

MANITOBA PUBLIC INSURANCE ANNUAL BUSINESS PLAN

2021-2022

March 2021

CORPORATIONS GOVERNANCE AND ACCOUNTABILITY ACT

Manitoba Public Insurance hereby submits its Annual Business Plan as required by *The Crown Corporations Governance and Accountability Act*, consistent with the provided guidelines for a standard format among Crown corporations' plans.

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1.0 Mandate & Strategic Direction

1.1 Corporation's Mandate, Objects or Purposes as set out in *The Manitoba Public Insurance Corporation Act*

It is the function of the Corporation to engage in and carry out the activity of all classes of automobile insurance, to administer the universal, compulsory automobile insurance as well as Extension insurance as prescribed by regulation. In carrying out these responsibilities the Corporation may also repair, salvage and dispose of any property insured by it. The Corporation also has the responsibility to administer *The Drivers and Vehicle Act*.

1.2 Key Directives from Province

In accordance with *The Crown Corporations Governance and Accountability Act*, the Minister of Crown Services may issue directives to Manitoba Public Insurance to support provincial policy and Manitoba Public Insurance must comply with any directive given.

The following directives have been issued to Manitoba Public Insurance:

- On January 30, 2020, the Minister of Crown Services issued a Directive to Crown Corporations concerning executive management compensation, overall staffing levels and review of management spans and layers.

Manitoba Public Insurance will remain in compliance with the Directive issued by the Minister of Crown Services. Since issued, Manitoba Public Insurance's Executives have served the first two years of this directive and will be entering into the third year. This builds upon the management reductions in 2017, the completed span and layers analysis in 2017, and the Corporation's commitment to remain vigilant related to staffing levels and overall compensation.

- In support of the Made-in-Manitoba Climate and Green Plan, the Minister of Crown Services requests that Manitoba Public Insurance, along with all other Crown Corporations and government agencies, cancel print-based subscriptions, and the purchase or production of business cards, unless an appropriate exception has been granted. It is furthermore directed that all Crown Corporations track and report greenhouse gas emissions on an annual basis.

MPI is in compliance with all expectations noted above, and is currently in discussions with the Province related to conversion of print-based subscriptions to digital offerings where suitable.

- On July 24, 2019, the Minister of Crown Services issued a Directive to Manitoba Public Insurance Respecting Conciliation with the Insurance Brokers Association of Manitoba.

Manitoba Public Insurance honoured this Directive, with the Conciliation process leading to a five-year Agreement between the Corporation and the Insurance Brokers Association of Manitoba, effective April 1, 2021.

1.3 Priorities of Government

The Minister of Crown Services issued a mandate letter to Manitoba Public Insurance on April 24, 2019. Manitoba Public Insurance continues to work collaboratively with the Province to support the priorities of government and expectations included in the framework letter (see Appendix A: Status Report).

1.4 Key Principles

- The Corporation will continue to demonstrate fiscal prudence and sound financial management practices while driving cost containment, streamlining of operations and continuous improvement in operational efficiencies with a focus on red-tape reduction throughout.
- The Basic compulsory insurance program must be operated on a self-sustaining basis with a sufficient capital reserve to absorb unforeseen variations in revenues, claims costs and investment revenues, and with insurance rates that are actuarially supported and established in accordance with accepted actuarial practice.
- The Basic compulsory insurance rates will be kept stable, predictable and affordable, allowing the Corporation to provide high quality insurance services to Manitobans at the lowest possible cost.
- Capital projects and major technological initiatives will focus on supporting and optimizing core business functions, including ensuring the Corporation's ability to adapt appropriately to changes in the auto insurance and registration environment.
- Suitable operational and financial performance measures will be established and will be benchmarked against best practices in the auto-insurance industry to demonstrate operational effectiveness and strong financial and investment management practices.
- Products and services will continue to evolve to address the changing needs of Manitobans, including services to Manitobans in rural, northern and remote communities to ensure that the Corporation continues to modernize public automobile insurance regulations, policies and procedures, with the goal of achieving better value for ratepayers.
- The Corporation will continue to be proactive in preparing for structural changes in the automobile industry and collaborating with Manitoba's vehicle collision repair industry to ensure that vehicles damaged in motor-vehicle collisions are properly repaired to original manufacturer specifications. The Corporation is also expected to evolve its business model to prepare for the anticipated introduction of both partially automated and fully automated vehicles into the Manitoba market.

- The Corporation will continue to invest in Manitoba where prudent, recognizing that doing so provides jobs to Manitobans and results in broader contributions to the provincial economy through the Corporation's relationships with strategic partners.
- The Corporation will continue to hire and train employees predominantly in Manitoba with a commitment to excellent service.
- The financial affairs of the Corporation will be managed in a manner that will not impair the consolidated financial statements of the Province of Manitoba.

1.4.1 Key Priorities

2021 will be a transitional year for MPI, firstly in terms of leadership as the Corporation welcomed a new President & CEO in January 2021, and secondly, as the transformational Project Nova moves from planning and discovery to execution and implementation phases. Focus will be placed on the establishment of a more robust strategic planning framework along with a movement to operationalize lean agile methodologies across the Corporation. Delivering on customer expectations will inform all that MPI does and the groundwork will be laid in 2021 to ensure the Corporation is set up for long-term success.

