendations could be lengthy. The time required to implement the new investment strategy depends on the ability of the investment managers to identify suitable investments. For highly liquid listed investments, the time required to become fully invested is generally measured in days. However, for illiquid private asset classes the time to become fully invested is measured in months or years. Also, the complexities related to implementing IFRS 9 & 17 may add to the time required to analyze and implement new strategies.
- b) In the future a transition manager may be used in order to monitor and control the implementation shortfall costs.

Part and Chapter:	Part VII INV	Page No.:	See Preamble for Reference		
PUB Approved Issue No:	8. Investment portfolio				
Topic:	Investments				
Sub Topic:	Investment Return Fore	cast			

Preamble to IR:

In response to CAC (MPI) 2-18 from the 2021 GRA, MPI Stated:

"MPI follows the return assumptions approved by the PUB for each respective asset class. MPI will test the validity of the return assumptions for each asset class prior to the 2022 GRA by comparing the forecasted returns to actual returns."

QUESTION:

- a) Please file the analysis of return assumptions.
- b) Please describe all efforts made to examine the validity of return assumptions, and all conclusions reached. Please file all relevant materials related to this assessment

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) Please see <u>Appendix 1</u>, which contains an analysis of the return assumptions of MPI.

- b) MPI performed a variance analysis in order to test the return assumptions for each asset class and determine the predictive ability of those assumptions.
 - Overall, the results show low variance between the actual returns and the forecasted returns. However, it is important to note that the variance analysis was performed with a maximum of 8 data points and as few as 2 data points. There are 8 years of historical data for five asset classes and for the new asset classes, such as Private Debt, Global Equity and Low Volatility Global Equity, just two years of historical data is available. On this basis, MPI can conclude that there is insufficient data to conduct meaningful statistical analysis and therefore cannot determine the predictive ability of the assumptions.

Comparison Table Returns vs. Forecast

Returns (YTD)

Asset Class/Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Marketable Bonds-Annual (%)	3.10%	6.20%	-2.45%	1.49%	3.57%	4.21%	6.07%	3.79%
Government Bonds-Annual (%)	3.70%	6.90%	-2.69%	1.38%	3.55%	4.34%	7.57%	1.50%
Corporate Bonds-Annual (%)	4.60%	7.50%	-0.50%	6.82%	4.50%	2.81%	3.66%	8.90%
CDN MUSH Returns - Annual (%)	0.80%	0.80%	4.89%	4.77%	4.64%	4.61%	4.57%	4.49%
Private Debt-Annual (%)	na	na	na	na	na	na	-3.99%*	6.32%
CDN Equity Returns - Annual (%)	3.30%	1.90%	-13.32%	27.67%	4.94%	1.32%	-22.49%	55.76%
US Equity Returns - Annual (%)	4.60%	8.30%	-3.05%	28.66%	3.16%	6.69%	na	na
Global Equity Returns - Annual (%)	na	na	na	na	na	na	-0.31%*	25.98%
Global LV Returns - Annual (%)	na	na	na	na	na	na	-8.85%*	15.75%
Pooled Real Estate Returns - Annual (%)	11.50%	6.20%	6.21%	7.55%	12.41%	7.72%	8.87%	-1.31%
Infrastructure Returns - Annual (%)	5.70%	6.00%	6.92%	-0.45%	9.79%	11.76%	12.67%	5.09%
* - ·								

^{*}Returns were annualized

Forecasted Returns

Asset Class/Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Marketable Bonds-Annual (%)	1.65%	-2.82%	-6.66%	-4.27%	2.80%	3.20%	3.06%	2.60%
Government Bonds-Annual (%)	na	na	na	na	na	2.92%	2.83%	2.19%
Corporate Bonds-Annual (%)	na	na	na	na	na	3.90%	3.66%	3.77%
CDN MUSH Returns - Annual (%)	5.09%	5.22%	4.94%	4.62%	4.54%	4.52%	4.47%	4.42%
Private Debt-Annual (%)	na	na	na	na	na	na	4.20%	4.10%
CDN Equity Returns - Annual (%)	6.20%	7.30%	7.40%	7.30%	7.20%	7.00%	6.90%	6.80%
US Equity Returns - Annual (%)	6.20%	7.30%	7.40%	7.30%	7.20%	7.00%	na	na
Global Equity Returns - Annual (%)	na	na	na	na	na	na	6.90%	6.80%
Global LV Returns - Annual (%)	na	na	na	na	na	na	6.30%	6.20%
Pooled Real Estate Returns - Annual (%)	5.30%	5.50%	4.90%	5.80%	6.20%	6.20%	5.70%	5.10%
Infrastructure Returns - Annual (%)	6.30%	6.50%	5.90%	6.80%	7.20%	7.20%	6.70%	6.10%

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Comparison Table Returns vs. Forecast

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Asset Class/Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Marketable Bonds-Annual (%)	1.45%	9.02%	4.21%	5.76%	0.77%	1.01%	3.01%	1.19%
Government Bonds-Annual (%)	na	na	na	na	na	1.42%	4.74%	-0.69%
Corporate Bonds-Annual (%)	na	na	na	na	na	-1.09%	0.00%	5.13%
CDN MUSH Returns - Annual (%)	-4.29%	-4.42%	-0.05%	0.15%	0.10%	0.09%	0.10%	0.07%
Private Debt-Annual (%)	na	na	na	na	na	na	-8.19%	2.22%
CDN Equity Returns - Annual (%)	-2.90%	-5.40%	-20.72%	20.37%	-2.26%	-5.68%	-29.39%	48.96%
US Equity Returns - Annual (%)	-1.60%	1.00%	-10.45%	21.36%	-4.04%	-0.31%	na	na
Global Equity Returns - Annual (%)	na	na	na	na	na	na	-7.21%	19.18%
Global LV Returns - Annual (%)	na	na	na	na	na	na	-15.15%	9.55%
Pooled Real Estate Returns - Annual (%)	6.20%	0.70%	1.31%	1.75%	6.21%	1.52%	3.17%	-6.41%
Infrastructure Returns - Annual (%)	-0.60%	-0.50%	1.02%	-7.25%	2.59%	4.56%	5.97%	-1.01%

Avg

Asset Class	Avg Returns	Forecasted Returns	Avg Variance	# Data Points
Marketable Bonds	3.25%	-0.06%	3.30%	8
CDN MUSH	3.70%	4.73%	-1.03%	8
CDN Equity	7.39%	7.01%	0.37%	8
Pooled Real Estate	7.39%	5.59%	1.81%	8
Infrastructure	7.19%	6.59%	0.60%	8
US Equity	8.06%	7.07%	0.99%	6
Government Bonds	4.47%	2.65%	1.82%	3
Corporate Bonds	5.12%	3.78%	1.35%	3
Private Debt	1.17%	4.15%	-2.98%	2
Global Equity	12.84%	6.85%	5.99%	2
Global LV	3.45%	6.25%	-2.80%	2

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Part and Chapter:	Part VII Reserves and Risk Management (INV Investments)	Page No.:	Pdf Page 1392 Page 7 of 81
PUB Approved Issue No:	8. Investment portfolio 16. Risk Assessment and Risk Management		
Topic:	Inflation Risk		
Sub Topic:			

Preamble to IR:

In the GRA, MPI said "inflation has increased to 2.2% in what many economists and central banks believe to be a temporary level".

MPI's liabilities and retained earnings are exposed to inflation risk, as summarized in the table below by Mercer in the most recent ALM Study.

Item	Basic	Extension	SRE	RSR	Pension
Sensitivity to Inflation Rate Changes (Duration ³)	10.4 ²	0.0^{2}	0.0^{2}	0.0 ²	12.6 ¹

Source: 2019 GRA, Part VI Investments (Appendix 15)

In the most recent ALM Study, MPI decided to hedge nominal interest rate after considering the cost of hedging inflation risks and the likelihood of future increases in inflation. In other words, MPI selected a Liability Benchmark Portfolio that assumed inflation-linked obligations increase at 2% per annum, with no volatility around that assumption. (CAC's view has been, and continues to be, that inflation uncertainty should be reflected in ALM analyses.)

Mercer's current views about inflation, as well as the stance of the Bank of Canada, are summarized below.

Mercer's current views on inflation, from a March 2021 publication ("The return of the inflation menace?"), are summarized below. (The full article can be found at https://www.mercer.com/our-thinking/wealth/the-return-of-the-inflation-menace.html.)

The first quarter of 2021 brought inflation – or at least the fear of it – back into focus ... inflation expectations (measured by breakeven inflation¹) and longer ... bond yields have been rising considerably across the globe. This reminds investors of the wider range of possible inflation outcomes and the potential impact on their portfolios ...

We have been recommending since last year that investors should prepare for a wider range of inflation ... for the decade to come, including ... inflation surprises.

For 2021, we expect a material pick-up in inflation ... because of pent-up demand, the size of which being subject to the reopening schedule of each country. Thereafter, we expect some stabilization from 2022 onwards.

Beyond then, we might see ... central banks ... more accepting of higher inflation and less independent from government. In addition, the aftermath of the government borrowing spree may lead politicians to ... reduce the deficit in real terms by pressuring central bankers into running higher inflation. ... given increased political polarization, the risk of increased trade barriers, de-globalization and redistributive populism as structural inflation drivers remains.

Dynamic Asset Allocation: We started 2020 with a tactical overweight on global inflation-linked bonds relative to nominal bonds ... we decided to maintain the position at a moderate overweight, even when inflation expectations collapsed during the COVID-19 shocks as we anticipated this shock to be temporary – a view that was strengthened with the vaccine announcement in November 2020 and subsequent roll-out.

¹ Inflation expectations implied by the market. Breakeven Inflation is calculated by taking the difference in the yield for nominal and inflation-linked bonds of equivalent maturity. As nominal bonds compensate for an expected level of inflation and inflation-linked yields pay the investor the actual realized inflation, the difference between the two reflects the inflation expected by market participants of the stated maturity.

Strategic Asset Allocation: Although our long-term (>5 year) base case of moderate inflation around central bank targets for most regions has not changed, the range of outcomes has become wider. This is a direct consequence of the events of 2020 in the form of higher inflation tolerance by central banks and increased monetary/fiscal coordination. ... structural factors that were already at play before 2020 have been accelerated by the pandemic. This includes the ... slowing pace of globalization and redistributive populist pressure that could lead to labor reasserting itself. ... long-term inflation risks have shifted to the upside, and the risk of inflation materially overshooting ... targets during this decade is now higher than it was before the pandemic.

... a review of an inflation-sensitive sleeve is prudent to ensure that portfolios can withstand sustained higher inflation, as well as inflation surprises, over the next decade. Last year, in addition to the allocation to real assets in our strategic reference model portfolios, we introduced an inflation-sensitive sleeve ... consisting of inflation-linked bonds. ... Building a robust inflation-sensitive sleeve ... is a prudent step to face the policy uncertainty of the next decade.

The Bank of Canada's stance on inflation, from a July 2021 Globe and Mail article ("The Bank of Canada's flexibility on inflation is about to be put to the test"), is summarized below. (The full article can be found at https://www.theglobeandmail.com/business/commentary/article-the-bank-of-canadas-flexibility-on-inflation-is-about-to-be-put-to-the/.)

As the economy emerges from the ... pandemic, the Bank of Canada is signalling that it will not only tolerate inflation above its ... 2-per-cent target into 2024, it fully expects it.

