

# Manitoba Public Insurance Information Technology Benchmark (FY 2020-2021)

## Preliminary Findings and Recommendations Report

Version 2.0 (FINAL)  
22 July 2022



MANITOBA  
PUBLIC INSURANCE

© 2022 Gartner, Inc. and/or its affiliates. All rights reserved. Gartner is a registered trademark of Gartner, Inc. or its affiliates. This presentation, including all supporting materials, is proprietary to Gartner, Inc. and/or its affiliates and is for the sole internal use of the intended recipients. Because this presentation may contain information that is confidential, proprietary or otherwise legally protected, it may not be further copied, distributed or publicly displayed without the express written permission of Gartner, Inc. or its affiliates.

RESTRICTED

1 © 2022 Gartner, Inc. and/or its affiliates. All rights reserved.

# Gartner®

# Version History

Version	Date	Details
V1.0	8 July 2022	First version delivered to MPI (Working Draft)
V2.0	22 July 2022	<ul style="list-style-type: none"><li>▪ Corrections to dates within the footer and version history</li><li>▪ Page 12: Updates to indicate project NOVA costs are now included</li><li>▪ Page 22: Corrected table data</li><li>▪ Page 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32: Updates to indicate project NOVA costs are now included</li></ul>

# Purpose of this Report

- This reports contains the final version of the findings and recommendations resulting from the analysis conducted as part of the Gartner / Manitoba Public Insurance (MPI) Annual IT Benchmark for FY 2020-2021
- The report contains an executive summary of the findings and recommendations, substantiation of the findings and details for the implementation of the recommendations

# Table of Contents



01

Introduction



02

Executive Summary



03

Detailed IT Benchmark Findings



04

Appendix

# 1. Introduction

# Levels of investment in IT must be in balance with value derived by the business: There is a cost to maturing IT Service Management Processes

## Investments in IT

- IT Personnel
- Contractors
- Hardware
- Software
- Facilities
- Managed Services



## Value Delivered

- Mature IT Service Management Processes
- Satisfied business stakeholders and end users
- Reduced risk
- Progress towards business outcomes
- Profitability \*



*(Applicable for commercial peers; not for MPI)*

*\*Since MPI is a Crown Corporation, it does not aim to maximize profitability; thus profitability may be a less applicable measure of value delivered*

*\*Within the current and previous benchmark peer groups, a trend was found that higher levels of profitability are typically achieved for firms with higher levels of IT Spending per employee*

RESTRICTED

# Gartner's Point of View on the insurance industry

## Continuous market change requires longer vision and greater agility than ever for insurance CIOs.

- Current and future projected industry disruption make it **imperative that P&C and life insurers adopt business composability in order to respond to volatile conditions** and win in the future. On average, companies with high business composability report higher overall business performance.
- Business composability is a relatively new concept in insurance, with only 8% of CIOs reporting having in place enterprise strategies for the three elements: **composable thinking, composable business architecture and composable technologies**. On average, the industry is moderate across all three, especially technologies and thinking.
- Insurers are **not investing in the technical underpinning needed for business composability**, with their IT budget lagging in many regards. While they are increasing their investments in many technologies, some — such as AI and distributed cloud — are lagging.

Source: Gartner 2021

RESTRICTED

# An Information Technology Benchmark was independently performed by Gartner for MPI (3rd benchmark in a series spanning 3 fiscal years)

## The objectives of the IT benchmark are to:

- Establish a baseline of IT spending and staffing based on 2020/21 fiscal year data
- Compare IT spending and staffing levels with insurance industry peers
- Communicate the level of maturity of key IT domains within MPI relative to peers
- Identify the variances for areas that may have a potential for optimization
- Create a foundation for a continual change/ improvement program

## Assumptions:

- This is the third iteration in a series of benchmarks that will provide year over year comparisons
- The benchmark uses an updated methodology for the analysis of spending and staffing and IT maturity, and comparisons with the previous benchmarks are limited to common metrics

## Successful Outcome:

The benchmarking report provides a fact-based assessment for communicating IT performance within MPI and contributes to informing future budget, staffing and investment decisions.



# For the Information Technology Benchmark, MPI's current state was informed through three different workstreams

## Work Streams



### Spending and Staffing Benchmark

- Peer groups were selected based characteristics such as industry, size and geography.
- Enterprise-level benchmarks for IT spending and staffing were developed using 2019/2020 fiscal year data provided by MPI.
- Comparisons were made to the averages, 25th, and 75th percentiles of the peer group and MPI's previous year levels, where applicable.



### IT Service Management Process Review (out of scope for this iteration)

- Evaluated IT domains include: Strategy & Execution, Applications, Data & Analytics, Enterprise Architecture, Infrastructure & Operations, Security & Risk, Program & Portfolio Management, Sourcing / Procurement, and Vendor Management.
- Service Management Processes were evaluated based on survey results and maturity levels were calculated and compared to peers and MPI's past year maturity level.
- Validation workshops for reviewing the assessment.



### Stakeholder Analysis

- An interview was conducted with IT personnel.
- The interview was conducted to build a contextualized view towards MPI's strategy, processes, culture and past initiatives and were not used as part of the maturity assessment.

# Benchmarking Approach - The recommendations contained in this report were developed in collaboration with MPI IT Management

## Development Process

Benchmarking of IT Spending and Staffing

Discovery into the maturity of MPI's IT Service Management Processes

Interview with ITBT Management

Validation of Results with MPI



### Spending, Staffing and Workload Data Collection and Analysis

Gartner benchmarking draws upon a deep repository of IT spending to identify fact-based, optimization opportunities. For MPI, Gartner conducted an analysis of spending, staffing levels and IT workloads, comparing results with peer organizations.



### IT Score Surveys

Gartner IT Score Surveys assess specific IT domains, by evaluating best practice activities performed in each function, and assigning a maturity level based on responses.

**The IT Service Management Process Assessment was out of scope for this benchmark iteration.**



### Interviews with IT Management

Gartner's interview helped understand the context behind MPI's current capabilities, identify business challenges, uncover pain points, and pin-point critical success factors.



### Workshops with MPI IT Management to Validate Recommendations

Recommendations are based on accurate information, and are actionable, attributable, measurable and prioritized accordingly.

## 2. Executive Summary

# Gartner's Benchmarking Assessment Findings:

## MPI is investing significantly in digital transformation, resulting in an overall level of IT spending and staffing that is higher than peers



### Spending Levels

MPI's IT spending is higher than peers when project NOVA costs are included

**3.1%**

Above peer average for IT Spend as a Percent of OPEX



### Staffing Levels

MPI's IT staffing levels are above peers when project NOVA staffing is included

**6.2%**

Above peer average for IT Staff as a Percent of All Staff



### Staffing Levels

MPI's IT maturity levels continue to outperform peers in all nine of the IT domains

**3.39**

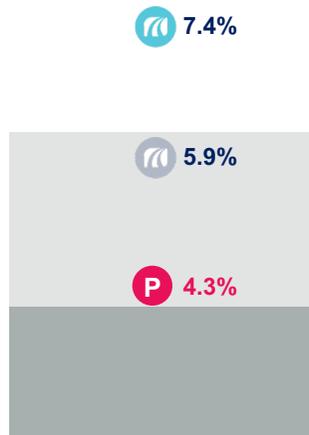
MPI's Maturity Level compared to Peer Average of 2.60

# Excluding project NOVA investments, MPI's IT spending levels and staffing levels are within a normal range



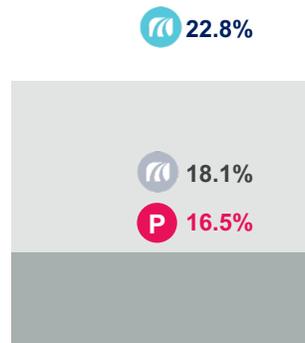
MPI's IT Spending as a percentage of OPEX is higher than the peer average

IT Spending as a Percentage of Total Operating Expense



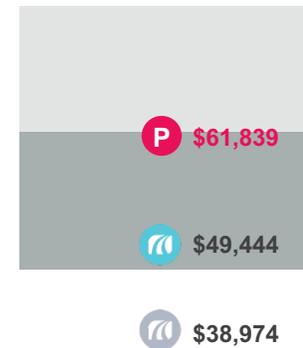
IT Staffing as a percentage of enterprise employees is higher than the peer average

IT Staffing as a Percentage of Enterprise Employees



IT Spending per enterprise employee is significantly lower than average and below the 25<sup>th</sup> percentile of peer organizations if project NOVA is excluded

IT Spending per Enterprise Employee



MPI allocates a significantly larger portion of the IT budget to support changes to meet business demands

Percentage Spending on Run vs Change



# The interview with IT management revealed that MPI continue to deal with COVID-19 challenges while continuing to drive digital modernization

1.

