

# An Independent Commentary on Technology at Manitoba Public Insurance

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# Agenda

- Current Situation Analysis
- Additional Observations
- Key Industry Implications for MPI, Nova and PUB
- Recommendations
- Questions
- Cross Examination



# Overview

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“NOVA is the largest initiative MPI has ever undertaken and more complex than other industry transformations.”

- PWC

"MPI having(sic) taken on a program that appears to be too ambitious based on where the organization stands and its capabilities“

- Eric Herbelin, CEO (emphasis added)

- Key points
  - NOVA is more complex than other organizations undertake
  - NOVA too Ambitious vs. Organization capabilities

# Current Situation Analysis



# MPI is a Crown

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- Protected from Competition
- Afforded Liability protection
- Captive Marketplace
- Owned by and accountable to the Public
- Is NOT Property & Casualty Company in the highly competitive world of Insurance

# Benchmarking

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- Best Practise followed by many
- Must choose comparisons carefully
- Appropriateness of Property & Casualty benchmark
- Crowns and Public Sector comparables including insurance and complex administration
- Dangers of picking only expense side without revenue side
- Recommendation: Ensure benchmarks include Public Sector with leaning towards Public Sector as most appropriate



# Establishing Value for Money

## Importance of tendering

- Challenge of Value for money
- McKinsey Contract not tendered and inherent difficulties this poses
- Tendering imposes rigor
- Monitoring and traceability

## Use of Financial Measures

- Importance for ensuring ROI for ratepayers
- Mechanisms
- Dangers of not using
- Nova current status vs. original status in terms of financial returns
- Challenge of abandoning hard financial measures for technology projects in Crowns

# Challenge of Large Projects



SUCCESS RATE OVER  
THE YEARS



STANDISH REPORT



WHAT FACTORS LEAD  
TO PROJECT SUCCESS



# Use of a Governance Vendor

- At offset, MPI recognized its lack of experience
- Essential to use and heed the advice of the Vendor
- Review of PWC reports showed a concerned trend
- Release of PWC even though Nova in mid-flight
- Lack of Governance vendor up until now is concerning especially given Manitoba Public Insurance's lack of experience and maturity - raises significant concerns about overall decision-making



# Issues of Complexity, Capability and Capacity



PWC repeatedly reports



Over 40 other projects in play



Would be difficult to compete within the most experienced organization

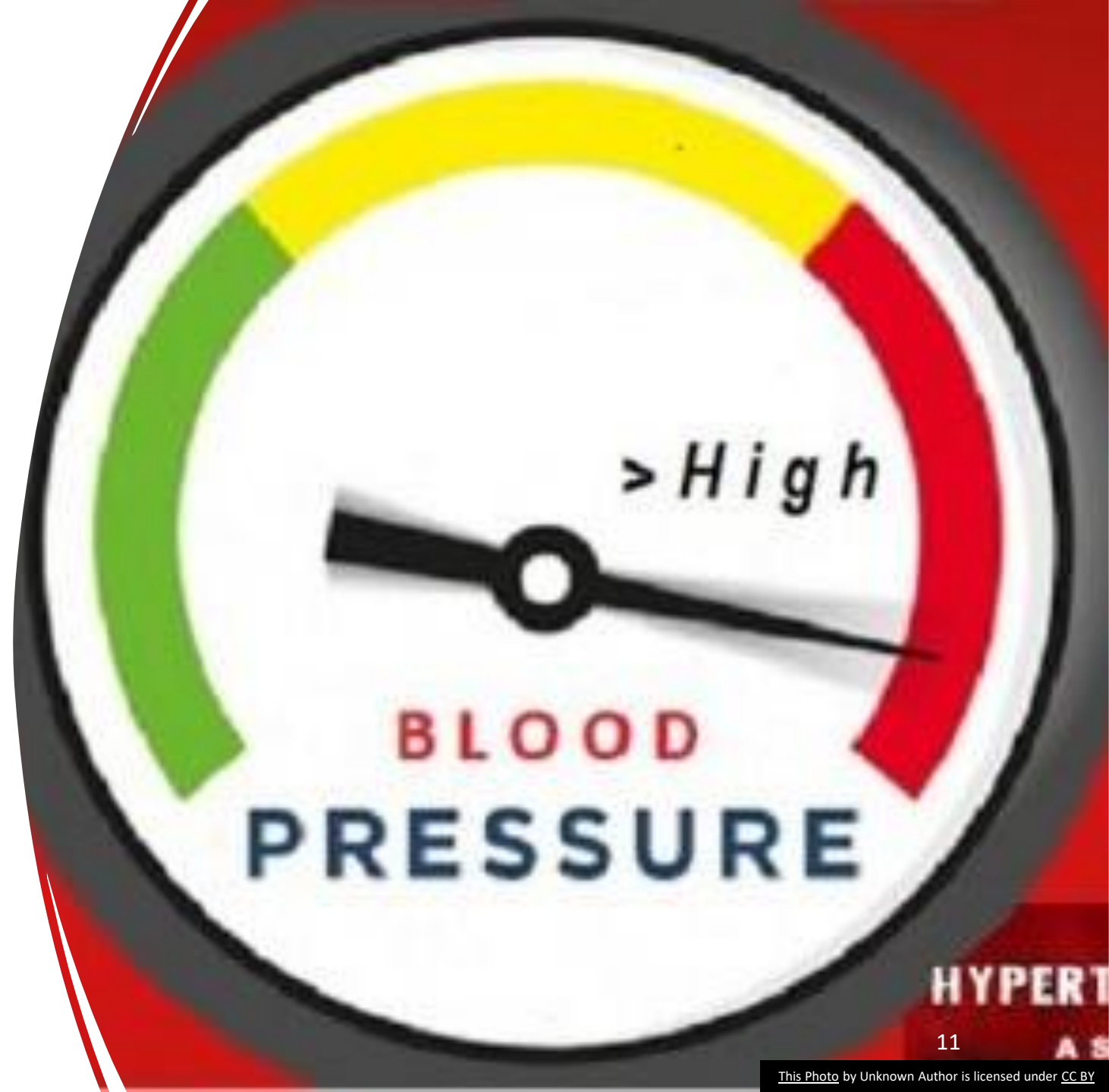


Impact seen in Nova through turnover, Slowness of R1 and R2, and quality concerns