1.5 Corporate Mission

Exceptional coverage and service, affordable rates and safer roads through effective public auto insurance.

1.6 Vision and Values

Our Vision

The trusted auto insurance and driver services provider for every Manitoban.

Our Values

As a public auto insurer, we hold ourselves accountable to all Manitobans to deliver value by fostering a culture of excellence. We achieve this through our four core values:

Striving for Excellence

We provide exceptional coverage and service. We adapt to meet evolving customer and industry needs, focusing on continuous improvement.

Providing Value to Manitobans

We maintain affordable rates and ensure accessible coverage. As a public auto insurer, fiscal responsibility is at the forefront of everything we do.

Doing What's Right

We act with integrity and accountability. We strive to be open and transparent.

Investing in People

We empower our employees to provide excellent service. We work together with business, community and road safety partners to fulfil our mission.

2.0 Operating Environment

The Corporation is constantly evolving to meet the diverse needs and service expectations of our customers, while providing guaranteed access to automobile insurance at cost-effective rates. The Corporation takes a long-term view of providing sustainable and predictable Basic insurance to Manitobans at affordable rates, without compromising coverage or service. Given the growth and increasing diversity of Manitoba's population, the continuous advances in technology and the changing automobile industry, the Corporation continues to refine and adapt our products and services with our customers and business partners in mind.

2.1 Internal Environment

The Corporation's internal operating environment is extremely dynamic. The 2021/22 year will see a continued emphasis on building a culture of excellence, customer service and transparency, with an ongoing focus on core business and building value for all Manitobans.

2.1.1 Products and Pricing

Over the next several years the Corporation will undertake to modernize regulations, legislation, policies and procedures with the goal of enhancing products and services for customers. There will be a continued focus on delivering value for customers while ensuring comprehensive coverage to Manitoba motorists at the lowest possible cost.

To assist in achieving this goal, a Product Roadmap has been developed that outlines the planned initiatives the Product and Pricing team will be leading over the next several years. The objectives of this roadmap are to:

- Outline long-term product strategy
- Anticipate and address customer needs with new product development and continuous product improvement
- Align product initiatives with the Nova business transformation
- Identify government and regulatory dependencies impacting product management and development
- Align product initiatives with overall Corporate Roadmap and strategy

Major initiatives for the 2021/2022 year identified in the roadmap include the following:

Product Modernization – Compulsory and Extension Revision Project (CERP)

The Corporation is modernizing its insurance products to provide even greater customer choice and protection at no extra cost through new expanded coverage levels. These new expanded coverage levels will be applicable to new policies purchased on or after April 1, 2021. These changes to Basic coverage include:

- Third Party Liability protection is increasing from \$200,000 to \$500,000
- Maximum Insured Value protection is increasing from \$50,000 to \$70,000
- Deductible limits for passenger vehicles are increasing from \$500 to \$750

Associated changes to Extension coverages will also be effective April 1, 2021.

Vehicles for Hire

MPI is presently in the process of conducting a review of the current VFH insurance model to determine how the framework and/or pricing structure can be enhanced to better meet the needs of both rideshare drivers and rideshare companies.

As part of this review, MPI is engaging stakeholder groups to provide feedback to assist in the development of a new vehicle-for-hire model.

A Public Utilities Board initiated VFH technical conference is expected to be held in Spring 2021.

Driver Safety Rating (DSR)

The Corporation intends to use the current Registered Owner model in the near term and find ways to move the premiums closer to the actuarial target. The Corporation will submit in its 2022 General Rate Application a proposal that will appropriately phase in this new approach from a rate stability perspective. There is no intention to make any structural change to the DSR model in the short-term, except with the possible introduction of additional merit levels.

Special Risk Extension (SRE)

As part of Project Nova, MPI's SRE Commercial Insurance operations will be undertaking a technology and business transformation with an anticipated delivery date of Spring 2022. The focus for 2021 will be on designing a platform with a modernized underwriting process to improve customer experience. Modern technology will enable improved data collection to further advance underwriting and pricing sophistication.

Additional product development capabilities to address customers' needs are expected after the first technology release as part of Project Nova.

2.1.2 Customer Experience (CX) Framework

MPI's CX vision is to "provide a valuable, easy and positive experience for every customer on their channel of choice." To bring this vision to reality, the Corporation has evolved its overall CX strategy, seeking to build internal staff engagement atop a solid foundation of customer research.

The robust internal component is predicated on the mantra to *Do Better. Together. For Customers*. At its heart, however, is solid customer research that details the current customer experiences and guides us towards enhancements.

The Corporation conducts ongoing customer surveys and an annual CX Index™ study through Forrester Research. This year MPI has achieved 81 on the annual index, well above the industry average of 68. Despite a score that is already above average, MPI remains committed to continually improving the experience for all customers.

Other ongoing research initiatives include the Voice of the Customer ePanel, Pulse of the Public surveying, customer focus groups and website usability studies. Customer feedback is shared across relevant business areas for immediate actions to be taken. The Forrester data is used to establish broad strategic goals, and drive customer-focused initiatives across the Corporation. Additional analysis of all research findings helps identify gaps, create future state goals and drive recommendations to sharpen MPI's customer-centric focus.