MPI continues to plan for modernization of enterprise applications based on a user / customer centric design (Project NOVA)

2.

Efforts have been made to enable better use of cloud service providers through cloud strategy, cloud standards, vendor agreements and training

3.

MPI has taken steps to centralize IT budget planning and improve agility to dynamically direct funding to address changing business needs

4.

Infrastructure initiatives include procurement of managed services and preparing for the use of cloud infrastructure

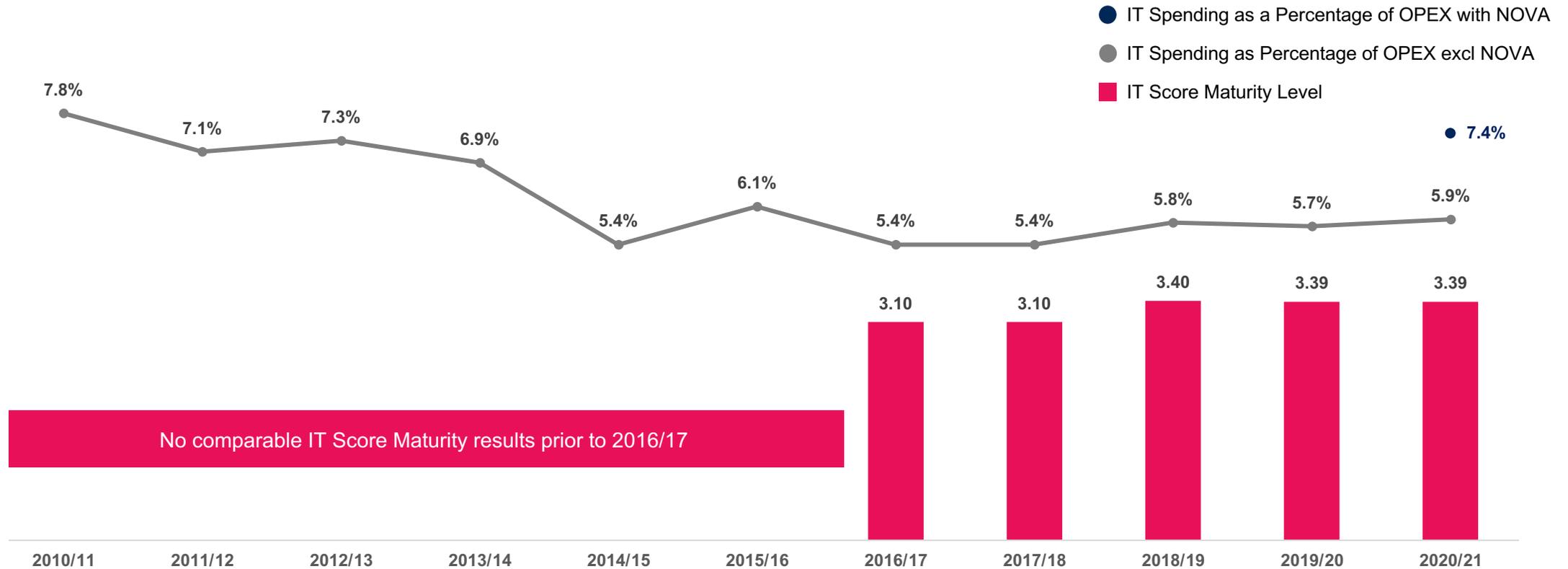


# The previous recommendations on MPI's implementation roadmap are listed below:

	Recommendation	Status
1	Conduct a skills assessment and create a workforce plan to address the new skills required within the IT organization	<b>On track</b> <ul style="list-style-type: none"> <li>Training plans for each directorate created and submitted to HR</li> <li>Cloud skills determine to be an imperative</li> </ul>
2	Ensure IT Financial Management facilitates priorities for investments across products and services and has flexibility to adjust to changing business plans	<b>On Track</b> <ul style="list-style-type: none"> <li>IT budget centralized within a single director</li> <li>Agile business case process enables mid-cycle changes to funding allocation</li> </ul>
3	Increase the scope of delivery of the integration strategy for applications and continue to document the APIs	<b>On Track</b> <ul style="list-style-type: none"> <li>Integration CoE established</li> <li>Contractor engages to lead integration efforts</li> </ul>
4	Integrate third-party risk management into the IT Security Governance, Risk and Compliance (GRC) processes	<b>On Track</b> <ul style="list-style-type: none"> <li>Risk policies established</li> <li>Established recognition of the need to manage third party risk</li> </ul>
5	Formulate a sourcing and vendor management approach for utilizing cloud-service providers	<b>On Track</b> <ul style="list-style-type: none"> <li>Market for infrastructure service provide in progress</li> <li>Training on deal-making with cloud service providers</li> </ul>

# Over recent years, MPI has demonstrated a stable trend of maintaining IT spending as a proportion of total business expenses, while maintaining IT service management maturity levels

## IT Spending as a Percentage of Enterprise Operating Expense and IT Score Maturity Levels



**Note:**

1. 2021/21 Maturity was not assessed – it was assumed to be the same as the previous year’s assessment
2. Project NOVA costs were not included in previous IT budget submissions

RESTRICTED

# MPI is in a period of significant change as investments are made in changing the business by implementing new digital platforms

## Investments in IT

- MPI's IT spending levels are higher than peers, but are within a typical range of spending excluding investments in digital modernization
- MPI's IT staffing levels are higher than peers, and are within a typical range
- MPI's IT spending per enterprise employee is lower and below the 25<sup>th</sup> percentile of peers when NOVA project personnel are excluded



## Value Delivered

- MPI has entered the build stage for modernization of legacy applications
- MPI has adapted services to changing business requirements, has adopted agile application development processes and implemented product management
- IT service management processes are more mature than peer organizations in every domain
- MPI has reduced IT security and privacy risks



*Previous investments in IT have yielded high levels of maturity in IT service delivery and recent investments have positioned MPI well to deliver on its modernization strategy. Gartner considers this to be a good level of progress for the year, especially when considering COVID-19 impacts and has no general concerns. MPI's IT management team continues to execute on continuous improvement initiatives and will consider recommendations provided by Gartner for inclusion in its roadmap.*

# 3. Detailed IT Benchmark Findings

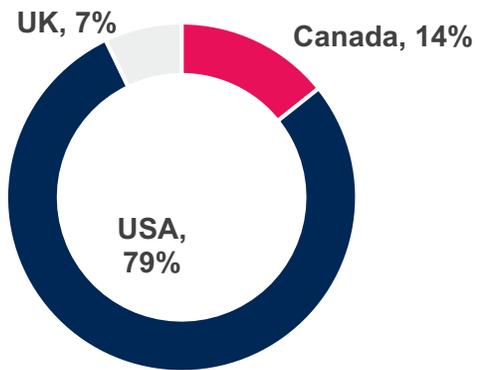
# 3.1 Spending and Staffing Benchmark Findings