# Understanding Capacity to handle Change

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- Any organization has a limited capacity to handle change
- MPI changing
  - All core systems
  - Underlying technology
  - Methodologies for delivery
  - Methodologies for Business Cases
- Sheer number of variables in play is concerning and adds significant risk and challenge to MPI





# Key Staff Turnover

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- 3xCEO
- COO
- Numerous Nova Personnel
- Governance Vendor
- Results in significant loss of knowledge of Nova, commitments made by Vendors
- Traditional impact on Projects is increased cost, scope creep, difficult vendor accountability



# Completion Bias

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- When investigating failed projects, completion bias is often found
- Despite above factors discussed, Nova is proceeding full steam ahead

# Technology Security

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- Cybersecurity impacts entire industry
- Leaders struggle with question of appropriate investment level
- Difficulty for Executives and Boards to understand risk and appropriate level of investment
- Rating Scale provided by NIST(National Institute of Standards and Technology ) is helpful
- Have to be careful about benchmark choices



# Vendor Oversight

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- MPI is relying heavily on Vendors to achieve Nova
- To be successful, MPI must have strong skills in Vendor oversight
- To date concerns are raised:
  - Deloitte / Avasant Variance
  - McKinsey SOW development
  - Gartner Observations
- If MPI is going to continue to use vendors, it must be excellent in this areas

# IT Spending

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- Gartner reports shows MPI is above peer
- Peers are P&C Industry
- Those peers are already engaged in digital transformation
- As such these benchmarks would include these types of expenditures





# Observations based on Hearings to Date

A small green seedling with several leaves is growing out of a crack in a dark, textured surface, likely asphalt. The background is a soft, out-of-focus light color.

# Caution About Vitality

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- Testimony that projects would meet financial criteria except Vitality
- COBOL and PowerBuilder are still very common
- Many industries lack the funds to abandon legacy systems, as such there are numerous means for continuing to support these technologies.
- In fact, they are sometimes harder for hackers due to their own difficulty in understanding them
- In reviewing the scope creep on Nova, there did not appear to be any effort to look at “status quo” maintenance options to reduce Cost
- Old Car Analogy
- Recommend that Vitality projects must be subject to financial criteria

# MPI 2.0

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- Scope creep
- Lack of team buy-in
- Lack of Board Approval
- Business Plan dated in July 2023
- Now appears abandoned?



# Key Industry Implications for NOVA, MPI and PUB



# Project Size Matters

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- Standish Group Research key points
  - “In many cases, larger projects never return value to the organization”
  - Smaller projects are substantially more successful
  - Large complex projects have a poor success track record (~2%)
- Breaking large projects into smaller projects
  - Increases probability of success
  - due to reasons of reduced complexity, faster time to tangible value
  - Smaller team sizes
  - Human Nature





# MPI Operating Reality

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Leading edge Innovator

Vs.

Low cost provider in protected market

- Clarity is required

# What did the change from positive NPV to negative mean

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- Substantial different scenario
- What is the process at MPI from situation where a project pays for itself
- To where it becomes an expenditure which will need to be funded via borrowing, rate increases, and other fund raising



# Recommendations



# Pause, De-risk and Rescope

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- Premise here is to break Nova down into smaller components
- Pause R3
- Step Back & Reevaluate in light of MPI's operating realities (true organizational nature)
- Break Nova into smaller initiatives
- Reintroduce financial measures
- Reconsider all projects in light of decision criteria (including financial measures such to ensure returns)
- Remove those of low value
- Get Help
- Regular reviews
- Accountability
- Consider 3<sup>rd</sup> party assistance on the above



# Reframing MPI

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- Themes of innovation, modernization
- Critical they be taken within “frame” of MPI’s operating reality
- Geico/Allstate vs. MPI
- Canada Life
- MPI consider Low-cost provider operating cost-effectively within the protections it enjoys in market and liabilities

# Improve Processes

- Governance
  - Significant Project Scope Changes
  - Continuity of governance and handling change-over of oversight
    - Vendors
    - Key MPI Personnel
- Vendor Effectiveness: MPI Driven Requirements and Accountability tracking
- Long-term reporting and accountability of Systems Investments
  - Tracking lifecycle
  - Tracking expenditures (CapEx and OpEx) vs. Budget
  - Variance Reporting

# IT Spending

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- Importance of the benchmark
- Choose an appropriate peer group
- PubSec appear most appropriate
- If benchmark is used for expenses/spending, revenue benchmark must be considered
- Current Benchmarks of P&C peers would include Nova like initiatives
- Implications



## Cybersecurity

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No amount of budget will ensure safety

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Difficulty of choosing appropriate spend

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NIST is very useful

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But peer group should be PubSec



# Conclusion

- Investment in IT is important
- Renewal of legacy systems is challenging
- NOVA is too complex, too big
- R1 and R2 track records to date
- Without substantial change, NOVA will exceed its budget and timelines, likely significantly

Discussion,  
Questions,  
and  
Cross-  
Examination