A key CX area being addressed is the development of online service channels to increase convenience and meet customer needs and expectations. In this regard, we are pleased to be proceeding with the Nova project, which will enable new channels of delivery for many MPI products and services. Overall, research findings are benefitting customers both on a day-to-day operational level and through longer-term enhancements via Nova.

2.1.3 Online and Systems Technology

Customers have informed our decision to move towards greater online service for all customers, partners and staff. Online services being offered and supported include:

- Online credit card payments for annual reassessment notices which include vehicle insurance and driver licensing fees.
- Customer and partner Internet self-service options for booking and changing Knowledge tests and Road test appointments.
- In 2019, MPI expanded the enhanced High School Driver Education to leverage online learning and mobile device access to increase young driver engagement in the program. In 2020, in response to pandemic restrictions,

the program was further modified to enable online/virtual delivery of the classroom component of the program. Response from customers has been positive; we will continue to offer the 'virtual' classroom in response to changing public health restrictions and will evaluate its efficacy and customer response.

- Ongoing evaluation of future service delivery needs of Manitobans for interactions such as renewals, reassessments, claims and payments.
- Building MPI/partner capabilities to satisfy these evolving needs.

2.1.4 Project Nova

Project Nova is a multi-year MPI program with a vision to modernize and transform MPI's in-house legacy applications and technology footprint, and deliver the following key business objectives and outcomes:

- **Stable Technology Platform** – MPI envisions significantly lowering the downtime and technology risks to perform day-to-day service transactions by moving to modern technology and exploring customer online functionality.
- **Cost Effective** – MPI aims to bring down the current operating costs and IT risks of managing and supporting legacy systems by moving into new Commercial off-the-shelf (COTS) applications for property and casualty (P&C) insurance and driver licensing and vehicle registration, leveraging the Microsoft Dynamics platform for digital and common services delivery and utilizing Mulesoft technology services as a corporate standard for all system integration related needs.
- **Agility to Meet Future Business Needs** – MPI will be better equipped to implement new legislative requirements and offer new products and services.
- **Secured Solution** – Improved infrastructure, processes, procedures and controls to protect customer information from security threats.
- **Availability and Device Portability to External Partners** – MPI envisions more around-the-clock availability via desktop and mobile platforms.
- **Modernizing Commercial Insurance** – Allows MPI to modernize the manual SRE/commercial insurance products.
- **Customer Experience** – Transforming customer service delivery channels, resulting in enhanced customer experience.
- **Online Services** – Expanding online service offerings for high customer value and volume with low complexity service transactions.

Expected cost optimization and increased business agility will enable more online functionality options for MPI partners and customers. The program further aims to drive simplification and efficiency in its core technology systems in the near term, while setting a strong base for long-term growth and flexibility. Project Nova is also transforming our business by empowering

our people and partners with new technology and processes that are responsive and efficient, giving customers more choice and a better experience.

2.1.5 Creating a Culture of Excellence

MPI is on a journey to create a culture of excellence in an effort to attract, retain and motivate top talent. This includes a clear commitment to investing in people.

MPI's CX goals are intertwined with the employee experience. We recognize that a positive employee experience is the strongest factor in creating the ideal customer experience. With this in mind we are intent on shifting our corporate culture to include a greater customer-centric focus.

This initiative extends beyond shifting the culture for our existing employees. MPI is looking to enhance recruitment practices to ensure we hire people whose values strongly align with our brand and contribute to positive customer experiences.

Internally, MPI has implemented a new rewards and incentives program to support employees who demonstrate high performance. Employees are encouraged to freely give commendations and expressions of gratitude to each other. In addition, we launched MPILead, a leadership development program for all managers and supervisors to inspire the attitudes and behaviours that foster our culture of excellence. MPI has introduced both LEAN principles and Agile practices across the organization to support our leaders and staff to become confident problems solvers at the grassroots level and drive continuous improvement.

Overall, the Corporation has implemented the following programs to address directives outlined in government action plans, to shift our culture and to expand our customer-centric focus:

Value Management – MPI has formalized the Value Management Process with the goal to generate and evaluate ideas to support corporate objectives, address business challenges and contribute to continuous improvements. Business cases involving projects are approved by the Executive and MPI's Board of Directors. This formal process has been ingrained into the culture of the Corporation, with Value Management business cases requiring many key elements of the tool kit developed for the Civil Service's Idea Fund.

LEAN Program – MPI has partnered with the Canadian Manufacturers and Exporters to introduce LEAN principles and practices across all lines of business. The Corporation continues to examine opportunities to utilize our

LEAN accredited Yellow and Green Belts, and we have over 50 LEAN process improvement initiatives in various stages of completion. In 2020, our managers took LEAN White Belt training as part of the corporate leadership development program.

Currently, MPI has 18 Green Belts and 29 Yellow Belts trained throughout the Corporation.

Educational Assistance Program – MPI embraces continuing education and lifelong learning for our staff. Our Educational Assistance Program provides support where studies are judged relevant to upgrading skill levels or for preparing employees for greater responsibility within the Corporation. This program enables eligible employees to receive financial assistance for programs that will be mutually beneficial. This program targets courses or programs of study resulting in a degree, diploma, or certificate through a post-secondary institution, including the Chartered Insurance Professional (CIP) program – and includes a return in service agreement. There are currently approximately 150 employees at various stages of completion in this program.