# Gartner's Spending and Staffing Benchmark compared MPI with industry peers

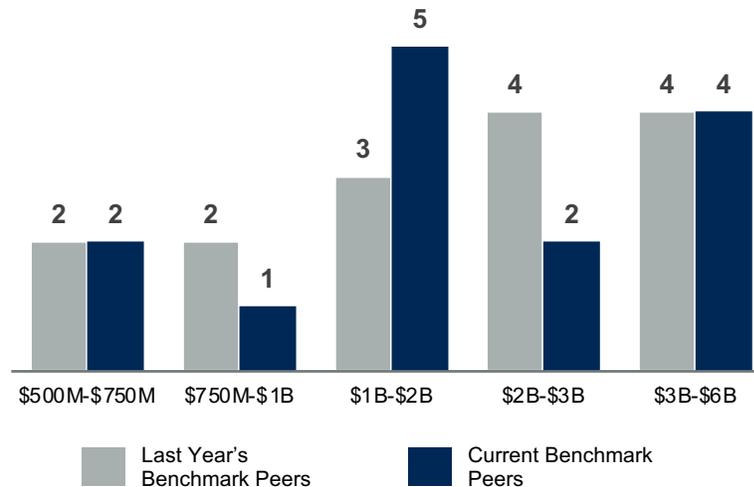
## 14 Insurance Industry Peers

- Predominately firms which had automotive insurance business lines
- 5 of the same organizations were the same peers from the last year's benchmark
- Firm size range from 550 to 5900 full-time employees
- Benchmark data was taken for 2021

### Geographic Profile



### Number of Peers by Revenue



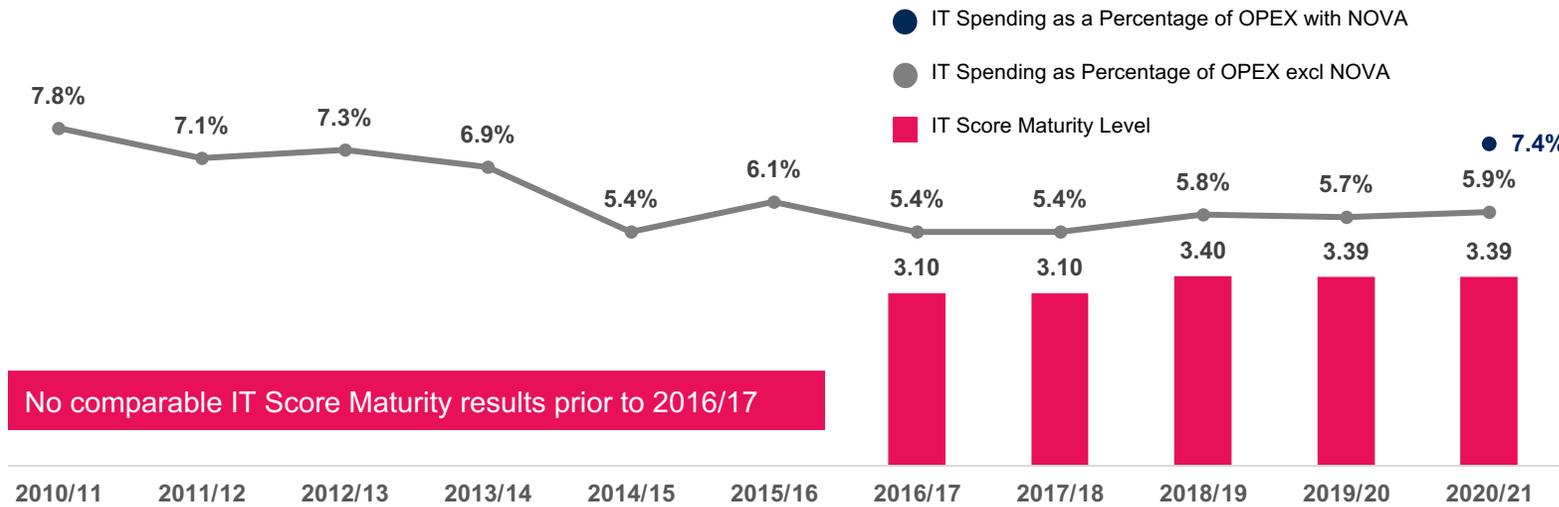
### Enterprise Metrics

Metric	MPI (2019/20)	Current Peer Average	Last Year's Peer Average
Number of Peers	-	14	15
Total Revenue	\$1,559.1 M	\$2,303.2 M	\$2,346.0 M
Total Operating Expense	\$1,196.8 M	\$1,979.4 M	\$2,130.2 M
Total Number of Employees	1,801	2,106	1909
Total Number of IT Employees (Including Contractors)	410	269	319
Total IT Operating and Capital Expenditure	\$89.0 M	\$104.5 M	\$104.2 M

# Historical Trend on IT Spending and IT Score Maturity Levels

Over recent years, MPI has demonstrated a stable trend of maintaining IT spending as a proportion of total business expenses, while maintaining IT service management maturity levels

## IT Spending as a Percentage of Enterprise Operating Expense and IT Score Maturity Levels



### Observations:

- IT spend as a percentage of enterprise operating expense was HIGHER in the current benchmark year compared to the previous year net of NOVA costs (5.9% vs 5.7%)

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Operating Expense</b>	\$0.94 B	\$0.76 B	\$1.13 B	\$1.23 B	\$1.26 B	\$1.15 B	\$1.37 B	\$1.29 B	\$1.42 B	\$1.35 B	\$1.20 B
<b>IT Expense (excl NOVA)</b>	\$73.5 M	\$54.2 M	\$82.3 M	\$85.0 M	\$68.7 M	\$70.7 M	\$74.8 M	\$69.7M	\$82.5 M	\$77.4 M	\$70.2 M
<b>IT Spending as Percentage of OPEX</b>	7.80%	7.10%	7.30%	6.90%	5.40%	6.10%	5.40%	5.40%	5.80%	5.70%	5.87%
<b>IT Score Maturity Level</b>	-	-	-	-	-	-	3.1	3.1	3.4	3.39	3.39

**Note:**

- 2021/21 Maturity was not assessed – it was assumed to be the same as the previous year’s assessment
- Project NOVA costs were not included in previous IT budget submissions