For the next few years, you might want to forget what you thought you knew about the Bank of Canada's inflation target.

Think of 3 per cent as the new 2 per cent.

The central bank has not officially moved its yardsticks, nor is it likely to. But as the economy emerges from the ... pandemic and ... prices heat up to temperatures rarely seen in the inflation-targeting era, the bank is signalling that it will not only tolerate inflation above its ... 2-per-cent target into 2024, it fully expects it.

In fact, the bank's own policies have engineered it that way.

... Bank of Canada Governor ... spelled out how the bank's pledge to keep its policy interest rate at its effective floor of 0.25 per cent until the economy reaches full capacity will send inflation over the 2-per-cent target.

"Because we're holding the policy rate at the effective lower bound until [the output gap] closes, and there are some lags in monetary policy, you can expect to see some modest excess demand in 2023," Mr. Macklem told reporters. "That produces a modest increase in inflation above the target, before we go back towards target in 2024."

What this means ... is ... 2 per cent is not the point at which this central bank will blink. Three per cent may now be the more meaningful limit ..., at least in this most unusual economic cycle.

... the bank's 2-per-cent target ... resides within an official "target range" of 1 per cent to 3 per cent ... This band has been around for more than a quarter-century, but in normal economic recoveries, the bank doesn't like to stretch the band to its extremes. It typically steps in with rate changes well before inflation deviates much from the 2-per-cent midpoint.

These aren't normal circumstances. The bank built wiggle room into the inflation target ... and Mr. Macklem might ... use it ... to steer around troublesome inflation numbers to bring the economy in for his desired landing.

"We have a band of 1 to 3 [per cent]," Mr. Macklem said. "And given the truly exceptional circumstances of this pandemic, and the huge size of this shock, we are using our extended tools ..."

... Mr. Macklem continued to insist ... that this current surge in consumer prices is ... temporary aberration, ... tied to the pandemic and the economy's reopening. They'll fade as businesses and consumers adjust, he assured us.

The bank expects ... inflation ... to return to 2 per cent next year, around the same time that it believes the economy will be back to full capacity. That combination – a full-speed economy and 2-per-cent inflation – is normally the Bank of Canada's own definition of its sweet spot.

But with the bank defining that as the earliest possible point at which it will consider its first rate increase, the sweet spot won't hold. Demand will exceed sustainable capacity, fuelling ... serious inflation pressures that ... give central bankers migraines.

... The bank's ... forecasts ... in the Monetary Policy Report, point to inflation of 2.4 per cent by the end of 2023 – normally, by design, its projections would envision rate policy reining in inflation to the 2-percent target over that time frame.

... the promise to maintain rates at their floor (known as forward guidance) has been in place for a year now, and the governor said in the spring that a consequence of that commitment would be a "small overshoot" in inflation a few years down the road.

But as the bank's forecasts around the postrecovery economy start to take form, and Mr. Macklem starts to lay out the road map for inflation in more detail, the implications start to sink in. Given widespread concerns about central banks losing their grip on rising inflationary pressures as the recovery deepens, those implications raise some difficult questions.

One of those questions is just how far the economy can be allowed to drift into excess-demand territory – and how much of this sort of more troublesome inflation can the central bank tolerate?

The forecasts don't suggest that 3 per cent is in the cards for 2023, and it's all but certain that the bank will be raising rates well before we get into that territory. Nevertheless, in a critical and highly uncertain time for inflation, Mr. Macklem's invocation of the target band does hint that 3 per cent might serve as the true ceiling of the bank's tolerance.

It is important to note that the Bank of Canada and the Government of Canada will renew their agreement on Canada's inflation-control target in 2021. This agreement, first signed in 1991, is renewed every five years.

QUESTION:

Since the completion of the most recent ALM Study, how have the following items changed in relation to the various asset portfolios, liabilities, and/or surplus (assets less liabilities)?

- a) MPI's assessment of the inherent inflation risk in terms of:
 - i. Likelihood;
 - ii. Financial impact;
 - iii. Non-financial impact; and
 - iv. Risk score?
- b) MPI's assessment of its residual inflation risk in terms of:
 - i. Likelihood;
 - ii. Financial impact;
 - iii. Non-financial impact; and
 - iv. Risk score?
- c) Please comment on any material trend in MPI's assessment of:
 - i. Inherent inflation risk; and
 - ii. Residual inflation risk.
- d) What is MPI's current risk tolerance for inflation risk (e.g., low vs high), and why?
- e) What is MPI's current risk tolerance for inflation risk, and why, compared to other types of investment-related risks? e.g., Does MPI have more, or less, tolerance for inflation risk compared to:
 - i. Credit risk?
 - ii. Real interest rate risk?
 - iii. Currency risk?
 - iv. Equity risk?

- v. Other investment-related risk(s)?
- f) Please describe any Risk Treatment Plan that may be in place related to inflation risk (e.g., action, owner, date and status).

RATIONALE FOR QUESTION:

To understand MPI's assessment of inflation risk.

RESPONSE:

a) and b)

Analysis completed for the 2020 FCT report indicates that the 1-in-40 (97.5th percentile) 1-year impact of increased inflation (3.2% or 1.2% higher than MPI's long term forecast of 2.0%) applied to \$1.5B of basic claim liabilities would result in an impact of \$17.3M. Using the ERM risk rating matrix found in the appendix of the ERM Policy, the likelihood score is 1, the financial impact score is 2, the non-financial impact is n/a and the risk score is 2 for both inherent and residual inflation risk.

MPI will evaluate inflation risk in relation to the various asset portfolios, liabilities, and surplus in the upcoming Asset Liability Management study, scheduled to occur in fiscal Q1 2022/23.

c) There is no material trend in the assessment of inflation risk by MPI. MPI relies upon economic forecasts from the Canadian chartered banks to forecast inflation. Based upon the forecasts of these banks, the long-term outlook for inflation is stable at 1.9% - 2.0%. MPI has margins for adverse deviation, which include a margin for inflation at 2.0%. While inflation is currently above 2.0%, the current levels are seen as temporary by the Bank of Canada and many economists. As the Globe & Mail wrote (as per the preamble):

"Mr. Macklem continued to insist ... that this current surge in consumer prices is ... temporary aberration, ... tied to the pandemic and the economy's reopening. They'll fade as businesses and consumers adjust, he assured us.

The bank expects ... inflation ... to return to 2 per cent next year, around the same time that it believes the economy will be back to full capacity..."

d) and e)

MPI developed risk tolerance statements for risks with a residual risk, medium or higher. MPI did not formally define a risk tolerance for inflation due to the low level of residual risk. The Corporate Risk Appetite Statement addresses credit, interest, currency and equity risk as follows:

Investment Risk Section from the Corporate Risk Appetite Statement.

- 1. Basic claims interest rate risk must not exceed +/-\$10M of budgeted impact after non-recurring items per year.
- 2. Medium appetite for non-Basic interest rate risk, with partial mismatch of assets and liabilities for the Extension/SRE/Employee Future Benefit (EFB) portfolios.
- 3. Medium appetite to keep foreign currency exposure unhedged due to the diversified nature of the exposure.
- 4. No appetite for equity exposure in the Basic Claims portfolio. Medium risk appetite for unhedged equity exposure in RSR/Extension/SRE/EFB portfolios.
- 5. The minimum credit rating for publicly traded fixed income bonds in all portfolios is investment grade (BBB low).

f) MPI will evaluate inflation risk in the upcoming Asset Liability Management study, which is scheduled to occur in fiscal Q1 2022/23 The risk management owner of inflation risk is MPI's Chief Actuary and Vice President Insurance & Risk Management.

Part and Chapter:	Part VII Reserves and Risk Management (INV Investments)	Page No.:	PDF Page 1410 Page 25 of 81
PUB Approved Issue No:	8. Investment portfolio 16. Risk Assessment and Risk Management		
Topic:	Asset Liability Management (ALM) Study		
Sub Topic:			

Preamble to IR:

MPI expects the next ALM Study will take six months to complete, and it plans to start the Study in early 2022. MPI does not expect the final approved strategy to be included in the 2023 GRA filing, but it believes it is likely that the approved strategy can be provided prior to the start of the 2023 GRA hearing.

CAC believes it may be prudent to expedite the completion of the Study, given these considerations:

- a) changes in market conditions since the previous Study (e.g., more inflation uncertainty, as well as economic/market uncertainty related to COVID-19); and
- b) CAC's continuing concern regarding the inflation volatility assumption made by MPI in the previous Study, which had a material impact on return/risk tradeoffs (and therefore asset allocations).

The GRA describes MPI's plan for the next Study as follows:

MPI plans to start the ... study in early 2022 with the work expected to take six months ... Once ... complete, ... recommendations must ... be ... approved by the Investment Committee. As a result, the ... approved strategy will not be ready ... to be included in the 2023 ... GRA ... filing, but likely can be provided prior to the start of the 2023 GRA hearing.

...

Fall 2021 will be four years from the start of the previous ... study, 2.5 years from the start of the implementation of the new portfolios ... and only six months from the completion of implementation in April 2021 (when private debt was fully invested). Ideally the next study would be conducted once the new strategy has been fully implemented and has had time to "mature". However, given how long it took MPI to fully implement private debt and the need to review its investment strategy prior to adoption of IFRS 9 & 17, waiting several years to conduct the next ALM study is not an option.

CAC expressed its concern regarding MPI's decision to select a nominal liability benchmark, rather than a real liability benchmark, in the most recent ALM Study. (MPI's decision effectively assumed no inflation volatility.) MPI's rationale for doing so is summarized below, in PUB Order No. 159/18, section 7.3 (page 81).

While acknowledging that a real liability benchmark would better reflect inflation volatility and real interest rate risk, MPI submitted that accepting those risks was a choice made by it as an investor. The Corporation argued that the objectives, risk tolerance and ... investments selected by it were patently reasonable.

PUB Order No. 130/17 (page 7, 68) appears to suggest that the ALM Study process could be completed in under three months, rather than six months.

The Board ... received an update ... on the status of an ... ALM ... study, which was due to be completed by November 30, 2017. The Board was dismayed ... that the Corporation did not follow the directive in Order 162/16 ... to have an ALM study completed for the filing of this Application. The Corporation advised that six months was insufficient time to proceed through the Request for Proposal and the ensuing process before the Application was filed. The Corporation chose to delay the process for initiating the ALM study to September 2017, and required that the study be delivered on a compressed schedule. The Board is concerned that the ... study may be of limited utility in that it will be issued after this hearing ... The Board has directed that the Corporation file the ... study concurrently with its delivery to the MPI Board ...

Considering that MPI is now of the view that it will be able to have the process completed in under three months, the Board rejects

the Corporation's response that it would not have been logistically possible to comply with the Board's directive. ... the Board further orders that ... a Technical Conference be held on the ... study ... early enough so the information shared in the ... Conference will be included in the 2019 GRA.

QUESTION:

a) Current Views:

- i. Does MPI still acknowledge that a real liability benchmark would better reflect inflation volatility and real interest rate risk (compared to the nominal liability benchmark chosen by MPI)?
- ii. Is MPI willing to accept the inflation and real interest rate risk arising from the above assumption (nominal, rather than real framework), despite recent events and current conditions (e.g., increased inflation volatility, uncertainty related to COVID-19)?
- b) Rationale for Delay: What benefits would result from delaying the Study (e.g., by 6-12 months) so that "the new strategy (from the previous ALM Study) has been fully implemented and has had time to 'mature'", given the relatively small incremental data points?
- c) **Completion:** What factor(s) would prevent MPI from expediting the process to complete the next ALM Study before the next GRA is filed, if it chose to do so?