2.1.6 Capital Reserves

MPI will continue to utilize its Capital Management Plan in 2021/22. The Capital Management Plan ensures appropriate capitalization for all lines of business, while continually moving toward capital targets in a manner that promotes rate stability. The plan utilizes the insurance industry standard Minimum Capital Test (MCT), which was developed by the Office of the Superintendent of Financial Institutions (OSFI), to monitor all federally regulated P&C insurers. The MCT is calculated by assessing a number of risks faced by P&C insurers including:

- Insurance risk
- Market risk
- Credit risk
- Operational risk

The Capital Management Plan includes the following components:

- Capital targets by line of business based on MCT ratios
- Basic Capital Build and Release provision
- Excess Capital Policy for Competitive Lines of Business

2.1.7 Asset-Liability Management (ALM)

Following the successful implementation of the Corporation's new ALM strategy in 2019, in which the previously single co-mingled portfolio was dissected into five unique portfolios, the Corporation will continue to closely manage and monitor this core insurance function. ALM is generally defined as the following: *Asset Liability Management is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve financial objectives, for a given set of risk tolerances and constraints.* MPI's main objectives for its ALM strategy are as follows:

- Insure sufficient liquidity such that cash flows are available to pay all claims and insurance liabilities as they come due.
- Manage interest rate risk and its impact on corporate financial results.
- Optimize the risk efficiency of the portfolios in order to gain the highest level of return relative to the Corporation's risk appetite.

2.1.8 Cityplace Space Plan

The cityplace space plan is a 3-year project that will reduce the corporate head office footprint and right size the Corporation's physical space requirements to support both business needs and align with industry space standards. Implementing the facility plan will provide the following additional benefits associated with the corporate goals of operational excellence and accountability:

- Reduced ongoing occupancy cost associated with reduced footprint.
- Increased revenue generation opportunities in regards to net operating income for the cityplace asset.
- Reduced ongoing capital and operating costs associated with churn and inefficient design.
- Improve environments that support business unit re-engineering productivity/collaboration, accessibility, wellness and workforce recruitment/retention.

2.1.9 Other Efforts

There are additional initiatives for 2021/22 such as:

- Optimize the Human Resource Management System (HRMS) to leverage full system capabilities in order to improve processing times, better secure and manage human resource data, improve reporting and assess future functionality.
- Establishment of a Claims Dispute Tribunal.

2.2 External Environment

Manitoba Public Insurance operates in a challenging and fast-changing external environment. Key relationships in this environment include the public and customers, government, the PUB and our delivery partners (e.g., healthcare providers, brokers, repair shops and others).

2.2.1 Vehicle Repair and a New Light Vehicle Accreditation Rate Card

The Corporation will begin early industry consultation on a new agreement with Manitoba's collision repair industry, with the current agreement set to expire April 15, 2021. At over \$380 million in repair claims per year, vehicle repair is a significant cost driver for MPI customers and is only set to rise with increasing repair costs for vehicles. Through 2021/22, MPI will be looking to insurance industry best practices, including other Crowns, in how our rate cards get defined within all applicable laws for setting such rates.

During 2020, MPI launched a new parts program with the industry regarding how parts are purchased and used in insurance repairs. This requires industry standard software and rules on new original equipment parts, aftermarket or recycled. The effort to become more industry standard on parts should improve efficiencies and reduce red tape beginning in 2021.

2.2.2 Broker Consultations on MPI Commissions and Online Services

Brokers and MPI have made a long-term agreement regarding online services and overall compensation for the 2021 year and five years beyond. The goal was to ensure that MPI customers get the efficient services that they deserve in this online world, while sustaining the critical broker distribution network in Manitoba, and that was achieved. We will now work with the Insurance Brokers Association of Manitoba (IBAM) and the broker network to strengthen the relationship and solicit inputs to the new Nova system, where appropriate.

2.2.3 Salvage Vehicle Sales

During 2020, MPI moved its salvage auctions with revenues of over \$40m annually to an online industry standard method by partnering with Impact Auto Auctions. Through 2021 we will continue to report on improved revenues that result from this strategy shift. MPI will continuously improve related functions such as salvage vehicle movements in the province and issue the multi-year RFP for towing services in 2021 that will be modified due to the strategic shift in operations and sales practices completed in 2020.

2.2.4 COVID-19 Pandemic

During 2020 and 2021, MPI has made several of its service centres available to Manitoba Health to allow for COVID-19 testing. We anticipate that this need may extend into a considerable portion of 2021, and MPI is pleased to be able to assist with available physical plant and equipment or personnel during this crisis. Given lower claims volumes during the pandemic, MPI will be prepared to offer personnel with capacity to take on duties for Manitoba Health on a cost-recovery basis.

During the early stages of the pandemic, MPI moved many job types to a work-from-home model. Ongoing monitoring of the productivity of remote workers will take place, and criteria will be established with which to assess potential long-term work from home and flexible work arrangements for staff which can increase productivity, engagement and reduce overhead costs.

Based on the significant impact of the pandemic on collision accident frequency and the resulting favourable financial results in 2020, MPI was proud to provide relief to Manitobans in the form of two surplus distribution rebates to customers totalling \$179.5 million. Management will continue to monitor claims trends and the corporate financial position, and take appropriate action based upon the severity and duration of the ongoing pandemic.