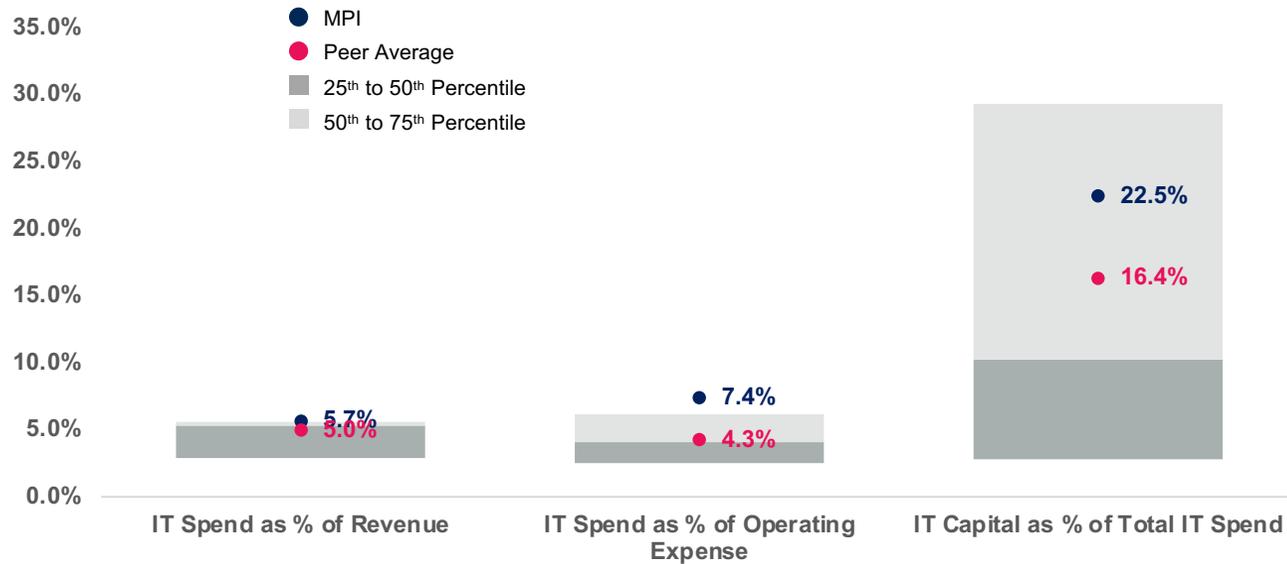
RESTRICTED



# IT Spending and IT Budget Allocation

**MPI's IT spending allocation as a percentage of the enterprise's operating expenses is higher compared to peers**

## Enterprise IT Spending Metrics



### Observations:

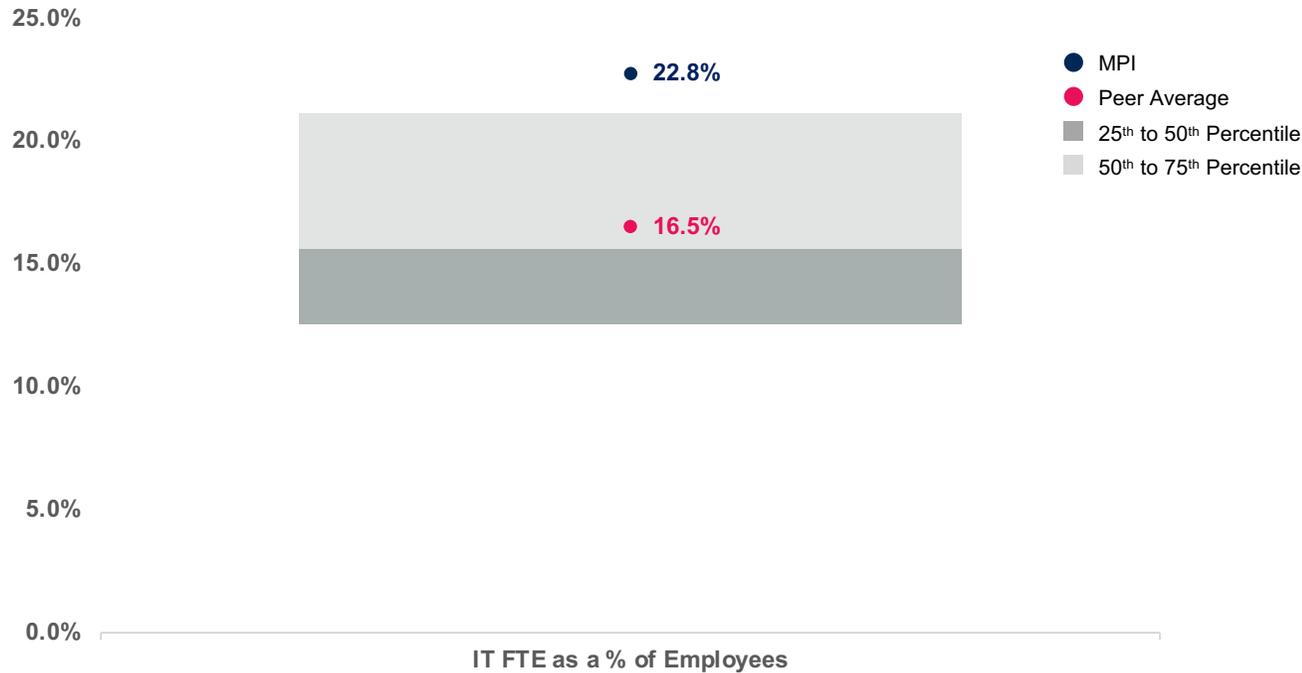
- Project NOVA costs are included in MPI spending metrics
- MPI's IT spend as a percentage of the Enterprise's total operating expenses is higher compared to peer average (MPI: 7.4% vs 4.3%)
- MPI's allocation to IT capital was higher than the peer average (MPI: 22.5% vs 16.4%).
- MPI's IT Spend as a percentage of revenue is higher than peers (this metric is less relevant since MPI does not have a focus on maximizing profit)

	MPI (2018/19)	MPI (2019/20)	MPI (2020/21)	Peer Average
IT Spend as a % of Revenue	5.20%	5.10%	5.71%	5.03%
IT Spend as % of Operating Cost	5.80%	5.70%	7.44%	4.31%
IT Capital as % of Total IT Spend	28.10%	21.80%	22.51%	16.37%

# IT Staffing per Employee

**MPI has a lower number of IT employees as a percentage of total employees relative to peers**

## IT Staffing as a Percentage of Organizational Employees



### Observations:

- Project NOVA staffing is included in MPI staffing metrics
- MPI has a higher percentage (MPI: 22.8% vs 16.5%) of IT employees as a percent of organizational employees relative to the peer average

	MPI (2018/19)	MPI (2019/20)	MPI (2020/21)	Peer Average
IT FTEs as a % of Employees	18.4%	18.4%	22.8%	16.5%

# IT Spending per Employee

MPI has a significantly lower IT cost per organizational employee relative to peers

## IT Spending per Employee



### Observations:

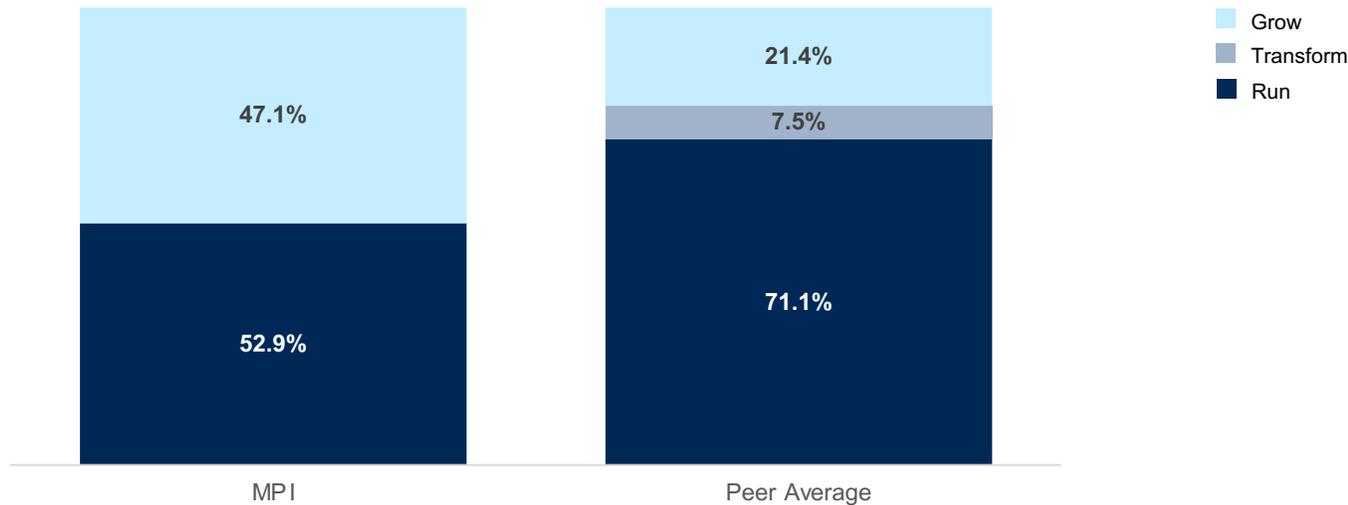
- Project NOVA costs are included in MPI spending metrics
- MPI's IT spend per organizational employee is lower than the peer average (MPI: \$49,444 vs \$61,839) and between the 25<sup>th</sup> and 50<sup>th</sup> percentile of peers

	MPI (2018/19)	MPI (2019/20)	MPI (2020/21)	Peer Average
Spending per Employee	\$46,613	\$40,946	\$38,974	\$61,839

# 'Run' vs 'Change' Spending Distribution

ITBT allocates less to 'Running' IT compared to peers and more budget to changing IT