RATIONALE FOR QUESTION:

The long-term (policy) asset allocation that flows from an ALM Study is a key driver of long-term returns and risks. If there are material changes in capital market assumptions (e.g., greater inflation uncertainty), it is prudent to re-examine the results of such Studies on a more timely basis than otherwise.

RESPONSE:

a)

- Yes, MPI acknowledges that a real liability benchmark would better reflect inflation volatility and real interest rate risk (compared to the nominal liability benchmark chosen by MPI in the most recent ALM Study).
- ii. Yes, MPI is willing to accept the inflation and real interest rate risk arising from the above assumption (nominal, rather than real framework), despite recent events and current conditions (e.g. increased inflation volatility, uncertainty related to COVID-19). As per the response to CAC 1-83 c, "There is no material trend in MPI's assessment of inflation risk."
- b) The effectiveness of the investment strategy cannot be properly evaluated until it is fully implemented. The timeline proposed by MPI for the next ALM study will provide more data on the performance of the fully implemented portfolio. As it concerns a comparison of the two benchmarks, recall the evidence of Dave Makarchuk of Mercer (2020 GRA) before any conclusions can be drawn, a full market cycle of 5 years is required, providing further support for the proposed timeline.
- c) The upcoming PUB hearing and other ongoing projects make it difficult to start the ALM Study earlier than planned as well as to expedite its completion. Expediting the process would also increase consultant costs unnecessarily, as they would need to work overtime in order to complete the study within a compressed timeframe. ALM studies involve a significant amount of work on the part of the Investment department of MPI as well as by the consultant. Additionally, the results of the study are critical and hurrying it along not only risks degrading the quality of the work, but also increases the risk of errors and therefore is not ideal.

For these reasons, MPI is of the view that the proposed timeline for the next ALM Study is in the best interest of the MPI Investment Management Team and MPI as a whole.

Part and Chapter:	Part VII Reserves and Risk Management (INV Investment)	Page No.:	PDF Page 1393 Page 8 of 81
PUB Approved Issue No:	8. Investment portfolio 16. Risk Assessment and Risk Management		
Topic:	Impact of IFRS 9 and 17 on Investment Strategy		
Sub Topic:			

Preamble to IR:

In the **2018** GRA hearings, CAC made several recommendations related to MPI's accounting, since the previous ALM Study (completed by Aon) used **accounting** metrics (rather than **market value** metrics) in portfolio analyses/optimizations. Three of these recommendations related to:

- a) Clarity of Accounting Choices (recommendation #1);
- b) Adoption of More Comparable Accounting Principles (recommendation #2); and
- c) AFS and HTM Accounting (recommendation #3).

The PUB asked Mercer to comment on CAC's recommendations, and Mercer's response in the **2019** GRA (INV Appendix 15) was as follows:

... these items are accounting specific decisions which should be decided by MPI in consultation with its auditors. We support the utilization of accounting principles that improve transparency and comparability.

In the **2018** GRA hearings, CAC also made a recommendation to "de-link" discount rates:

For purposes of long-term asset allocation decision-making, MPI should consider "breaking the link" (recursive) between liability valuations and the yield on some of its assets. Economic theory suggests this approach is more appropriate.

Mercer agreed (INV Appendix 15 of 2019 GRA):

We agree with the CAC recommendation for the purpose of long-term asset allocation decision making ...

In the **2019** GRA hearings, CAC did not express its concerns about MPI's accounting choices, given the changes made in the subsequent ALM Study (completed by Mercer), since the Mercer Study used **market values** (rather than **accounting** values used on the previous Aon Study) in quantitative analyses.

The current GRA says:

MPI will adopt ... IFRS ... 9 and 17 ... on April 1, 2023 ... starting on April 1, 2022. MPI will consider the impacts of implementing IFRS 9 and 17 on its investment strategy in the next ALM study.

It is anticipated that there will be minimal impact to the Basic ... portfolio from adopting IFRS 9. Currently the Claims Discount Rate (CDR) is based upon the yield of the underlying assets; under IFRS 17 the CDR will be based on characteristics of the liabilities. As a result, ... to reduce volatility under IFRS 17, the asset portfolio may need to be modified so that the yield of the ... portfolio and the claims discount rate both change by similar amounts when interest rates change.

QUESTION:

Please clarify how accounting changes, such as IFRS 9 and 17, could impact the design of each of MPI's portfolios (e.g., asset allocations, such as the mix between equities and fixed income, or the type of fixed assets, in the pension portfolio).

RATIONALE FOR QUESTION:

To understand how accounting changes might impact MPI's various portfolios, and any impact on long-term return/risk tradeoffs (measured on a market value basis).

RESPONSE:

Please refer to <u>PUB (MPI) 1-7(d)</u>.

Part and Chapter:	Part VII Reserves and Risk Management (INV Investments)	Page No.:	PDF Page 1507 INV Appendix 9
PUB Approved Issue No:	8. Investment portfolio 16. Risk Assessment and Risk Management		
Topic:	Investment Performance		
Sub Topic:	Attribution of Value Added vs Benchmark ("Alpha")		

Preamble to IR:

Some of the benchmark returns in Part VII - INV Appendix 9 are different across the portfolios, despite having the same benchmark indices (per the Investment Policy Statement (IPS)).

No performance attribution reports have been provided.

QUESTION:

Performance Reports: Please file a copy of any performance reports prepared by third parties (e.g., Ellement), which have been provided in prior years, and any internal reports that attribute or explain performance relative to benchmarks (e.g., value added from asset mix, currency, and/or security selection decisions).

- i. What accounts for the large underperformance in Small to Mid Cap Equities (66.5% return vs benchmark return of 147.1%)?
- ii. How much of the 4.5% underperformance in the EFB Portfolio (12.6% return vs 17.1% for benchmark) arose from asset mix effects (i.e., not being at "policy" weight)?

Benchmark Returns: Why do some of the benchmark returns differ across the portfolios when the benchmarks in the Investment Policy Statement are the same

for these portfolios? (e.g., Corporate Bonds shows benchmark returns of 9.0%, 7.6%, and 8.2% for Basic, RSR, and EFB respectively.)

Alpha Targets: Do the benchmark returns reported in Part VII - INV Appendix 9 include any alpha targets, or are they excluded? i.e., Was the benchmark return for Global Equities Large Cap 38.1% or 36.6% (38.1% - 1.5% alpha target)?

Cash Return: Why did cash have a negative return (-0.6%) in the EFP Portfolio?

RATIONALE FOR QUESTION:

To assist in understanding the investment performance compared to benchmark performance.

RESPONSE:

- a) For the investment performance report as of March 31, 2021, please see PUB (MPI) 1-33(a).
 - i. The security selection (-53.6%) followed by sector allocation (-25.7%) drove the underperformance in Small to Mid-Cap equities. Security selection was particularly poor in the energy and materials sectors with negative return contributions of 14.1% and 10.8% respectively.
 - ii. The asset mix effect accounted for 1.9% of the 4.5% underperformance or 42% of the total underperformance in the Employee Future Benefits (EFB) portfolio.
- b) The benchmark returns for corporate bonds differ between the portfolios because the Basic Claims, Rate Stabilization Reserve (RSR) & EFB portfolio benchmarks are all different. The Basic Claims benchmark for Corporate Bonds is 45% FTSE TMX Mid-Term Corporate Bond Index & 55% FTSE TMX Long-Term Corporate Bond Index. The RSR benchmark for Corporate Bonds is the FTSE TMX Canada All

Corporate Bond Index. The EFB benchmark for Corporate Bonds is the FTSE TMX Canada Long Term Corporate Bond Index.

- c) The benchmark returns reported in Part VII INV Appendix 9 include an alpha target of 150 bps for large and small cap CAD equities and large cap global equities. The index return for large cap global equities was 36.6%. The reported benchmark return was 38.1%, which is the index return plus a 1.5% alpha target.
- d) A partial reclassification of a small amount of cash held at the portfolio level to the manager level in March 2021 resulted in a negative return for cash. The amount reclassified in that month represented 0.75% (or \$20,564) of the outstanding cash balance as of February 2021.

Part and Chapter:	Part VII Reserves and Risk Management (INV Investments)	Page No.:	PDF Page 1477 INV Appendix 1, Page 11
PUB Approved Issue No:	8. Investment portfolio 16. Risk Assessment and Risk Management		
Topic:	Investment Policy Statement		
Sub Topic:	Changes to Equity Benchmarks		

Preamble to IR:

The GRA says that MPI "revised global equity benchmarks to accurately reflect the reporting currency of each fund". These changes to the Investment Policy Statement are shown below.

	Global Equities Global Equities	MSCI World Index in Canadian dollars plus 150 basis points over a rolling four year period annualized	
	Low Volatility Equities	MSCI World Index in U.S. dollars plus 90 basis points over a rolling four year period annualized	Deleted: Deleted: Canadian

QUESTION:

- a) **Global Equities:** Please clarify the <u>nature</u> of the benchmark change in Global Equities (i.e., to add "in Canadian dollars").
 - i. Does this mean the MSCI World Index benchmark return is to be measured by assuming returns are <u>fully-hedged</u> to Canadian dollars (compared to being <u>unhedged</u> before the revision)?

or

ii. Is this change simply a "clarification" (with no change in the underlying passive strategy assumption)? i.e., Is the change meant to clarify the fact that benchmark returns are measured in Canadian dollars (not local, foreign currencies) and that benchmark returns include **unhedged** gains and losses related to the changing value of the Canadian dollar?

or

- iii. Something else? If so, please elaborate.
- b) **Global Low Volatility Equities:** Please clarify the **nature** of the benchmark change related to the benchmark currency exposure for Low Volatility Equities (i.e., hedged, or unhedged, and whether to CAD or USD).
 - i. Was the "old" MSCI World Index benchmark return hedged to CAD, or unhedged?
 - ii. Is the "new" MSCI World Index benchmark return hedged to USD?

or

- iii. Something else?
- c) **Spread or Alpha Target:** Why do Low Volatility Equities have a 90 bps spread relative to the underlying index, while Global Equities and Canadian Equities have a 150 bps spread?

RATIONALE FOR QUESTION:

To understand the nature of changes in the benchmark portfolio and their implications to currency risks, active risks (tracking error), and value added relative to benchmark (alpha).

RESPONSE:

a) Response:

- i. MSCI World Index benchmark return is to be measured by assuming returns are unhedged to Canadian dollars.
- ii. This change is simply a clarification with no change in the underlying active investment strategy. The benchmark returns include unhedged gains/losses related to the changing value of the Canadian dollar.

b) Response:

- i. The "old" MSCI World Index benchmark return was unhedged to CAD.
- ii. The "new" MSCI World Index benchmark return is unhedged to USD.
- c) Low Volatility Equities have a 90 bps spread relative to the underlying index, while Global Equities and Canadian Equities have a 150 bps spread, as this was an assumption included in the capital markets assumption document provided by Mercer during the last ALM study.

Part and Chapter:	Part VII Rate Stabilization Reserve	Page No.:	Page 8 of 10 (PDF 1516/2196)
PUB Approved Issue No:	7. Capital Management Plan		
Topic:	Rebate versus Capital Release		
Sub Topic:			

Preamble to IR:

Question:

Please provide a comparison between the expected amount of the rebate and the amount of the 5.0% capital release. Please provide the comparison in terms of total value, amount per vehicle, and percentage of premium.