2.2.5 Road Safety

As a leader in road safety, the Corporation will continue to identify and implement proven and promising road safety programs and research projects, primarily focused on the three major factors contributing to serious injury and death: unsafe speed, driver distraction and impaired driving. Our program consists of stakeholder engagement, driver education and awareness, community outreach, standardized training, optimized law enforcement support and research on the key contributors to serious injury and death on Manitoba's roadways.

Provincial Road Safety Committee (PRSC)

Co-chaired by MPI and Manitoba Infrastructure, the PRSC's mandate is to reduce collision-related injuries and fatalities in Manitoba through collaboration of key stakeholders to identify, prioritize and develop plans to mitigate provincial road safety issues. The PRSC's Manitoba Road Safety Plan 2017-2020: Road to Zero identified the key priorities for its stakeholders, and over the past three years, MPI has actively collaborated with provincial partners to further these road safety priorities. In 2021, we will lead the development of the final summary report on the plan and support future collaboration with provincial stakeholders.

External Stakeholder Committee on Road Safety (ESCRS)

Through the ESCRS, MPI will continue to engage and inform external road safety stakeholders on its road safety efforts. This committee will also continue to provide a forum for road safety interest and advocacy groups to identify concerns and opportunities to mitigate provincial road safety issues.

Driver Education and Training

In 2019, MPI launched Driver Z, its new High School Driver Education (HSDE) program. It was intended to replace conventional instruction with a blended, higher-order learning approach involving interactive online learning, richer classroom engagement, increased parental/guardian involvement and a substantial increase in dedicated practice time for students. In 2021, MPI will conduct a formal evaluation of the program to evaluate its efficacy, customer engagement, outcomes and opportunities for improvement.

2.2.6 Summary of Key Contract Renewal Dates

- Automotive Trade Association (ATA)/Manitoba Motor Dealers Association (MMDA) – April 15, 2021
- Insurance Brokers Association of Manitoba (IBAM) – April 1, 2026
- Manitoba Chiropractors Association (MCA) – December 31, 2021
- Manitoba Commercial Vehicle Repair Association (MCVRA) – December 31, 2021
- Manitoba Government and General Employees' Union (MGEU) Collective Agreement – TBD

2.3 Risks

2.3.1 Financial Losses from Weather or Investments

A key risk is the potential for financial loss, generally arising from weather-driven increases in claims such as hail or winter accidents. An additional related risk is the depletion of financial reserves, which is possible from significant losses in the investment portfolio or increases in claims as described above. The implementation of the new ALM strategy in 2019/20 de-risked the assets backing Basic's liabilities (with no equities and alternatives), reducing interest rate risk for Basic. To mitigate claims volatility, MPI will continue to incorporate reinsurance where appropriate and ensure reserves are adequate for each line of business.

MPI recently implemented a new aggregate catastrophe reinsurance program that protects the Corporation from both single large weather events and from a combination of several smaller weather events, ultimately aimed at reducing volatility for both customers and Government.

2.3.2 Insurance Business Risk

The Corporation keeps watch on insurance technology developments and auto maker self-insurance models to mitigate potential risks from these areas.

2.3.3 Cyber Security

The cyber security landscape is constantly changing and evolving. The Corporation mitigates the ever increasing risks related to cyber-attacks by continuously evolving its cyber defense plans, increasing its information-security maturity, advancing its risk-management program and enhancing its cyber resiliency.

2.3.4 Workforce Capacity

Inadequate capacity of staff, both in key areas impacted by Nova or due to COVID-19, will negatively impact the Corporation's ability to meet objectives on time and on budget. The Corporation is actively planning to address current and future workforce capacity challenges through workforce planning and capacity modelling.

3.0 Performance Measures & Targets

Strategic Themes	Objectives	KPI	Target	Frequency/ Measure
Customer Focus	Maintain high customer service	CX Score	81	Yearly
	Provide low/affordable rates	Rate change < inflation	-2.8%	Yearly
Product Innovation	Release CERP while maintaining Basic + Extension revenue	Basic GWP	\$1,095M	Monthly
		Extension GWP	\$175M	Monthly
Efficiency & Effectiveness	Reduce Operating Expenses	Admin Opex %	10.7%	Monthly
		Combined Expense Ratio %	24.5%	Monthly
	Control Claims Costs	Loss Ratio %	73%	Monthly
		Cost Per Claim	\$4,018	Monthly
	Capital Adequacy	Basic MCT	100%	Quarterly
		Extension MCT	200%	Quarterly
		SRE MCT	300%	Quarterly
	Manage Investment Assets	Net Investment Yield	3.1%	Monthly
Nova/ Technology	Nova delivery 2021/22 on scope/budget	Spend vs Budget	\$43.7M	Quarterly
	Align structure to strategy within current Mgmt FTE	Mgmt FTE	156	Monthly
People, Culture, Leadership	Employ an engaged workforce	Employee Engagement Survey	75%	Yearly
Risk Exposure & Sensitivity	Minimize Interest Rate Risk	Basic ALM Budget Variance	+/- \$10M	Quarterly