## Run, Grow & Transform Spending



### Observations:

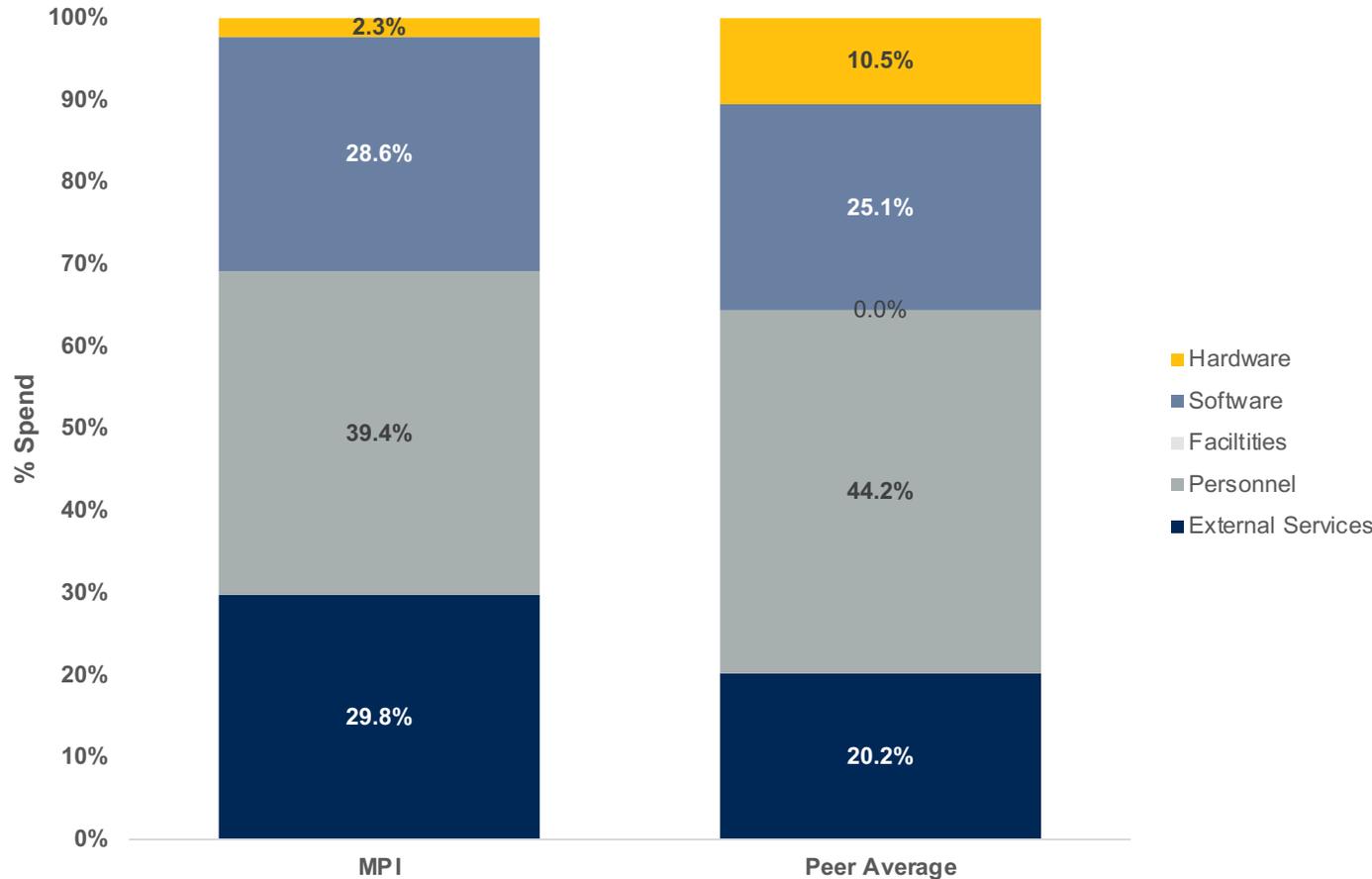
- Project NOVA costs are included in MPI spending metrics (categorized as 100% allocation towards transforming the business)
- MPI's IT spending allocation to 'Change' initiatives (i.e. Grow) is higher than the peer average (MPI: 47.1% vs 28.9%)

Spending Distribution	MPI (2018/19)	MPI (2019/20)	MPI (2020/21)	Peer Average
Run	57.0%	64.7%	52.9%	71.1%
Change (Grow + Transform)	43.0%	35.3%	47.1%	28.9%

# Asset Category Spending Distribution – High Level View

MPI's allocation of spending is higher for external services and software, but lower for hardware and personnel compared to peers

## IT Spending by Asset Categories



### Observations:

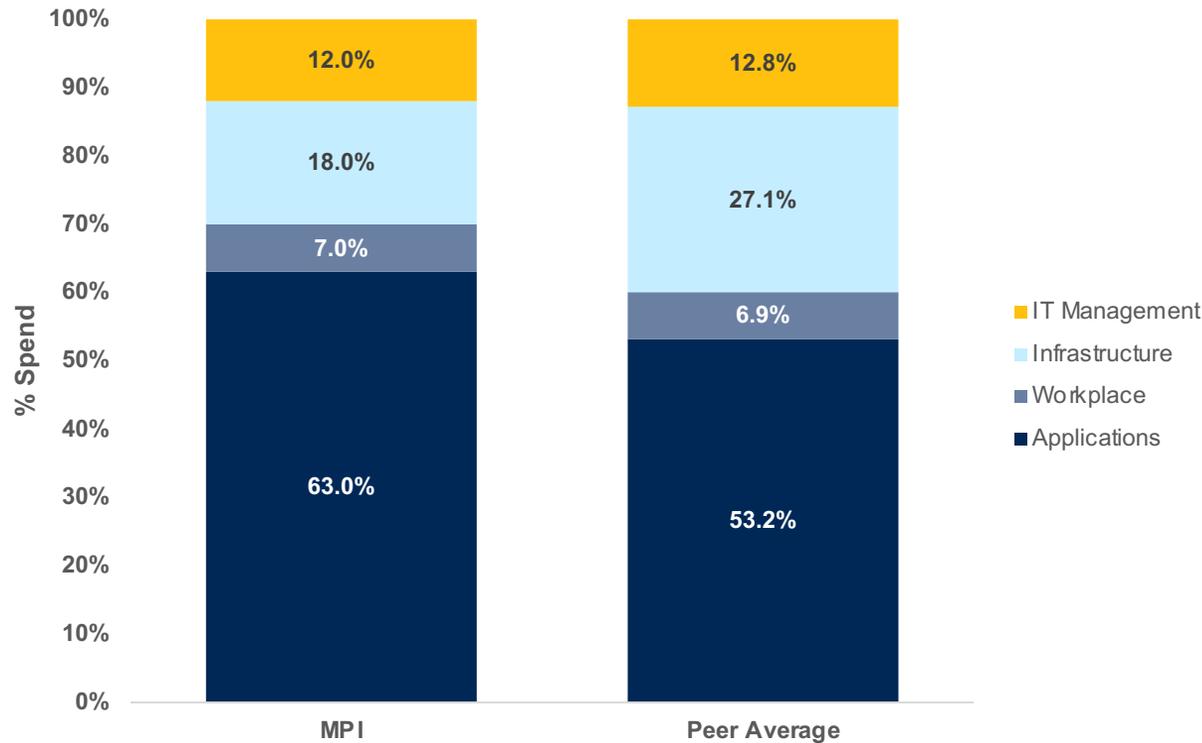
- Project NOVA costs are included in MPI spending metrics
- MPI's spending allocation to Personnel is lower relative to the peer average (MPI: 39.4% vs 44.2%).
- MPI's spending allocation to Hardware is lower relative to the peer average (MPI: 2.34% vs 10.5%).
- MPI's spending allocation to Software is higher relative to peer average (MPI: 28.6% vs 25.1%).
- MPI's spending allocation for external services is higher relative to peer average (MPI: 29.8% vs 20.2%)

Spending Distribution	MPI (2018/19)	MPI (2019/20)	MPI (2020/21)	Peer Average
Hardware	6.2%	6.4%	2.3%	10.5%
Software	17.0%	19.7%	28.6%	25.1%
Facilities	0.0%	0.0%	0.0%	0.0%
Personnel	53.9%	52.4%	39.4%	44.2%
External Services	22.8%	21.5%	29.8%	20.2%