RATIONALE FOR QUESTION:

As noted in the application, consumers may view removing the capital release as a rate increase. We would like to understand the relative offset of the rebate.

RESPONSE:

Per <u>Part V ProFormas</u>, <u>page 5</u>, the forecasted written premium for motor vehicles for 2022/23 is \$1.1 billion. A 5% capital release would mean a return of \$55.0M (5% * \$1.1 billion) to policyholders. By comparison, MPI is forecasting a rebate of \$202.8M (<u>Part V ProFormas</u>, <u>page 7</u>), which is approximately 3.7 times the amount of a 5% capital release.

Part and Chapter:	Part I Legal Application Part I Overview	Page No.:	3 7
PUB Approved Issue No:	7. Capital Management Plan		
Topic:	Confusion relating to issuing RSR Rebates vs prospective rate setting		
Sub Topic:			

Preamble to IR:

On page 3 of Part I (Legal Application) the Corporation is requesting approval to the removal if the 5.0% capital release cap approved by the PUB in Orders 146/20 and 1/21.

In the 2021 GRA, Part VII – Rate Stabilization Reserve, RSR.6.4 Capping Rules, page 12 it states the following:

"Capital Release Provision – in order to manage rate volatility, which is the main purpose of the RSR, the CMP uses a 5% cap on capital release provisions in any give GRA.

Capital Build Provision – in order to manage rate volatility and rate 'shock', the CMP only applies capital build provision when the AAP rate increase is less than +5%. The capital build provision would then be capped at either (i) +5% or (ii) the rate change that brings the total overall rate indication from all sources to +5%."

On page 7 of Part I (Overview) the Corporation states:

....."In addition, using the capital release provisions to reduce the required AAP

10 premiums results in a premium deficiency (and the need for capital)."

On page 8 of Part I (Overview) the Corporation states:

"The process of seeking the elimination of a capital release provision while applying for

- a rebate may be confusing or appear counter-intuitive at first blush. MPI understands
- and appreciates that its ratepayers may have questions or concerns. To assist them,
- 24 MPI will issue invoices to its customers that will fully explain and clearly delineate their
- premium and their rebate. **MPI will not commingle the two concepts**." **Emphasis added**.

In the MPIC Act (C.C.S. M. c. P215) Regulation 76/2019 (dated April 12, 2019) it states in Section 3 the following:

"Use of surplus moneys in rate stabilization reserve

The corporation may use amounts in the rate stabilization reserve that are in excess of the amount required under clause 2(a) only for the purpose of reducing the rate indication required for the plan of universal compulsory automobile insurance in a subsequent year"

QUESTION:

- a) Please elaborate on the Corporation's realization that combining RSR rebates with prospective rate changes is incorrect and results in greater rate volatility and confusion to stakeholders.
- b) Please provide the wording changes, if any, required to Regulation 76/2019, Section 3 to eliminate the requirement to reduce the rate indication when proposing to issue RSR rebates.
- c) Please provide the wording changes, if any, to the Capping Rules as they relate to the RSR Capital Release and Capital Build Provisions.

d) Please explain why RSR Rebate Capping Rules are required when in the recent experience they have been more of an obstacle than a help in maintaining rate stability.

RATIONALE FOR QUESTION:

To better understand and clarify two separate actions and concepts: One—setting prospective rates based on future risks and costs and; two—rebating excess RSR funds accumulated from past financial experience and performance.

RESPONSE:

- a) MPI did not state: "...combining RSR rebates with prospective rate changes is incorrect and results in greater rate volatility and confusion to stakeholders." By the nature of excess capital at a point in time and the inclusion of a capital release in a given rating year premium that is temporary, at some point that in the future that capital release would deplete and have to be removed. To a customer who does not understand the difference between the cost of break-even policies going forward and capital releases based on previously built up, the removal of the capital release would appear as a rate increase to that customer. The reality is capital releases embedded in rates would always be temporary in nature however this would be difficult to effectively communicate with customers while the mechanism to rebate excess capital is a clearer and simpler method to keep separate the handling of previously generated excess capital from the revenue required to cover on-going cost of claims and expenses.
- b) Any changes to the wording of regulations are made by the Lieutenant Governor in Council on advice from Legislative Counsel.
- c) Any changes "to the Capping Rules as they relate to the RSR Capital Release and Capital Build Provisions" will be dependent upon whether there are any changes to the regulations referred to in part b).

d) The question refers to "RSR Rebate Capping Rules". There are no "rebate" capping rules, so it is assumed the question meant to refer to "release". That said, the capping rules as they relate to the RSR Capital Release provisions under the Capital Management Plan are not considered to be an obstacle to maintaining rate stability.

Part and Chapter:	Part I Minimum Filing Requirements	Page No.:	2
PUB Approved Issue No:	4. Financial Forecasts		
Topic:	Separating vehicle premiums from capital build provisions	al release an	ıd
Sub Topic:			

Preamble to IR:

On page 2 of Part I (Minimum Filing Requirements) it states:

"A.3	Pro-Formas	Please provide all Pro-Forma statements	Pro Formas
		separating the vehicle premiums from any	Chapter"
		Capital Build or Release Provision (separately),	
		and separating out amounts relating to any	
		premium deficiency reserves. Where	
		necessary, expand the proforma statements to	
		show the requested itemizations, showing \$0	
		as needed."	

QUESTION:

Please provide a narrative explanation as to where in the Pro Formas Chapter and specifically on the pro forma statements the capital build and/or release provisions and resulting changes to the premium deficiency reserves are separately disclosed from vehicle premiums written.

RATIONALE FOR QUESTION:

To better understand compliance to A.3 and specifically the disclosure on the financial statements as required by the compliance request.

RESPONSE:

Please refer to the response to <u>PUB (MPI) 1-5</u>.

Part and Chapter:	Part I Overview	Page No.:	9			
PUB Approved Issue No:	7. Capital Management Plan					
Topic:	OV.6 Transfer of Excess Extension Capital					
Sub Topic:						

Preamble to IR:

In the recent GRA Hearings the CMP component relating to transfers of excess extension capital have been discussed at length. On page 9, Part I (Overview) it states the following:

"Following the conclusion of the 2021 GRA hearing, the PUB issued Order

- 4 1/21, which states:
- 5 "MPI advised that it has no plans to do anything with the Extension
- 6 excess capital other than transferring it to Basic. MPI considers
- 7 Extension to be a competitive line of business that is designed to earn
- 8 profits and expressed the view that it would be reasonable and in the
- 9 spirit of the CMP to make use of some monies for Extension purposes if
- 10 the need arose. The Corporation's position was that it has discretion to
- 11 use profits for other purposes than a transfer to Basic prior to the end of
- 12 a fiscal year, and that Basic should be self-sustaining but should benefit
- 13 from excess capital transfers from Extension to the extent possible."
- 14 (Emphasis added)"

"MPI maintains its position that it may use Extension profits for purposes other than for

- 16 the benefit of its Basic LOB and states that it exercised this discretion again in the
- 17 2020/21 fiscal year. Specifically, prior to the end of that fiscal year, MPI transferred all

- 18 of its excess capital (i.e. \$60 million) from the Extension reserve to its Driver and
- 19 Vehicle Administration (DVA) LOB to address funding shortfalls."

On page 25, Part V (Pro Formas), EPF-3 (Extension Statement of Changes in Equity) the Corporation has or is proposing to transfer Extension Capital to the DVA line of business the following amounts:

- 2020/21 \$60 million
- 2021/22 \$54 million
- Total \$114 million

As per page 9, Part I (Overview) MPI is operating the DVA line of business on behalf of the government and has done so since 2004.

"MPI administers the DVA LOB on behalf of the Government of Manitoba and has done

- so since 2004. Its administration requires MPI to collect various fees and to transfer
- 22 them to the Government, an agency relationship. In 2020/21, the DVA fees MPI
- 23 collected and transferred to the Government totaled \$212 million. In return for its
- 24 services, the Government paid MPI \$30.2 million. However, the actual costs to MPI
- were \$32.9 million, or a shortfall of \$2.7 million.
- Over the years MPI and the Government have discussed the best way to address
- 27 these types of funding shortfalls. Each party agrees that the insurance LOBs should
- 28 **not subsidize the DVA LOB**. Unfortunately, the Government experienced significant
- 29 financial losses as a result of the Pandemic."

Emphasis added.

On page 10, Part I (Overview) it states:

"MPI does not forecast the financial situation of the DVA LOB to improve in the

- 5 foreseeable future. The Government did not include the costs of Project NOVA
- 6 pertaining to the DVA LOB in its core funding. As MPI begins to incur licensing costs
- 7 and amortize project costs, it expects that the financial position of the DVA LOB will
- 8 deteriorate further over the coming years and that its total equity position will
- 9 approach negative \$100 million by 2025/26, absent any changes to the current
- 10 funding model.
- 11 Management of MPI will recommend to its Board of Directors (BoD) that excess
- 12 Extension reserves be transferred again to the DVA LOB to pay for these forecasted
- shortfalls (prior to the end of fiscal year 2021/22). While the BoD has not yet made a
- 14 decision (as of this writing), for transparency purposes MPI has reflected this decision
- in its forecasts to identify the implications of such a decision."

Emphasis added.

Per the MPIC Act (C.C.S.M. c. P215 sub-section 14(2) it states:

"Restriction on use of moneys by government

14(2)

No moneys, funds, reserves, investments and property, whether real or personal, acquired, administered, possessed or held by the corporation, nor any profits earned by the corporation in the activity of automobile insurance, may be taken, used or appropriated by the Government of Manitoba for any purpose whatever, except as provided

under section 12 or in repayment of advances by or moneys borrowed from, the Government of Manitoba and interest thereon."

QUESTION:

- a) Please provide a narrative analysis and explanation as to whether MPI is in compliance with the MPIC Act, specifically Sub-section 14(2) by effectively subsidizing the government by transferring Extension Capital to the DVA line of business, which is to be funded by the government and not MPI.
- b) Please explain why MPI transferred \$60 million to the DVA line of business to address a \$2.7 million operating shortfall. Please include a detailed accounting of the use of the funds within the DVA line.
- c) Please provide a narrative discussion on the funding of the DVA LOB from Extension excess capital and whether it is, in part, to defray the costs of the component of Project Nova that relates to vehicle registration and driver licensing.

RATIONALE FOR QUESTION:

To review compliance with the MPIC Act in light of the apparent subsidization of transferring capital from the Extension line of business (rates set by regulation) to capitalize the DVA line of business that is to be funded by the government.