**Manitoba Public Insurance
Statement of Operations**

In thousands of Canadian dollars (\$000's)	Actual for the year ended March 31, 2020*	Forecast for the year ended March 31, 2021	Budget for the year ended March 31, 2022
Earned Revenues			
Gross premiums written	\$ 1,526,194	\$ 1,434,451	\$ 1,398,675
Premiums ceded to reinsurers	(19,833)	(19,603)	(21,318)
Net premiums written	1,506,361	1,414,848	1,377,357
Net premiums earned	1,457,862	1,397,773	1,396,112
Service fees & other revenue	43,405	38,374	39,676
The Drivers and Vehicles Act operations recovery	32,771	30,250	30,250
Total Earned Revenues	1,534,038	1,466,397	1,466,038
Claims Costs			
Net claims incurred	1,008,821	835,492	1,023,729
Claims expense	161,236	159,461	171,943
Loss prevention/Road safety	14,495	8,610	15,378
Total Claims Costs	1,184,552	1,003,563	1,211,050
Expenses			
Operating	130,906	118,055	149,295
Commissions	96,347	90,370	92,837
Premium taxes	44,329	37,136	42,523
Regulatory/Appeal	4,953	4,529	4,815
Total Expenses	276,535	250,090	289,470
Underwriting income (loss)	72,951	212,744	(34,482)
Investment income (loss)	107,208	148,420	118,911
Net income (loss) from operations^	\$ 180,159	\$ 361,164	\$ 84,429

* 2019/20 includes 13 months due to a change in the Corporations fiscal year-end

^ prior to any surplus distribution

Note: For additional information on the financials of MPI, please refer to the most recent Annual Report, available at www.mpi.mb.ca.

3.1 Key Planning Assumptions

Key assumptions include:

- Forecasts based upon data up to and including February 2021 month-end.
- The 2021/22 PUB Ordered Basic rate decrease of 8.8%.
- Lower driver premiums expected due to lower collision frequency experience in 2020/21 and subsequent upward movement on the Driver Safety Rating scale.
- Increase in Special Risk Extension pricing due to an increase in rates and expected new business.
- The results of the recent Valuation of Policy Liabilities.
- Flat interest rates over the entire forecast period based on February, 2021 actuals.
- Collision frequency 10% lower than normal from April 1, 2021 to September 30, 2021 due to anticipated on-going pandemic impacts.
- No change to DVA government funding and no changes to DVA transaction fees.
- No significant changes to operations that would impact long-term fleet growth, vehicle upgrade or claims trends over the outlook period.

3.2 Sensitivity Analysis

Due to the nature of its business, MPI's primary risks relate to trends in claiming experience on its insured book of business and impacts on investment income stemming from fluctuations in the marketplace.

The following table depicts MPI's sensitivity to various scenarios stated on the basis of impact to net income.

Scenario Analysis - 2021/22 Budget Base to Scenario			
Summary - CORPORATE			
(\$000's)			
Scenario	2021/22 Net Income	\$ Change from Base Scenario	% Change from Base Scenario
1. Budget Base	84,429	-	-
2. Collision Frequency +1%	79,529	(4,900)	-6%
3. Collision Severity +1%	79,529	(4,900)	-6%
4. Interest Rates +50 bps	74,012	(10,417)	-12%
5. Interest Rates -50 bps	93,078	8,649	10%
6. 1-in-40 Adverse Winter Collision Frequency	428	(84,001)	-99%
7. 1-in-40 Favourable Winter Collision Frequency	161,216	76,787	91%
8. 1-in-40 Adverse Hail	64,612	(19,817)	-23%
9. 1-in-40 Favourable Hail	109,020	24,591	29%
10. 1-in-40 Adverse Loss Ratio ¹	(32,526)	(116,955)	-139%
11. 1-in-40 Favourable Loss Ratio ¹	135,322	50,893	60%
12. 1-in-40 Decreasing Interest Rates ²	97,147	12,718	15%
13. 1-in-40 Increasing Interest Rates ²	48,148	(36,281)	-43%
14. 1-in-40 Adverse Equities ³	41,168	(43,261)	-51%
15. 1-in-40 Favourable Equities ³	156,755	72,326	86%

1. Loss Ratio: Includes Basic, Extension, and SRE losses. Assumes correlations between lines where applicable.

2. Interest Rates: +190 bps increase and -194 bps decrease to GOC 10 Year Bond. Assumed interest rate floor of 0.53%.

3. Equities: The results only include realized gains/losses. Adverse Scenario: \$94M in unrealized losses, Favourable Scenario: \$85M in unrealized gains.