# IT Functional Spending Distribution – High Level View

**MPI’s allocation of spending is lower for IT Management and infrastructure, but higher for Applications and Workplace compared to peers**

## IT Spending by Functional Group



### Observations:

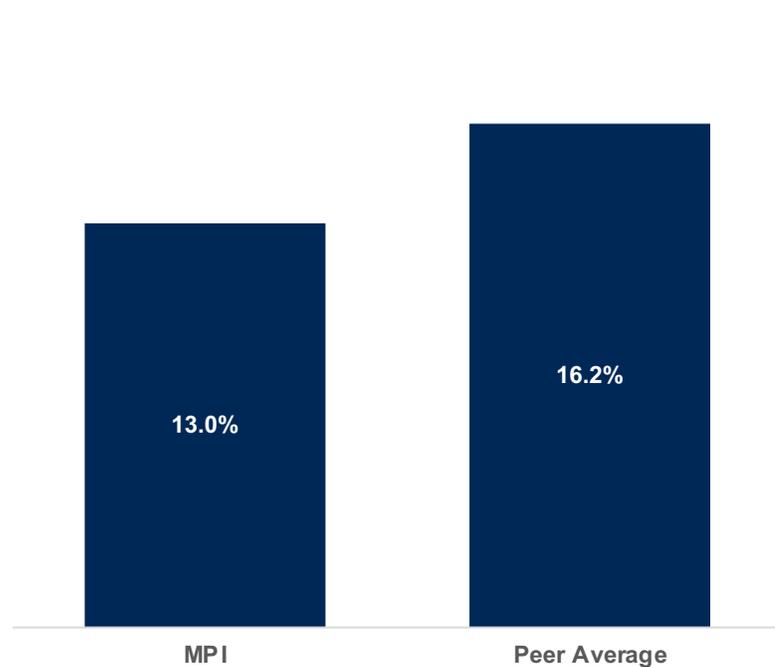
- Project NOVA costs are included in MPI spending metrics
- MPI’s spending allocation to Applications is higher relative to the peer average (MPI: 63% vs 53.2%)
- MPI’s spending allocation to Infrastructure is lower relative to the peer average (MPI: 18% vs 27.1%)
- MPI’s spending allocation Workplace is slightly higher relative to the peer average (MPI: 7% vs 6.9%)
- MPI’s spending allocation to IT Management is lower relative to the peer average (MPI: 12.0% vs 12.8%)

Spending Distribution	MPI (2018/19)	MPI (2019/20)	MPI (2020/21)	Peer Average
Infrastructure	27.1%	25.3%	18.0%	27.1%
Workplace	6.6%	7.8%	7.0%	6.9%
Applications	51.0%	52.9%	63.0%	53.2%
IT Management	15.2%	14.0%	12.0%	12.0%

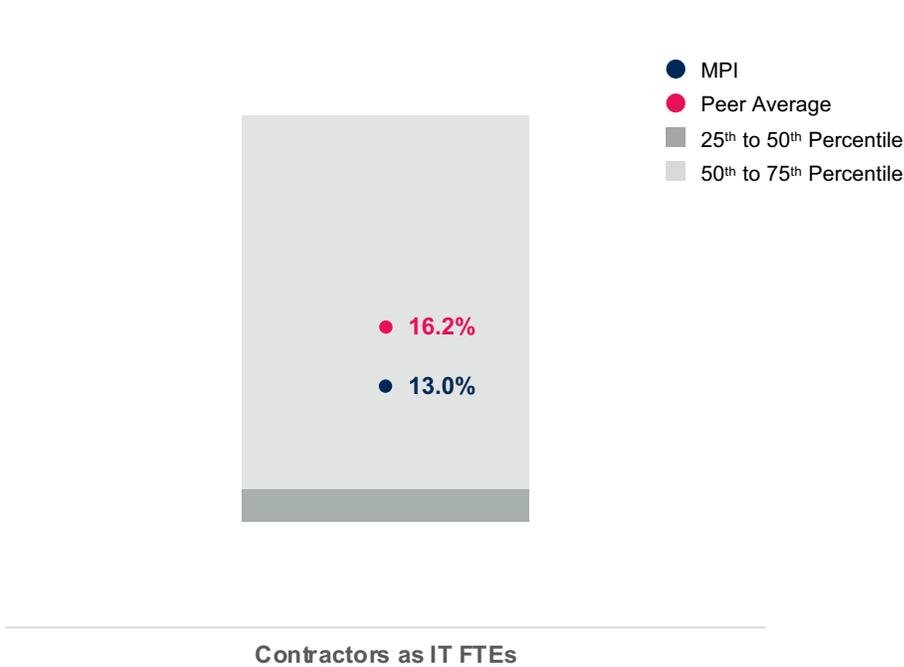
# IT Staffing Distribution – Use of Contractors

MPI has a lower percentage use of contractors as part of IT staff compared to peers

## Contractors as IT FTEs



## Distribution of Contractors as IT FTEs



### Observations:

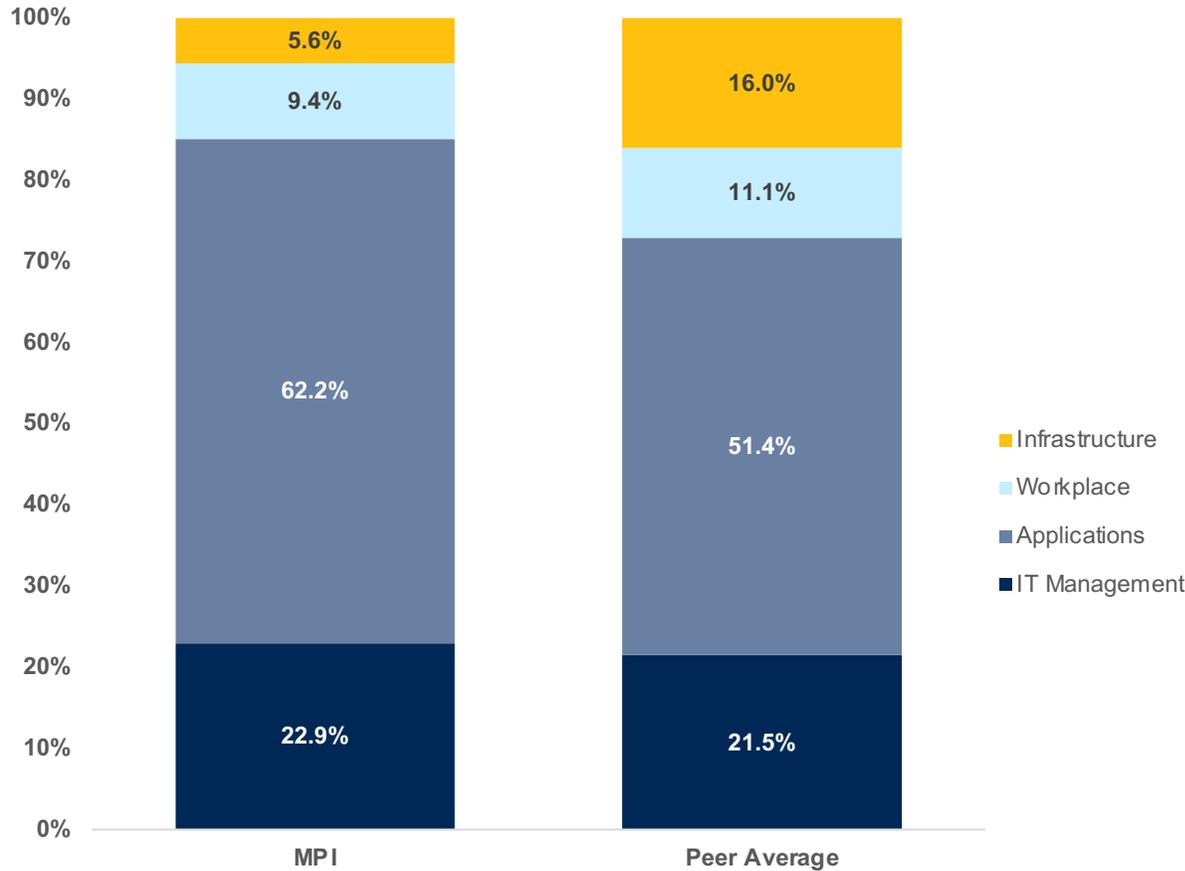
- Project NOVA staffing is included in MPI spending metrics
- MPI uses a lower percentage of contractors as part of IT staff relative to the peer average (MPI: 13% vs 16.2)