RESPONSE:

- a) The Drivers and Vehicles Act, C.C.S.M. c. D104 (DVA) states:
 - 2(1) The Manitoba Public Insurance Corporation is the administrator for the purposes of this Act and the regulations under this Act and for the purposes of any other Act or regulation that imposes a duty or confers a power on the administrator.
 - 2(2) The administrator must perform the duties that are imposed on it by this or another Act, or a regulation, and any other duties that the minister may require. The administrator may exercise the

powers conferred on it by this or another Act, or a regulation. [emphasis added]

The MPIC Act states:

6(1)(c.1) It is the function of the corporation and it has the power and capacity to administer The Drivers and Vehicles Act, and to perform the duties and exercise the powers described in subsection 2(2) of that Act

Simply stated, the combined effect of the *DVA* and *MPIC Act* is to obligate MPI to perform specified duties and empower it accordingly. While MPI maintains the discretion to determine how it performs its DVA duties, implicit is the requirement to pay their associated costs. And MPI alone is responsible for these costs. There exist no legislative provisions requiring the Government of Manitoba to reimburse MPI for the costs it incurs in performing these legislative duties. Nevertheless, by way of agreement, the Government of Manitoba pays MPI approximately \$30.5 Million each year to off-set its DVA administration costs. MPI disagrees that the transfer is tantamount to subsidization but rather, a fulfillment of its statutory obligations.

- b) While DVA net income for 2020/21 was a loss of \$2.7M, the total equity position of the DVA line of business at March 31, 2021 was negative \$13M. This financial position will worsen quickly as new costs come online to modernize the underlying systems as part of the implementation of Project NOVA. MPI factored in the following key points in its decision to transfer \$60M from Extension to DVA as at the end of 2020/21 fiscal year:
 - The Minimum Capital Test ratio of Extension was 284% as at December 31, 2020 and projected to exceed 300% (100% above its target) by March 31, 2021;
 - 2. The financial position of the DVA line of business would quickly deteriorate beginning in 2021/22 and MPI did not otherwise have the funds required to cover the DVA-portion of the Project NOVA costs;

- MPI could use excess Extension reserves to fund the DVA shortfall without compromising the forecasted financial position of Basic, as Pandemic savings outpaced the previously forecasted March 31, 2021 Extension transfer to Basic.
- 4. Basic is well capitalized and rebated tens of millions directly to customers due to Pandemic-related savings; and
- 5. Basic continues to accumulate excess reserves, to a greater extent than forecasted in the 2021 GRA and the -8.8% approved rate indication.

Simply put, Basic is currently flush with cash (due to the reduction in accidents during the Pandemic) at a time when the DVA line of business cannot sustain itself, will continue to incur losses and accumulate substantial deficit without intervention.

c) Part of the necessary funding is to defray the costs of implementing Project NOVA. The chart below shows yearly net income and the financial position of the DVA line of business, as forecasted at the end of the 2020/21 fiscal year:

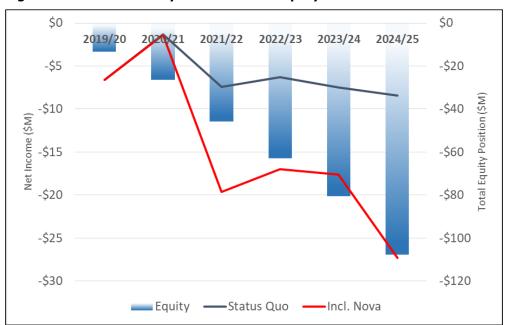


Figure 1 DVA Yearly Net Income & Equity

Part and Chapter:	Part VII RSR Appendix 2	Page No.:	1
PUB Approved Issue No:	7. Capital Management		
Topic:	Typo RSR Appendix 2		
Sub Topic:			

Preamble to IR:

Question:

The 2024/25 Transfer (to) from Retained Earnings is stated as \$52,021 on RSR Appendix 2. On page 7 of Part V (PF-3) the Transfer from Extension Retained Earnings for 2024/25 is stated as \$53,021. For the record please file a corrected RSR Appendix 2.

Rationale for Question:

To correct the record.

RESPONSE:

Please see <u>Figure 1 and 2</u> below for blackline and clean versions of <u>Rate Stabilization</u> <u>Reserve RSR Appendix 2</u>.

Figure 1 Appendix 2: Rate Stabilization Reserve Capital

revised August 17, 2021 June 28, 2021 BLACKLINE

2022 GENERAL RATE APPLICATION
Part VII - RSR Appendix 2 - Blackline

Line		Beginning RSR/Retained Earnings Balance	Net Income	Transfer from Non-Basic	Surplus Distribution	Adjustments	Transfer (to)/from Retained Earnings	Transfer (to)/from IIF	Transfer (to)/from ITOF		Retained Earnings	Immobilizer Incentive Fund (IIF)	Information Technology Optimization Fund (ITOF)	Total Retained Earnings	Accumulated Other Comprehensive Income	Total Equity	PUB Approved RSR Range ^
No.	Fiscal Year	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(I)	(m)	(n)	(o)	
1	(C\$000s, except wh	here noted)								Total (a) to (h)				Total (i) to (l)		(m) + (n)	
2	2003/04	35,366	3,358	4,049	-	-	-	-	-	42,773	-	-	-	42,773	-	42,773	\$50-80M
3	2004/05*	42,773	59,943	33,907	-	(10,619)	-	-	-	126,004	-	-	-	126,004	-	126,004	\$50-80M
4	2005/06	126,004	85,703	19,427	(58,000)	-	-	(37,063)	-	136,071	-	37,063	-	173,134	-	173,134	\$50-80M
5	2006/07	136,071	47,783	-	(59,652)	-	-	3,920	-	128,122	-	33,143	-	161,265	-	161,265	\$69-105M
6	2007/08	128,122	69,040	-	(62,565)	(22,693)	-	15,218	-	127,122	-	17,925	-	145,047	20,012	165,059	\$69-106M
7	2008/09	127,122	(8,165)	-	54	-	-	15,904	-	134,915	-	2,021	-	136,936	(101,501)	35,435	\$72-109M
8	2009/10	134,915	87,773	-	-	-	(70,709)	2,021	-	154,000	70,709	-	-	224,709	34,645	259,354	\$77-154M
9	2010/11*	154,000	283,855	-	(321,678)	18,639	70,709	-	(65,000)	140,525	-	-	65,000	205,525	73,082	278,607	\$77-154M
10	2011/12	140,525	22,278	-	(14,120)	-	(57,983)	-	65,000	155,700	57,983	-	-	213,683	49,007	262,690	\$78-156M
11	2012/13 *	155,700	(63,103)	-	-	-	57,203	-	-	149,800	19,240	-	-	169,040	56,800	225,840	\$78-156M
12	2013/14	149,800	(69,162)	-	-	-	19,240	-	-	99,878	-	-	-	99,878	70,284	170,162	\$79-157M
13	2014/15	99,878	2,440	75,500	-	-	-	-	-	177,818	-	-	-	177,818	35,262	213,080	\$89-178M
14	2015/16	177,818	(56,050)	72,729	-	-	-	-	-	194,497	-	-	-	194,497	36,503	231,000	\$231-366M
15	2016/17	194,497	(123,070)	27,824	-	-	-	-	-	99,251	-	-	-	99,251	81,749	181,000	\$159M
16	2017/18	99,251	34,424	37,300	-	-	-	-	-	170,975	-	-	-	170,975	39,870	210,845	\$180-325M
17	2018/19	170,975	78,837	60,000	-	-	(309,812)	-	-	-	309,812	-	-	309,812	(60,120)	249,692	\$140-315M
18	2019/20	309,812	130,710	-	-	-	-	-	-	-	440,522	-	-	440,522	(34,296)	406,226	\$356M
19	2020/21**	440,522	286,119		(127,201)						599,440	-	-	599,440	(14,701)	584,739	\$402M
20	2021/22**	599,440	71,976		(202,754)						468,662	-	-	468,662	(13,894)	454,768	\$412M
21	2022/23**	468,662	4,623				39,301				512,586	-	-	512,586	(10,947)	501,639	\$444M
22	2023/24**	512,586	10,285				46,681				569,552	-	-	569,552	(6,831)	562,721	\$467M
23	2024/25**	569,552	4,209				52,021				626,782	-	-	626,782	(2,125)	624,657	\$489M
24	* Daatatad																

^{4 * -} Restated

Manitoba Public Insurance Page 2 of 3

^{5 ^-} Capital, and stabilization of rates is now backed by Total Equity, as such the specific RSR component of retained earnings was transferred back into retained earnings in 2018/19

^{26 ** -} Forecasted

Figure 2 Appendix 2: Rate Stabilization Reserve Capital

revised August 17, 2021 CLEAN June 28, 2021

2022 GENERAL RATE APPLICATION
Part VII - RSR Appendix 2 - Clean

Line		Beginning RSR/Retained	Net	Transfer from	Surplus	Adinatonanta	Transfer (to)/from Retained	Transfer (to)/from	Transfer (to)/from		Retained	Immobilizer Incentive	Information Technology Optimization		Accumulated Other Comprehensive	Total Equity	PUB Approved RSR
Line No.	Fiscal Year	Earnings Balance (a)	Income (b)	Non-Basic (c)	Distribution (d)	Adjustments (e)	Earnings (f)	IIF (g)	ITOF (h)	(i)	Earnings (j)	Fund (IIF) (k)	Fund (ITOF) (I)	Earnings (m)	Income (n)	(0)	Range ^
1	(C\$000s, except wh	ere noted)	, ,		` '	, ,	, ,			Total (a) to (h)				Total (i) to (l)		(m) + (n)	
2	2003/04	35,366	3,358	4,049	-	-	-	-	-	42,773	-	-	-	42,773	-	42,773	\$50-80M
3	2004/05*	42,773	59,943	33,907	-	(10,619)	-	-	-	126,004	-	-	-	126,004	-	126,004	\$50-80M
4	2005/06	126,004	85,703	19,427	(58,000)	-	-	(37,063)	-	136,071	-	37,063	-	173,134	-	173,134	\$50-80M
5	2006/07	136,071	47,783	-	(59,652)	-	-	3,920	-	128,122	-	33,143	-	161,265	-	161,265	\$69-105M
6	2007/08	128,122	69,040	-	(62,565)	(22,693)	-	15,218	-	127,122	-	17,925	-	145,047	20,012	165,059	\$69-106M
7	2008/09	127,122	(8,165)	-	54	-	-	15,904	-	134,915	-	2,021	-	136,936	(101,501)	35,435	\$72-109M
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12	2013/14	149,800	(69,162)	-	-	-	19,240	-	-	99,878	-	-	-	99,878	70,284	170,162	\$79-157M
13	2014/15	99,878	2,440	75,500	-	-	-	-	-	177,818	-	-	-	177,818	35,262	213,080	\$89-178M
14	2015/16	177,818	(56,050)	72,729	-	-	-	-	-	194,497	-	-	-	194,497	36,503	231,000	\$231-366M
15	2016/17	194,497	(123,070)	27,824	-	-	-	-	-	99,251	-	-	-	99,251	81,749	181,000	\$159M
16	2017/18	99,251	34,424	37,300	-	-	-	-	-	170,975	-	-	-	170,975	39,870	210,845	\$180-325M
17	2018/19	170,975	78,837	60,000	-	-	(309,812)	-	-	-	309,812	-	-	309,812	(60,120)	249,692	\$140-315M
18	2019/20	309,812	130,710	-	-	-	-	-	-	-	440,522	-	-	440,522	(34,296)	406,226	\$356M
19	2020/21**	440,522	286,119		(127,201)						599,440	-	-	599,440	(14,701)	584,739	\$402M
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21	2022/23**	468,662	4,623				39,301				512,586	-	-	512,586	(10,947)	501,639	\$444M
22	2023/24**	512,586	10,285				46,681				569,552	-	-	569,552	(6,831)	562,721	\$467M
23	2024/25**	569,552	4,209				53,021				626,782	-	-	626,782	(2,125)	624,657	\$489M
24	* Doctated																

^{25 ^ -} Capital, and stabilization of rates is now backed by Total Equity, as such the specific RSR component of retained earnings was transferred back into retained earnings in 2018/19

Manitoba Public Insurance Page 3 of 3

^{26 ** -} Forecasted

Part and Chapter:	Part VII Risk Management Page No.: 3 Framework					
PUB Approved Issue No:	16. Risk Management and Assessment					
Topic:	Covid 19 response RMF.1.1					
Sub Topic:						

Preamble to IR:

On page 3 of Part VII (Risk Management Framework) it states:

"MPI continues to leverage the Business Continuity Management Program frameworks

- and capabilities to monitor, prepare for, respond to, and recover from the COVID-19
- 9 pandemic, which involves:
- identifying critical business processes and required human resources using
- 11 Business Impact Assessments;
- managing response and recovery actions and communications, as designed, via
- the Corporate Incident Management Structure (C-IMS) and the Emergency
- 14 Operations Centre (EOC);
- C-IMS is the standard and central response framework for the
 management and coordination of the response and recovery
 - actions
- 17 related to all continuity, crisis, and/or emergency incidents at MPI;
- 18 EOC is the central facility or location, physical and/or virtual, from which
- incident response and recovery actions are monitored and managed;

20		and
21	•	guiding response and recovery actions and communications using the
		Pandemic
22		Response Plan and the COVID-19 5-Phased Approach, which evaluates
		several
23		factors, including the impact on MPI, public health measures and
		geographic
24		spread of the pandemic (see Appendix 2 – COVID-19 for the Five Phases
		to
25		COVID-19 Approach)."