4.0 Human Resources

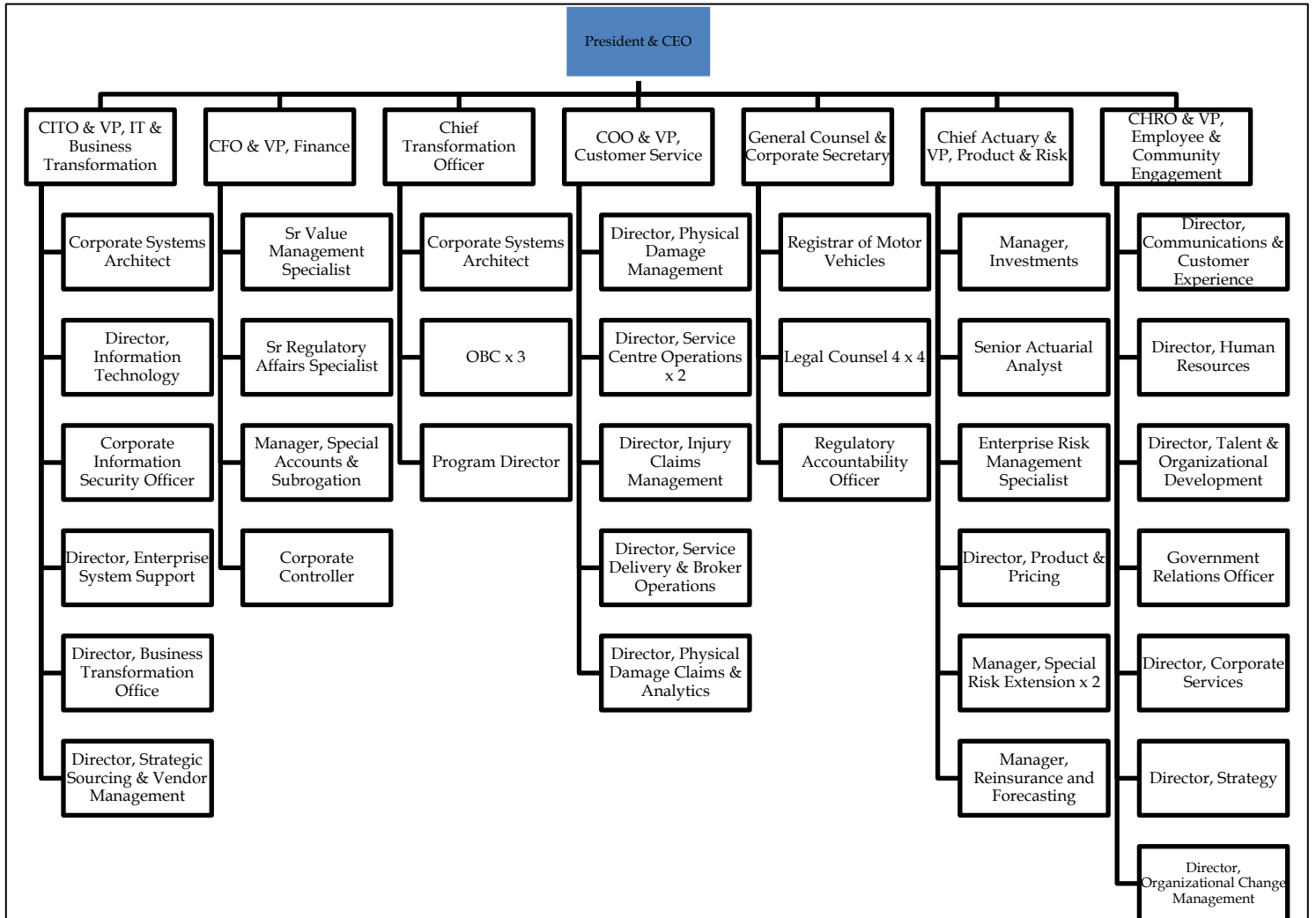
4.1 Full-Time Employees

	Actuals as at February 28, 2019	Actuals as at March 31 2020	Actuals as at December 31, 2020	Budget
	2018/19	2019/20	2020-21 YTD	2021/22
Senior Management (1)	29.0	27.0	29.0	44.0
Management (2)	94.0	96.0	106.0	112.0
Employees (3)	1,660.5	1,707.4	1,685.2	1,861.4
Total	1,783.5	1,830.4	1,820.2	2,017.4 *

1. Senior Management - Executives & directors
2. Management - Managers & assistant managers
3. Employees not included in above

*2,017.4 represents the full budget complement prior to any allowance for vacancies and includes 1,930.0 from Normal Operations, 78.4 from Improvement Initiatives and 9.0 from Specialty Programs. The increase is due to Improvement Initiatives with a larger presence of internal staff. Project Nova estimated FTEs include 5.0 Senior Management, 7.0 Management and 55.0 Employees (67.0 out of 78.4 Improvement Initiatives).

4.2 Organizational Chart (as at March 2021)



4.3 Factors That May Affect Compensation and Staffing

The proposed 2021/22 plan includes 2,017 full-time employees (FTEs) with a total compensation budget of \$186.6 million. Management will continue to manage its FTE counts with a focus on operational efficiencies and vacancy management to ensure proper workforce composition to meet operational demands.

Approximately 85 per cent of MPI's employees are represented by the MGEU labour union with its four-year contract having expired September 26, 2020. A new agreement is currently in the process of being negotiated and ultimately wage impacts will be determined through bargaining process.

5.0 Capital Plans

The Corporation does not debt finance any of its project initiatives. All of MPI's capital projects will be financed through cash generated from operations, and ultimate project costs will be recovered by insurance rate payers as programs are amortized over time and included in future years' base expenses for purposes of rate setting (to the extent the projects relate to the Corporation's Basic, Extension, SRE and DVA lines of business).