Staff Distribution	MPI (2018/19)	MPI (2019/20)	MPI (2020/21)	Peer Average
IT Employees which are Contractors	24.9%	17.6%	13.0%	16.2%

# IT Staff Distribution – Functional View

**MPI’s allocation of staffing for Applications is higher compared to peers and is lower in all other functional areas, reflecting the legacy modernization initiatives**

## IT Staffing by Functional Group



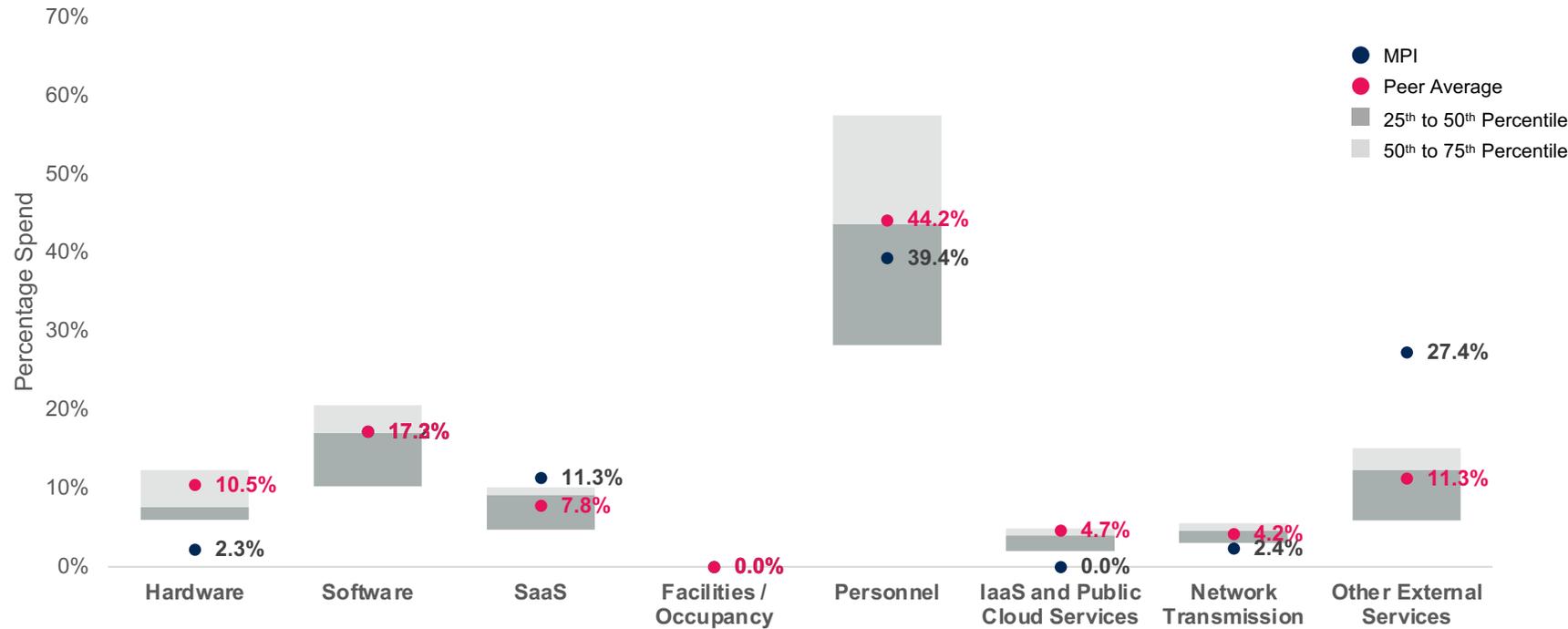
### Observations:

- Project NOVA staffing is included in MPI staffing metrics
- MPI’s staffing distribution for Infrastructure is lower than the peer average (MPI: 5.6% vs 16%)
- MPI’s staffing distribution for Workplace is lower than the peer average (MPI: 9.4% vs 11.1%)
- MPI’s staffing distribution for Applications is higher than the peer average (MPI: 62.2% vs 51.4%)
- MPI’s staffing distribution for IT Management is higher than the peer average (MPI: 22.9 vs 21.5%)

Staffing Distribution	MPI (2018/19)	MPI (2019/20)	MPI (2020/21)	Peer Average
Infrastructure	6.2%	7.0%	5.6%	16.0%
Workplace	9.8%	10.6%	9.4%	11.1%
Applications	59.8%	61.5%	62.2%	51.4%
IT Management	24.2%	20.9%	22.9%	21.5%

# Asset Category Spending Distribution – Detailed View

## IT Spending – Percentage Spending by Asset Category



### Observations:

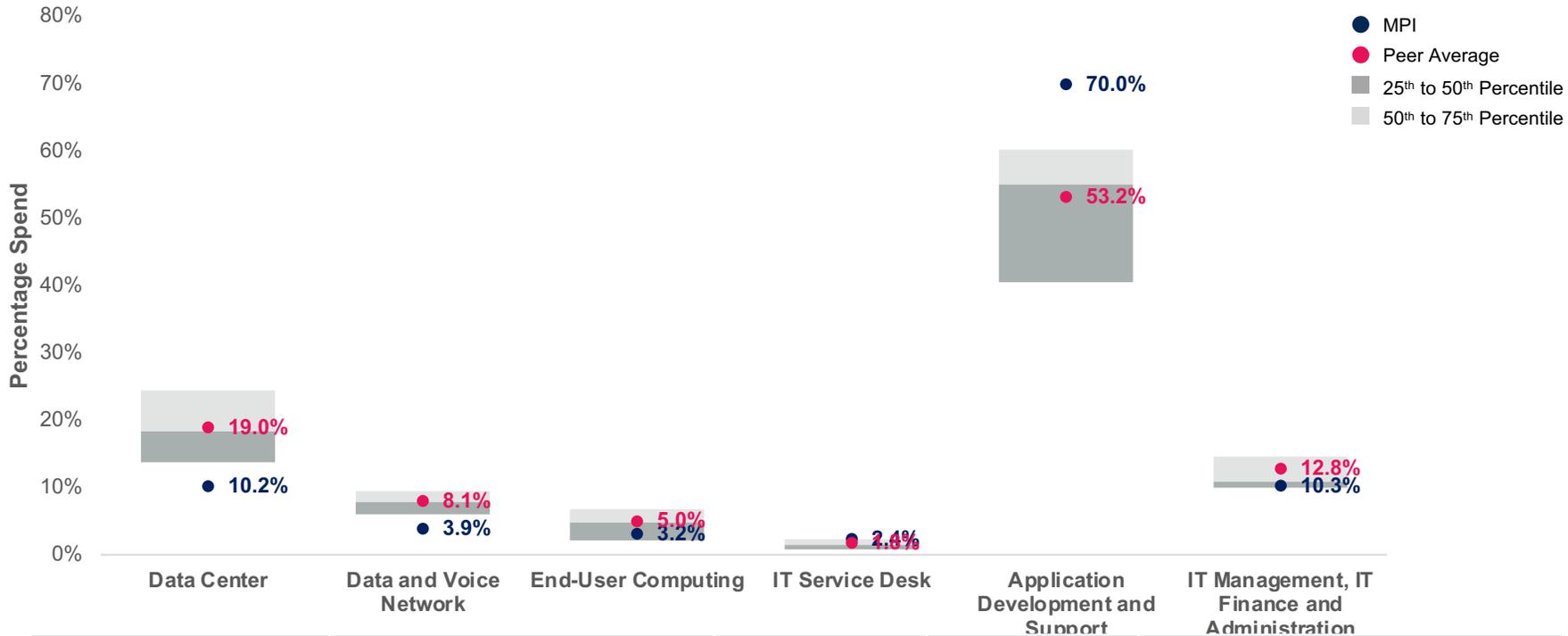
- Project NOVA costs are included in MPI spending metrics
- MPI's spend allocation for on premises software spending is similar to peers
- MPI's spend allocation of Other External Services is higher relative to the peer average and is mainly attributed to the outsourcing service contracts
- MPI's spending allocation to Personnel is lower than the peer average