QUESTION:

- a) Please describe, for greater clarity, the Corporate Incident Management Structure.
- b) Please provide a narrative discussion on the success (and/or lessons learned) from the execution of the Pandemic Response Plan and the COVID-19 5-Phased Approach.
- Please describe potential permanent organizational changes as a result of managing through the COVID-19 Pandemic, if any.
- d) Please provide an analysis, by account, of incremental operating costs incurred by MPI as a result of the Pandemic.

RATIONALE FOR QUESTION:

To assess the effectiveness of Pandemic Response Plan.

RESPONSE:

a) The Corporate Incident Management Structure (C-IMS) is the incident response framework to be used for all continuity and/or emergency incidents at Manitoba Public Insurance (MPI). This framework is the standard Crisis/Incident Management framework specific for MPI and established for the Business Continuity Management Program (BCMP).

The purpose of C-IMS is to effectively manage an interruption as a result of a continuity and/or emergency incident by centrally coordinating functional actions to meet the objectives of the incident response. The C-IMS manages and coordinates the response and recovery actions related to all continuity and/or emergency incidents.

The C-IMS framework follows an organizational and communication structure based on incident response teams with varying authority and autonomy depending on the continuity/emergency incidents. There are different activation and escalation levels based on the criteria established by the C-IMS.

b) The MPI BCMP conducts After Action Reviews (AARs) following disruptive events, situations, incidents, response plan activations, emergencies, disasters and/or exercises.

MPI did not complete the AAR for the COVID-19 Pandemic and does not expect to complete same for some time, as it continues to actively respond to and recover from the Pandemic while its ongoing. Examples regarding what may be included in the AAR include sharing human and physical resources with the healthcare system, reduction in claims resulting in a return of premiums to ratepayers, as well as the ability to relocate many employees to work remotely and remain productive.

- c) There are no specific permanent organizational changes resulting from the COVID-19 Pandemic, this topic will be addressed in the AAR.
- d) Please see Figure 1 below:

Figure 1 COVID-19 Expenses

Line					
No.	Expense Description	MPI Costs	Alternate Sites	MPI Sites	Total
1	Pub Info - Aut Prog	29,155	-	-	29,155
2	Bank Charges	4,010	5,928	-	9,938
3	Alarm/Card Access Systems	3,709	28,613	-	32,322
4	Contract Hspk/Cleaning	11,688	20,884	-	32,572
5	Garbage/Sewage/Recycling		1,549	-	1,549
6	General Bldg Maint & Repair	305,325	205,786	-	511,111
7	Property Maintenance	11,803	400	-	12,203
8	Basic Rent	-	69,625	-	69,625
9	Rent-Other Exp	-	6,750	-	6,750
10	R/M Electrical	3,786	42,868	-	46,654
11	R/M - Overhead Doors	-	5,344	-	5,344
12	R/M Plumb, Heat	3,113	3,465	-	6,578
13	Snow Removal	-	15,781	-	15,781
14	Utilities - Electric	-	2,094	-	2,094
15	Utilities - Water	-	44	-	44
16	Employee Recognition	462	-	-	462
17	License Fees-other	282,897	=	-	282,897
18	Software Other	8,200	-	-	8,200
19	Ext Lab - Other	60,347	-	-	60,347
20	Rental	952	-	-	952
21	Furniture & Equipment	17,165	-	-	17,165
22	ComputerEquip-Cell Phone	20	-	-	20
23	ComputerEquip-Communication	10,728	- 04	-	10,728
24	Operating Expenses -Misc	184	84	-	268
25	Rent - Temporary Offices	300	-	-	300
26 27	Postage	1,097,860	- 17	-	1,097,860
	Office Supplies	784	17	-	801
28	Printed Forms & Stat	969	-	-	969
29	Ref Material/Subsciption	1,017	-	-	1,017
30	COmpAccess/Supp-Peripherals	23,954	-	-	23,954
31	CompAccess/Supp-Misc	41,936	-	-	41,936
32	Salaries Accrued	59,948	-	-	59,948
33	Salaries - Regular	1,232,729	=	-	1,232,729
34	Salaries - Regular Shift	1,208	-	-	1,208
35	Salaries Pandemic	4,364	-	-	4,364
36	Overtime	62,806	-	-	62,806
37	Special Services Other	284,164	-	-	284,164
38	Security Services	200,096	-	-	200,096
39	Workplace Safety	107,838	-	-	107,838
40	Internet Charges	-	1,944	-	1,944
41	Cellular Telephone Expense	428	-	-	428
42	Monthly Parking	1,938	-	-	1,938
43	Veh Exp-Gasline	-	146	-	146
44	Travel - Milage	989	1,216	-	2,205
45	Travel Expense - Meals	116	42	-	158
46	Travel Expense Hotel	645	_	_	645
47	Advisors and Counsel	30,162	_	_	30,162
48	Advisor & Counsel to	28,774	_	_	28,774
49	GRA Hearing Costs	57,785	_	_	57,785
50	Furn & Equip-Wireless	169,791	_		169,791
51	COVID-19 Vehicle Cleaning		-	=	
	•	6,386,099	-	964 904	6,386,099
52 53	Gov't use of MPI sites	10 550 244	110 500	964,904	964,904
53	Subtotal Salariaa Basayary from Cay't	10,550,244	412,580	964,904	11,927,728
54	Salaries-Recovery from Gov't	(977,888)		(004.004)	(977,888)
55	Other-Recovered from Gov't		(410,108)	(964,904)	(1,375,012)
56	Net COVID-19 expenses	9,572,356	2,472	-	9,574,828

Part and Chapter:	Part VII RSR	Page No.:	OV page 9				
PUB Approved Issue No:	7. Capital Management	7. Capital Management Plan					
Topic:	Capital Management Plan						
Sub Topic:	Capital Transfer Rules						

Preamble to IR:

In the 2020 GRA, at RSR.6.2 MPI stated:

"RSR.6.2 Capital Transfers

- 12 After applying the Basic rate indication to the forecast, MPI will then determine
- whether there is excess capital in MPI's Extension line of business that it can transfer
- 14 to Basic. If, at each fiscal year end, the Extension MCT ratio is:
- 15 greater than 200% MPI will transfer capital from Extension to Basic until the
- 16 ratio is 200%.
- 17 less than 200% MPI will not make any capital transfers from Extension.
- 18 Included for the entire five year forecast period are the projected capital transfers
- 19 from Extension to Basic at each year end. It is necessary to include capital transfers
- 20 beyond the current fiscal year in order to determine whether MPI is adequately
- 21 building or releasing capital towards the 100% MCT target within in the CMP
- 22 timeframe."

At PDF page 1514 of the 2022 GRA, MPI states:

"Although MPI does not apply in this GRA for approval by the PUB of its rates for

Extension, the capital target of the Extension Reserve remains relevant to the setting

- of rates for Basic. As the CMP may result in MPI projecting an excess capital transfer
- 7 from Extension to Basic, the capital forecast for Extension will influence the capital
- 8 forecast for Basic, which means the Extension forecast is a critical component in the
- 9 determination of the CMP decisions for Basic (i.e. build capital or release capital
- 10 through rebate or otherwise)."

QUESTION:

- a) Referencing the content of the preamble, please confirm the original intent of the Capital Transfer Rules of the Capital Management Plan were for non-discretionary transfers from Extension to Basic, until the Extension MCT ratio is equal to 200%.
- b) Please explain if MPI's Board of Directors considered seeking approval from the PUB to again deviate from the rules of the Capital Management Plan. Please file Board minutes related to this decision.
- c) Please explain if MPI considers there to be any other financial linkages for rate setting purposes between Basic and Extension, other than the transfer of excess capital.
- d) Noting that MPI has forecast transfers from Extension from 2023 through 2026 (line 9 of PF-3), please indicate the dates on which MPI may confirm or reverse these commitments to transfer excess capital to Basic.

RATIONALE FOR QUESTION:

To understand the factors that have contributed to the misfunctioning of the Capital Management Plan.

RESPONSE:

a) The intent of MPI as per the Capital Management Plan (CMP) remains unchanged. That is, any excess capital within Extension at the end of the fiscal year must be transferred to Basic. However, this does not preclude MPI from directing excess Extension funds for other purposes prior the end of the fiscal year and before applying the CMP transfer rules. The CMP does not limit the ability of MPI to transfer Extension funds for purposes other than increasing the capital position of Basic, provided that any transfers are completed prior to the end of the fiscal year.

While MPI intitially intended to use excess Extension capital for the sole purpose of supporting its Basic line of business, it recognizes that it is obligated to cover the costs of providing Manitobans with the services it does through its other business lines. MPI did not anticipate any deficits in DVA funding and expected changes to DVA funding did not materialize. As a result, DVA lacks sufficient financial resources to cover the cost of its operations and MPI must respond and rectify the situation. Having said that, MPI maintains that use of excess capital from Extension will in the normal course be directed to Basic at fiscal year end as contemplated under the CMP.

b) MPI does not accept the suggestion that it deviated from the CMP. In transferring excess capital from Extension to DVA, MPI followed the CMP framework and mechanisms. MPI did not seek PUB approval because it was not required to do so.

In deciding to transfer excess Extension capital to DVA, MPI first considered the implications of its decision to Basic, which included consideration of the following:

 MPI could use excess Extension capital to fund the DVA shortfall while maintaining the forecasted financial position of Basic (as savings generated from the COVID-19 Pandemic outpaced the previously forecasted Extension transfer to Basic as of March 31, 2021);

- 2. Basic was already sufficiently capitalized and previously rebated tens of millions directly to customers (due to Pandemic-related savings);
- 3. Basic continues to accumulate excess reserves and does so at a rate greater than forecasted by MPI in the 2021 GRA.

Please find the minutes of the applicable meeting of the MPI Board of Directors at *Attachment A* hereto.