2021/22 Capital Projects

(\$000's)	LTD Forecasted Spend to March 31 2021	Proposed Budget 2021/22	Remaining forecasted spend for future years	Total Forecast at Completion
Nova Program	26,583	43,711	58,218*	128,512*
<p>Nova Program is a multi-year program, established with a vision to modernize and transform MPI's in-house legacy applications and technology footprint, to deliver MPI services to its customers in the areas of personal and commercial automobile insurance, driver licencing, vehicle registration and associated registries, and physical damage claims</p> <p>*Project approval including 14.7% contingency = \$131.5M</p> <p>*Legacy Systems Modernization assessment = \$2M (not included in the total \$131.5M above)</p>				
Nova Ongoing Costs	-	12,917	15,436	28,353
<p>Nova Ongoing Costs include cloud subscription expenses for licencing, application maintenance and support.</p>				
Information Security Maturity	3,264	2,541	38	5,843
<p>Implement the necessary system, process and administrative changes to achieve the cyber security target state.</p>				
Microsoft 365	-	2,971	-	2,971
<p>Implement integrated cloud platform that utilizes industry-leading productivity apps like Microsoft Teams, Word, Excel, and PowerPoint, along with intelligent cloud services and world-class security.</p>				
Other IT Projects				
<p>There are thirteen other IT projects related to IT security, new products, products updates and regulatory changes.</p>				
Aggregate of all other Projects	-	12,381	18,000	30,381
Sub-Total IT Projects	29,847	74,521	91,692	196,060
Administrative Capital [^]	24,468	17,628	58,638	100,734
Investment Capital	7,723	250	650	8,623
Grand Total	62,038	92,399	150,980	305,417

[^]includes Cityplace Space Plan initiative

6.0 APPENDIX A: Status of April 2019 Mandate Letter Expectations

Mandate Letter Directive	Status	
	In Progress	Completed
<p>Engage with the Public Utilities Board to implement a Capital Management Plan that includes:</p> <ul style="list-style-type: none"> • A minimum rate stabilization reserve of 100% Minimum Capital Test (MCT) for Basic; • A minimum reserve of 200% MCT for Extension; • A minimum reserve of 300% MCT for Special Risk Extension; • A rate setting structure that is driven to MCT ratios; and • Continue efforts to reduce volatility and enhance stability to MPI’s reserves through increased re-insurance. 		✓
<p>Continue efforts to reduce risk and volatility in MPI’s investment portfolio and divest assets that are not aligned with MPI’s mission or financial interests.</p>		✓
<p>We ask that you limit advertising to responsible mandate focused advertising considered essential for you to successfully perform your core business and continue to work with Government on the alignment of all sponsorship activities with central government.</p>		✓
<p>Government is committed to advancing reconciliation with Indigenous Manitobans through the renewal of its consultation framework to ensure respectful and productive consultations. All government organizations are expected to contribute to reconciliation in their interactions with Indigenous communities and individuals.</p>	✓	

Mandate Letter Directive	Status	
	In Progress	Completed
We have a strong interest in reducing red tape for all Manitobans. As a Crown, we ask that you integrate the red-tape reduction process and reporting into your Board processes – whether by way of a new Committee or regular reporting mechanism.		✓
Government understands the value that brokers bring to both the consumer and MPI in assisting with the sale, delivery and service of MPI products. MPI will develop a comprehensive plan in partnership with the broker community to modernize service delivery, including on-line services. Manitobans must retain access to professional advice from the broker network to help them understand insurance options, manage risks and make the right choice.	✓	
Modernize public automobile insurance regulations, policies and procedures, with the goal of achieving better value for ratepayers.	✓	
Work with the Public Utilities Board to streamline processes, in an effort to reduce overall costs to ratepayers of regulatory hearings.		✓
In the coming year, we will be taking more steps to fully integrate Crown corporations into our summary budget process. This may affect the timing of budget processes and other financial matters. I am seeking your support in ensuring accurate, timely financial reporting to government, in particular your vigilance in providing clear and early notice of significant variances to budgets, or changes to your medium and long-term forecasts. Please continue to work with Crown Services and Treasury Board Secretariat to strengthen alignment with government overall.		✓

Mandate Letter Directive	Status	
	In Progress	Completed
<p>We expect you to scrupulously manage all operating costs, defer all non-critical capital projects without a clear return on investment and carefully examine business plans for opportunities to achieve improved financial results. We also expect the Board to carefully examine overall staffing efficiencies. Centrally, we have reduced overall management by over 15%, conducted a “spans and layers” review of management structures and reduced overall headcount by 8%. We expect you to work towards the same, or more.</p>		✓
<p>We ask you to review all compensation agreements, including executive compensation practices and interchange agreements to ensure alignment with government policies and practices. The expectation is that compensation practices will reflect the principles of responsible fiscal management and protect the sustainability of services to customers and ratepayers.</p>		✓
<p>We have a strong interest in reducing red tape for all Manitobans. As a Crown, we ask that you integrate the red-tape reduction process and reporting into your Board processes – whether by way of a new Committee or regular reporting mechanisms.</p>		✓
<p>Achieve more open government through increased transparency in tendering and procurement practices. All Crown corporations should ensure their procurement practices reflect this priority and are aligned with the requirements of trade agreements to which Manitoba is a signatory. In Government, we are centralizing our procurement practices and we urge you to pro-actively join us in this process so that we can shop smarter for all Manitobans.</p>	✓	

Mandate Letter Directive	Status	
	In Progress	Completed
<p>Government is committed to ensuring all employees are treated with dignity and respect. Respectful workplace policies need to be reviewed and updated to ensure employees have safe and effective pathways to report disrespectful or harassing behaviour without fear of repercussion.</p>		