

CAC (MPI) 1-30

Part and Chapter:	Part IV – Project Nova Appendix 9	Page No.:	3 of 5
PUB Approved Issue No:	19. Project Nova		
Topic:	Project Nova Allocations among lines of business		
Sub Topic:			

Preamble to IR:

Page 3 of Appendix 9 to the Project Nova chapter explains that it allocating Project Nova costs in the Property & Casualty stream by claims incurred volumes would be inappropriate and result in a “disparity in cost allocations”.

Instead, MPI has “assumed the balance of costs for Basic and Extension to be evenly split...”

Question:

Please provide a narrative, including references to any analysis conducted by MPI, explaining the basis for the assumption that Project Nova costs in the Property & Casualty stream are to be evenly split between Basic and Extension.

Rationale for Question:

RESPONSE:

MPI based its previous Property and Casualty (P&C) allocation methodology on claims incurred volumes, which allocates costs based on the claims volumes. However, claims counts are significantly higher for the Basic line of business, resulting in a disparity in cost allocations that did not align with the capital asset benefit of the correct line of business. Consequently, ~~MPI incorrectly applied amortization to Basic, while the Extension or SRE line of business received the benefit of the asset amortization would~~

be applied incorrectly to the Basic Line of Business, while the benefit of the asset would be received by the Extension of SRE Line of Business, respectively.

Based on business analysis and project management advice received from the vendor (Accenture) as at January 2022 (during P&C discovery), MPI selected features as a base for allocations to build its projections. With the finalization of discovery, MPI will use the story points as the basis of allocation.

Below are the resulting allocation impacts for P&C in 2022/23:

- Basic and Extension assumed to be an even split for the balance of the costs:
 - 24% Basic
 - 24% Extension
- SRE based on R1 and R3 expected effort at 52% of all P&C costs relating to SRE LOB
- In future years, MPI will base this on a distribution of story points to be implemented (relating to each line of business) once known. MPI will refine allocation based on story points each year to validate and update the percentages noted above. If there are any story points that do not have a line of business assignment, MPI will apply Gross Written Premiums (GWP).

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