Group	Spending Distribution	MPI (2018/19)	MPI (2019/20)	MPI (2020/21)	Peer Average
Hardware	Hardware	6.20%	6.40%	2.25%	10.45%
Software	Software	10.30%	12.40%	17.25%	17.29%
	SaaS	6.80%	7.30%	11.34%	7.84%
Facilities	Facilities / Occupancy	0.00%	0.00%	0.00%	0.00%
Personnel	Personnel	53.90%	52.40%	39.37%	39.37%
External Services	IaaS and Public Cloud Services	0.00%	0.00%	27.40%	27.40%
	Network Transport	2.60%	2.60%	2.39%	2.39%
	Other External Services	20.20%	18.90%	0.00%	0.00%

RESTRICTED

# IT Functional Spending Distribution – Detailed View

## IT Spending – Percentage Spending by Functional Category



### Observations:

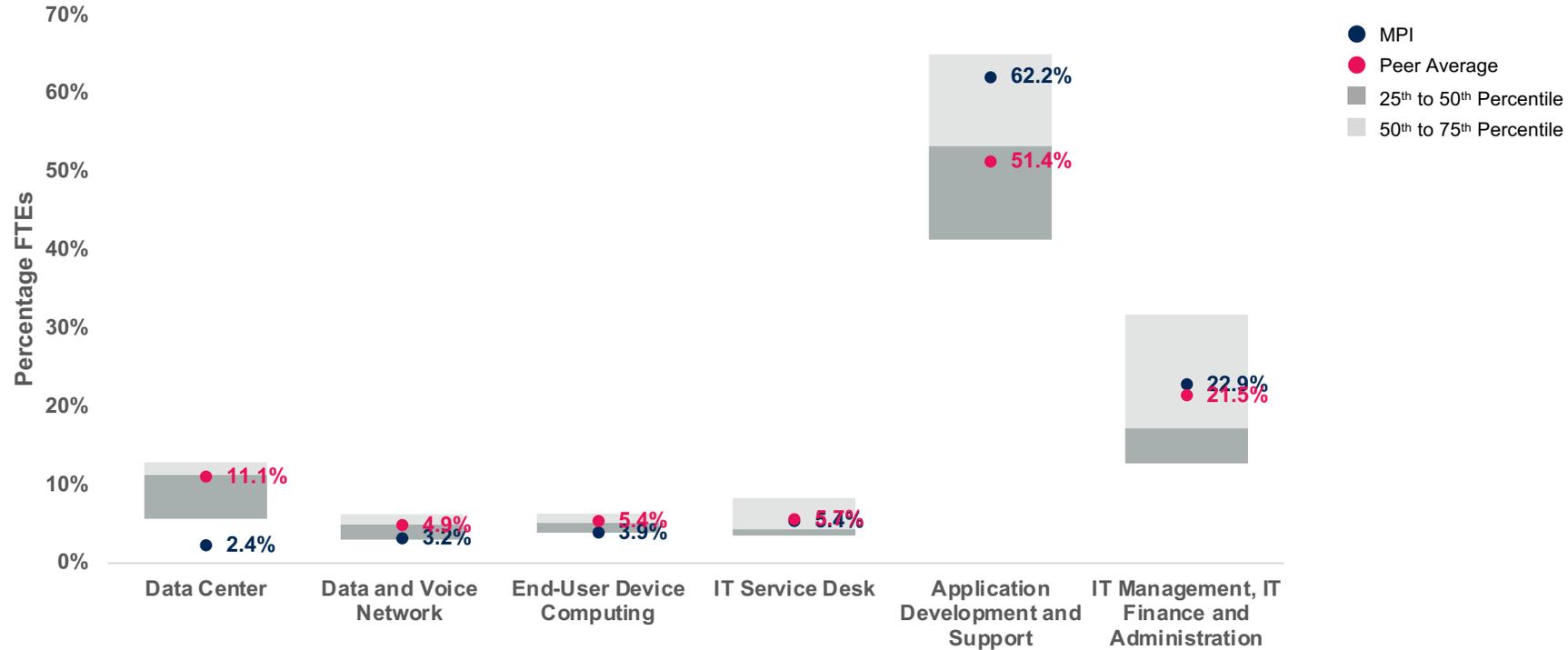
- Project NOVA costs are included in MPI spending metrics
- MPI's spending allocation to the Applications Development and Support is higher than the peer average (MPI: 70.0% vs 53.2%)

Group	Spend Distribution	MPI (2018/19)	MPI (2019/20)	MPI (2020/21)	Peer Average
Infrastructure	Data Center	18.70%	17.80%	10.25%	5.04%
	Data and Voice Network	8.50%	7.50%	3.94%	12.85%
Workplace	End-User Device & Print Management	4.90%	5.60%	3.15%	6.30%
	IT Service Desk	1.70%	2.20%	2.36%	8.06%
Applications	Application Development and Support	51.00%	52.90%	69.99%	45.30%
IT Management	IT Management, IT Finance and Administration	15.20%	14.00%	10.31%	29.73%

RESTRICTED

# IT Staff Distribution – Detailed View

## IT Staffing Distribution – Percentage of FTEs by Functional Category



### Observations:

- Project NOVA staffing is included in MPI staffing metrics
- MPI's allocation to Applications Development and Support is higher than the peer average (MPI: 62.2% vs 51.4%); this is within the 75<sup>th</sup> percentile of peers.
- MPI's lower staffing distribution in the Infrastructure category is mainly attributed to lower allocation to Data Center personnel relative to peers (MPI: 2.4% vs 11.1%).

Group	Staffing Distribution	MPI (2018/19)	MPI (2019/20)	MPI (2020/21)	Peer Average
Infrastructure	Data Center	2.50%	3.30%	2.36%	11.11%
	Data and Voice Network	3.70%	3.70%	3.21%	4.92%
Workplace	End-User Device Computing	4.90%	4.90%	3.94%	5.44%
	IT Service Desk	4.90%	5.70%	5.41%	5.66%
Applications	Application Development and Support	59.80%	61.50%	62.15%	51.39%
IT Management	IT Management, IT Finance and Administration	24.20%	20.90%	22.92%	21.48%

RESTRICTED

# 4. Appendix

# Stakeholder Interviewees

Name	Title / Role	E-mail Address
Chad Muir	Director, Sourcing and Vendor Management	<a href="mailto:cmuir@mpi.mb.ca">cmuir@mpi.mb.ca</a>

# Glossary

- **Run:** IT resource which are consumed and focused on the continuing operation of the business
- **Grow:** IT Resources consumed and focused on developing and enhancing IT systems in support of business growth (typically organic growth or improvements in known business processes)
- **Transform:** IT resources consumed and focused on implementing information and technology systems that enable the enterprise to enter new markets, address new customer segments, create new value propositions and enact new business models

# Relevant Gartner Research

- 2022 CIO and Technology Executive Agenda: An Insurance Perspective - ID G00757770

# Gartner Contacts

## **Rob Sibley**

Senior Managing Partner  
Gartner Consulting  
Telephone: 1 613-696-0417  
rob.sibley@gartner.com

## **Adrian Milczarek**

Associate Partner  
Gartner Consulting  
Telephone: 1 780-964-4873  
adrian.milczarek@gartner.com

## **Neville Horn**

Associate Director  
Gartner Consulting  
Telephone: 1 647-252-5508  
neville.horn@gartner.com

## **Nicholas Lo**

Consultant  
Gartner Consulting  
Telephone: 1 647-970-0957  
nicholas.lo@gartner.com