- c) Other than direct transfers between Extension and Basic there are indirect linkages such as:
 - Deductible levels affecting claim behavior and ultimately claim costs;
 and
 - ii. Cost sharing and related economies of scale that on their own, each independent line of business could not benefit from, ultimately affecting the expense levels required to recover for rate setting.
- d) Management would generally seek Board approval as close to the year-end date as possible; typically within +/- 30 days of March 31st of any given year. Previous forecasts and assumptions of capital transfers would always be a key criteria in such a decision to ensure there are no adverse consequences, to the extent possible.

Board of Directors Meeting

Meeting Date: Thursday, March 25, 2021, 12:30 pm

Place: 820 - 234 Donald Street, Winnipeg, Manitoba

Via WebEx

Present: DR. M. SULLIVAN, CHAIR

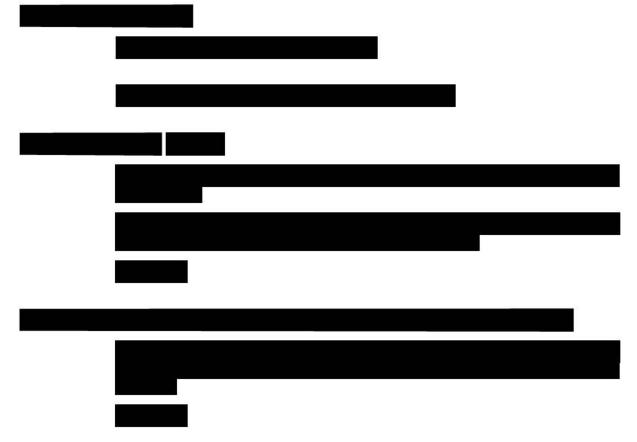
MR. R. CHALE
MR. D. GRESTONI
MS. C. HALBERT
MR. K. MUNROE
MS. E. NABESS
MR. J. ROBSON
MR. G. STEFANSON

MS. V. WOWRYK

MR. E. HERBELIN, PRESIDENT & CEO

Management: MR. M. TRIGGS, GENERAL COUNSEL & CORPORATE

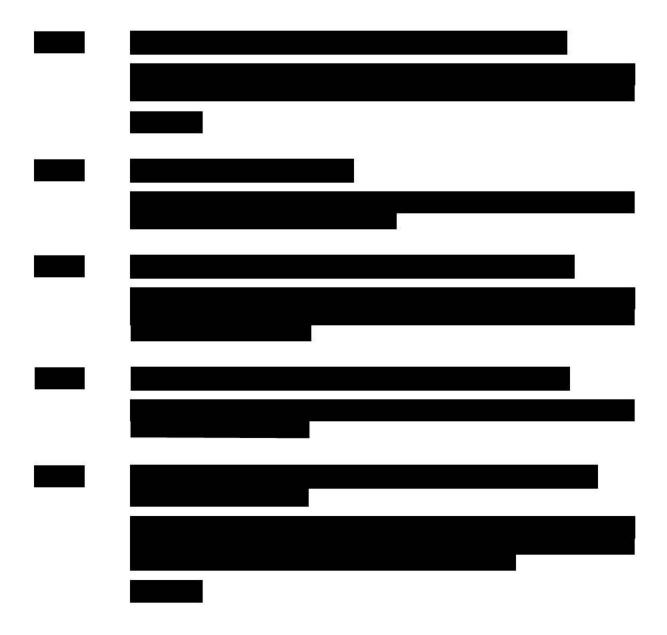
SECRETARY



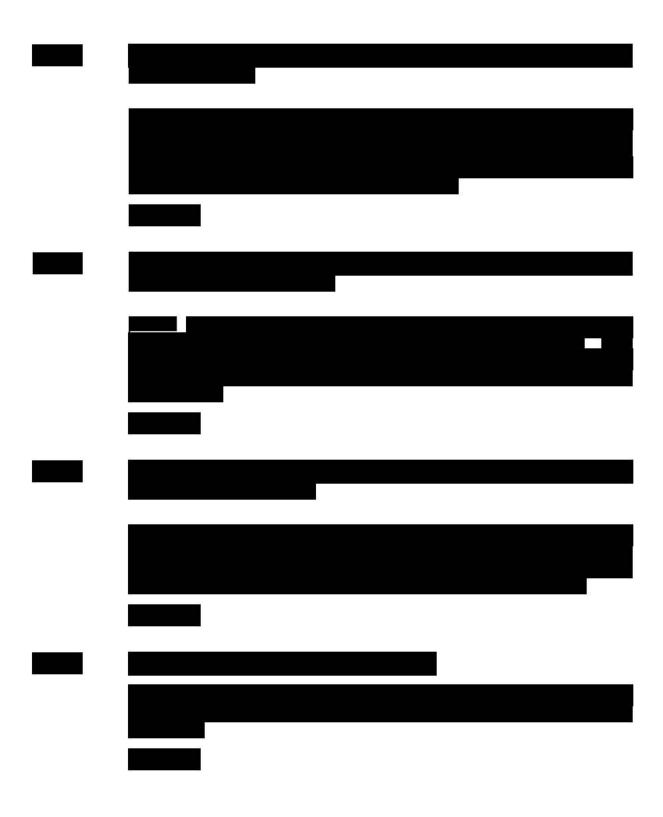
DRAFT MINUTES

Date: March 25, 2021

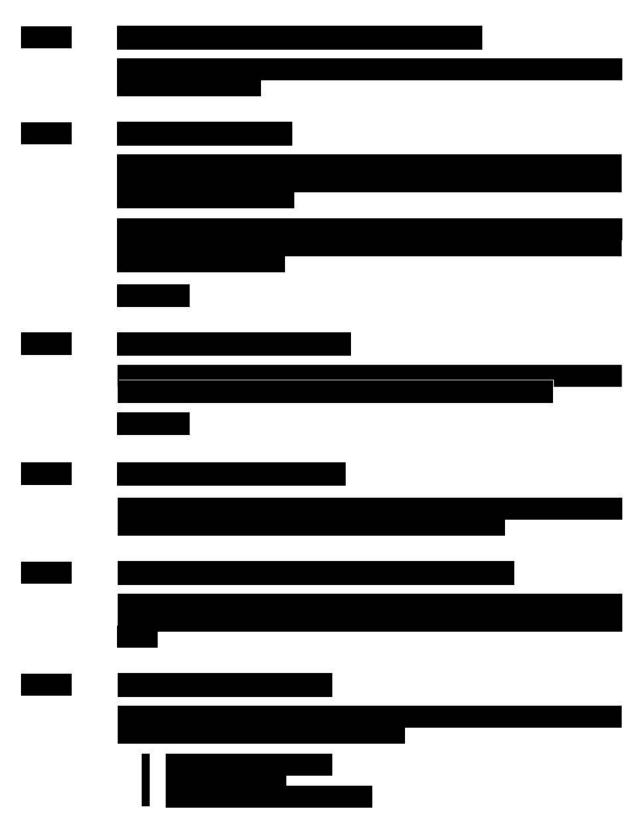
Page: 2 of 7



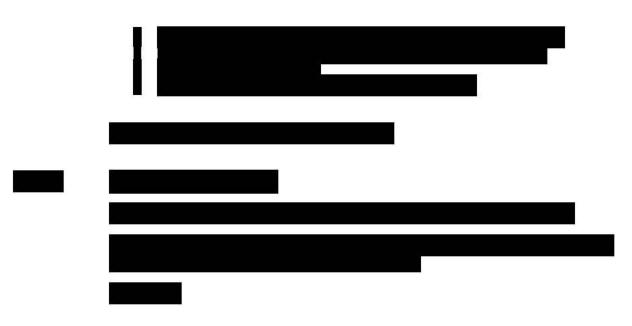
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Page: 5 of 7



21-054 Extension Transfer to Driver Vehicle Administration

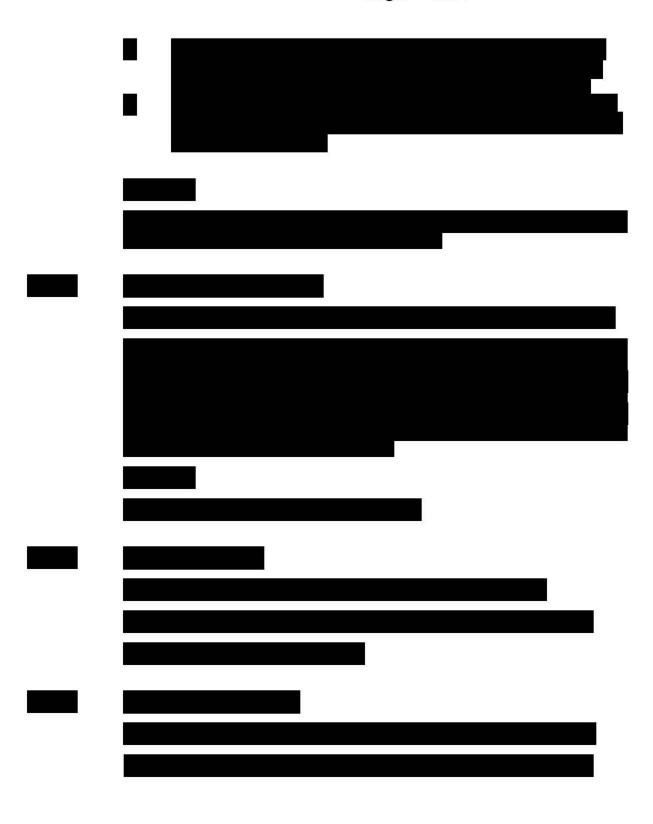
Mr. Giesbrecht presented Agenda Item 4.2 Extension Transfer to Driver Vehicle Administration.

Moved by Mr. Stefanson and seconded by Ms. Wowryk that the Members approve the transfer of all capital in excess of 200% MCT from the Extension line of business to the Driver Vehicle Administration line of business as at March 31, 2021.

CARRIED



Page: 6 of 7

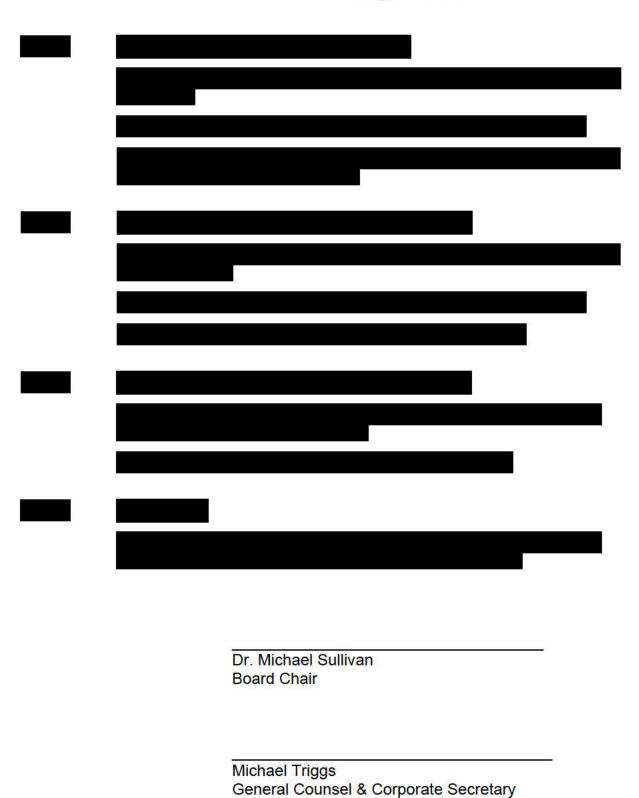


March 25, 2021

DRAFT MINUTES

Page: 7 of 7

Date:



Part and Chapter:	Part VII RSR	Page No.:	PDF Page 1514 Page 6 of 10				
PUB Approved Issue No:	7. Capital Management Plan						
Topic:	Capital Management Plan						
Sub Topic:	Capital Rebates for 2021/22						

Preamble to IR:

At PDF Page 1514, MPI states

- "MPI intends to file a rebate application before the public hearing of the 2022 GRA, with
- 12 actual rebates being issued within the 2021/22 fiscal year, following receipt of the PUB
- order. MPI expects that the rebate application will request a rebate amount of excess
- 14 capital in Basic as of March 31, 2021 that is equal to \$155 million. However, MPI
- anticipates that this amount will increase over the first two quarters of 2021/22 due to
- 16 ongoing COVID-19 claims savings."

At PDF page 550 MPI states:

"The forecast does not include any adjustment to rates in policy years

- 7 2023/24 and thereafter. MPI will revise both the break-even rate indication and the
- 8 capital build provision (if necessary) in future GRAs. MPI will not request capital
- 9 release provisions beginning in the 2022/23 policy year and seeks to replace this
- 10 mechanism with a capital rebate methodology."

Question:

- a) At this time, has MPI forecast any additional capital rebates beyond 2021/22?
- b) Please explain how MPI intends to address the forecast escalation of MCT to 128% by 2025/26, as shown in PF-3, line 22.
- c) Please explain when MPI expects to bring details of the capital rebate methodology before the PUB for approval, and what factors/considerations will be addressed by this revised methodology.
- d) Please provide how many customers, and how many dollars were not refunded, over the prior COVID-19 related rebates either by cheques being returned to MPI, or not deposited, or other reason.
- e) Please discuss if MPI has now examined any alternative methods for rebate, beyond mailing cheques. Please file any materials or reports relevant to that examination.
- f) Please explain if MPI can include a line item as a rebate on a customer renewal notice, that does not impact the base rates for insurance.
- g) Having changed its position on capital release, and transfers from extension, does MPI consider that the Capital Management Plan can operate cohesively, as a long term solution to capital accumulation, or deficiency? Has MPI considered developing a new approach altogether?

RATIONALE FOR QUESTION:

To understand how the Capital Management Plan may continue to operate beyond the current test year.

RESPONSE:

- a) MPI has not forecast any additional capital rebates beyond 2021/22.
- b) MPI is aware of the current expected escalating Minimum Capital Test ratio of the RSR to 128% by the end of the 2025/26 fiscal year. MPI continues to monitor the forecasted excess capital and will react to any actual excess via the current capital release provision of the Capital Management Plan (CMP), should the two-year trial be extended, or the aforementioned capital rebate methodology. Regardless of the approach taken, MPI will ensure the return of any excess capital to Manitobans.
- c) As previously mentioned, the impact of the excess capital generated via the COVID-19 Pandemic demonstrated a weakness in the CMP (in particular, its capital release methodology). Based on this, MPI will seek to adopt an alternative approach (such as a capital rebate methodology) that will allow it to quickly release large amounts of capital if accumulated in a relatively short period of time. MPI expects to share the details of this capital rebate methodology in the 2023 GRA.
- d) Please see *Figure 1* below:

Figure 1 COVID Cheques as at July 26, 2021

Line No.	May 2020 Rebate	Customer Count	Dollars
1101	•		
1	Outstanding - includes returns	20,536	\$ 2,528,528
2	Total Issued	649,029	109,783,189
3	Oustanding %	3.16%	2.30%
4			
5	December 2020 Rebate		
6	Outstanding - includes returns	26,024	\$ 2,191,171
7	Total Issued	644,256	69,167,591
8	Outstanding %	4.04%	3.17%

e) Project NOVA will consider the ability of MPI to provide future rebates through direct bank deposits (similar to electronic deposits). MPI is currently working through the examination phase of this functionality with its banking partners with

a view to integrate this ability within its NOVA digital structure and its payment gateway provider, Moneris. MPI anticipates that it will be in a position to provide additional guidance and reporting when it completes the final scoping and examination work for 2022/23.

- f) MPI is exploring options and systems requirements and aims to include information about rebate amounts and how they affect a customer's overall premium.
- g) Yes, MPI believes the CMP can operate as a long term solution for capital accumulation or deficiency. However, the CMP must be amended to accomplish this. As mentioned in part c), the CMP does not react well to a situation when large sums of capital are accumulated in a short period of time. To account for this shortfall, MPI is looking to modify the current CMP to include a rebate threshold methodology to respond to any unexpected accumulations of capital. MPI believes the capital build component of the overall plan continues to be appropriate.

Part and Chapter:	Part VII RSR	Page No.:	5
PUB Approved Issue No:	7. Capital Management Plan		
Topic:	Reserves Regulation		
Sub Topic:			

Preamble to IR:

MPI refers to the capital targets identified in the *Reserves Regulation* Man Reg 76/2019.

In PUB Order 176/19, page 52, the PUB found that:

Taking all of the foregoing into consideration, the Board finds that the Regulation is inconsistent and in conflict with the Board's rate approval mandate in section 6.4 of the MPIC Act and the Board's powers under the PUB Act and CCGA Act. As set out above, the determination of the methodology and setting of capital target levels for the RSR is integral to the determination of just and reasonable rates. As such, any regulation which predetermines the methodology or level of the Basic RSR is inconsistent and in conflict with the Board's mandate.

QUESTION:

Please confirm that it is MPI's understanding that the PUB found the *Reserves Regulation* to be invalid in Order 176/19. If not confirmed, please elaborate on MPI's understanding of the finding in Order 176/19. If confirmed, please explain why MPI has not made reference to the PUB finding, in Order 176/19, that the Reserves Regulation is invalid.

RATIONALE FOR QUESTION:

To confirm MPI's understanding of Order 176/19 with respect to the *Reserves Regulation*.

RESPONSE:

While the PUB found in Order 176/19 that the *Reserves Regulation* (the Regulation) "is inconsistent and in conflict with the Board's rate approval mandate in section 6.4 of the MPIC Act and the Board's powers under the PUB Act and CCGA Act", it did not strike down the Regulation or find it to be of no force and effect generally. Accordingly, MPI must presume that the Regulation is otherwise valid and applicable and must adhere to its requirements.

At page 131 of Order 176/19, the PUB also said the following:

"13.5 Section 2(a) and 3 of the Reserves Regulation, M.R. 76/2019, enacted pursuant to The Manitoba Public Insurance Corporation Act, C.C.S.M. c P215, are ultra vires the regulation-making authority of the Lieutenant Governor-in-Council and accordingly are not binding on the Board." [emphasis added]

Fortunately, a full reading of Order 176/19 did not put MPI in the quandary of being ordered by the PUB not to apply a regulation it is bound to comply with.

Part and Chapter:	Part I Overview Special Rebate Application	Page No.:	Pages 9-10 Page 21	
PUB Approved Issue No:	7. Capital Management Plan 7.a) Transfers to DVA			
Topic:	Transfers to DVA and Special Rebate Application			
Sub Topic:				

Preamble to IR:

As per the Special Rebate Application, MPI has transferred \$60,000,000 to the Driver and Vehicles Administration Line of Business (DVA) in 2020/21 and will transfer \$53,494,000 to the DVA in 2021/22.

PUB Order 176-19 stated that (at page 62):

The transfers from Extension to Basic will be automatic under the Capital Management Plan for any amounts over 200% MCT held by Extension in its reserves.

PUB Order 1-21 stated (at page 37):

The CMP is comprised of the following:

- [...]
- A commitment to transfer excess Retained Earnings from the Extension line to Basic, where excess is determined relative to the single Extension target capital level of a 200% MCT ratio;

QUESTION:

 a) Please confirm that under the Capital Management Plan approved by the PUB in Order 176-19, transfers from Extension to Basic would be automatic for any

- amounts over 200% MCT held by Extension in its reserves. If not confirmed, please provide MPI's interpretation of PUB 176-19.
- b) Please confirm that in both the 2020 GRA and the 2021 GRA, MPI expressed a commitment to transfer excess Retained Earnings from the Extension line to Basic, where excess is determined relative to the single Extension target capital level of a 200% MCT ratio. If not confirmed, please explain why.
- c) Please confirm that if the \$60,000,000 in 2020/21 and the \$53,494,000 in 2021/22 were not transferred to DVA, they would have been transferred to Basic. If not confirmed, please explain why.
- d) Please confirm that if the \$60,000,000 in 2020/21 and the \$53,494,000 in 2021/22 were transferred to Basic rather than to DVA, the 2022 Special Rebate Application would be \$113,494,000 higher. If not confirmed, please explain why.

RATIONALE FOR QUESTION:

To understand the impacts of the transfers to Driver and Vehicle Administration on the Capital Management Plan and on the Special Rebate Application.

RESPONSE:

a) Confirmed. Pursuant to the approved Capital Management Plan (CMP), MPI automatically transfers to Basic all excess capital that remains in Extension at the end of each fiscal year. The availability of excess capital within Extension at the end of each fiscal year (and thus available for transfer to Basic thereafter) depends on a number of factors, including: product pricing, profitability, actual claims experience and other transfers that the MPI Board of Directors approve as necessary and/or appropriate and make prior thereto. Excess capital in Extension does not become part of the RSR until it is transferred; the CMP does not prohibit the use of excess Extension capital for any purpose other than transferring to the RSR.

- b) Confirmed. In both the 2020 and 2021 General Rate Applications, MPI expected and therefore forecasted a transfer to Basic of all excess capital remaining within Extension at the end of each subsequent fiscal year over the forecast period. MPI defines excess capital as all amounts above what is required to maintain the Extension reserve at a Minium Capital Test (MCT) ratio of 200% at the end of each fiscal year (i.e. currently March 31st and previously Feb 28th).
- c) Confirmed. However, MPI did not consider any other alternatives when it transferred \$60 million from Extension to its DVA line of business. Nor did it consider any other alternatives when it forecasted a transfer of an additional \$53.5 million from Extension to DVA at the end of the 2021/22 fiscal year. Absent these transfers to DVA, MPI would have transferred or have forecasted the transfer of these excess amounts from Extension to Basic.
- d) As indicated in the response to part c), absent the noted transfers of excess capital from Extension to DVA prior to the end of the respective fiscal years, MPI would have transferred or have forecasted a transfer of these amounts to Basic. MPI agrees that these transfers would have increased the balance of the RSR and therefore the amount potentially available to rebate. The number cited above cannot be confirmed since \$53.5 million is a forecasted amount.

While MPI agrees that the applied-for rebate is less due to the aforementioned transfer of capital from Extension to DVA, it does not view the impact of the transfer as a meaningful loss for Basic ratepayers. As previously indicated in this GRA, MPI needed to address existing and future shortfalls in DVA funding from the Government of Manitoba. The available options were potentially substantial increases in DVA service fees or transfers of excess capital from Extension. The selection of either option impacts Basic ratepayers as they are also DVA customers. Had the transfer from Extension to DVA not occurred, MPI expects that the Government of Manitoba would have raised DVA fees and thereby increased the cost of future services accessed by Manitobans.