MANITOBA PUBLIC INSURANCE

2021 GENERAL RATE APPLICATION
Round 1 Information Requests
August 5, 2020

Taxicab Coalition (TC)

MANITOBA
PUBLIC INSURANCE

TC (MPI) 1-1

Part and Chapter:	**Part VI, RM** **Part VI, EXP**	**Page No.:**	**Figure EXP-31**
PUB Approved Issue No:	**1,2,12**		
Topic:	**VFH**		
Sub Topic:	**Differences in ratemaking approach by subcategory of VFH**		

Preamble to IR:

The ratemaking chapter and appendices provide significant detail on the ratemaking methodology.

Question:

a) Please provide a flowchart, in similar form to Figure EXP-31, that outlines the Ratemaking process, explained at length in the RM chapter.

b) Please include in the flow chart, references to the RM chapter sections/subsections, and RM Appendices, to allow for cross reference to the detailed descriptions within the Ratemaking chapter.

c) Please also indicate, with reference to the flow chart, at which points in the ratemaking process is the methodology differs between sub categories of VFH (Taxi, Limo, Accessible, and Passenger VFH). Please provide details of the differences in methodology if not already outlined in a reference to the RM chapter (per b) above)

Rationale for Question:

To provide a conceptual guideline for the details contained in the RM Chapter and appendices, and to highlight any differences in the ratemaking approach between VFH subcategories, not already identified in subsequent IRs.

RESPONSE:

a) and b)
Please refer to *Ratemaking*, which discusses at length the ratemaking methodology used by MPI. At the hearing, MPI will provide a witness(es) to clarify any questions the Taxi Coalition may have concerning this methodology.

c) The ratemaking methodology used is consistent for all insurance uses.

TC (MPI) 1-2

Part and Chapter:	**RM Appendix 11**	**Page No.:**	
PUB Approved Issue No:	**1,2,11,12**		
Topic:	**VFH Claims Experience**		
Sub Topic:	**Actual Claims Experience and COVID-19 impact**		

Preamble to IR:

Directive 11.8 of PUB Order 159/18 requested that "In the 2020 GRA, the Corporation shall report on its claims experience to date for the Vehicles-for-Hire Class". In compliance, MPI filed RM Appendix 11 with the 2020 GRA.

Question:

a) Please provide an update to RM Appendix 11, as filed in the 2020 General Rate Application, for the most recent year.

b) Please provide VFH claims experience, as presented in a) above, for the relevant COVID-19 impact periods identified in the 2021 Special Rebate Application, and the subsequent monthly periods as directed in Order 67/20.

c) Referencing RM Appendix 11 from the 2020 GRA, if possible, please also provide comparable information on any other insurance uses that have a loss ratio exceeding 130%.

d) Please provide a narrative explanation as to generally acceptable loss ratios for the Basic line of business, and please also comment on how the evaluation of acceptable loss ratios may vary with earned units.

e) Please also provide a description and comment on how loss ratios should be interpreted in the context of setting just and reasonable rates. Please describe if and how MPI relies on loss ratios to improve rate setting, claims forecasting, claims management, or other aspects of the Basic insurance business.

Rationale for Question:

To evaluate current VFH claims experience, earned premiums, and loss ratios, to establish the prevalence of comparably performing insurance uses, and identify the impact of COVID-19 on VFH experience.

RESPONSE:

a) Please see *PUB (MPI) 1-88*.

b) Please see the figure below which shows the VFH claims experience for the period from March 1, 2020 to June 30, 2020.

Figure 1 Accident Year 2020 Vehicle-for-Hire Claims Experience as of June 30, 2020

Line No.	Classification	Month	Incurred	Earned Unit	Earned Premium	Loss Ratio
1	Passenger Vehicle-for-Hire (Passenger Vehicle)	March	89,247.63	74.85	145,305.19	61.42%
2	Passenger Vehicle-for-Hire (Passenger Vehicle)	April	36,126.69	57.28	112,027.65	32.25%
3	Passenger Vehicle-for-Hire (Passenger Vehicle)	May	95,193.93	51.67	102,343.24	93.01%
4	Passenger Vehicle-for-Hire (Passenger Vehicle)	June	40,927.31	51.87	103,767.85	39.44%
5	**Passenger Vehicle-for-Hire (Passenger Vehicle)**	**Total**	**261,495.56**	**235.66**	**463,443.93**	**56.42%**
6	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	March	0.00	1.99	2,989.04	0.00%
7	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	April	0.00	1.60	2,431.53	0.00%
8	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	May	0.00	1.53	2,267.09	0.00%
9	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	June	0.00	1.57	2,330.32	0.00%
10	**Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)**	**Total**	**0.00**	**6.69**	**10,017.98**	**0.00%**
11	Private Passenger Major Class (a)	March	89,247.63	76.84	148,294.23	60.18%
12	Private Passenger Major Class (a)	April	36,126.69	58.88	114,459.18	31.56%
13	Private Passenger Major Class (a)	May	95,193.93	53.20	104,610.33	91.00%
14	Private Passenger Major Class (a)	June	40,927.31	53.43	106,098.17	38.57%
15	**Private Passenger Major Class (a)**	**Total**	**261,495.56**	**242.35**	**473,461.91**	**55.23%**
16	Accessible Vehicle-for-Hire	March	27,048.85	15.97	33,188.69	81.50%
17	Accessible Vehicle-for-Hire	April	18,567.50	11.30	23,080.57	80.45%
18	Accessible Vehicle-for-Hire	May	36,271.14	12.13	25,081.05	144.62%
19	Accessible Vehicle-for-Hire	June	8,426.47	13.07	27,186.64	30.99%
20	**Accessible Vehicle-for-Hire**	**Total**	**90,313.96**	**52.47**	**108,536.95**	**83.21%**
21	Limousine Vehicle-for-Hire	March	18,511.72	5.53	14,383.36	128.70%
22	Limousine Vehicle-for-Hire	April	0.00	2.95	7,406.70	0.00%
23	Limousine Vehicle-for-Hire	May	8,609.71	2.54	6,483.22	132.80%
24	Limousine Vehicle-for-Hire	June	0.00	2.82	7,251.91	0.00%
25	**Limousine Vehicle-for-Hire**	**Total**	**27,121.43**	**13.84**	**35,525.19**	**76.34%**
26	Taxicab Vehicle-for-Hire	March	193,926.86	51.06	378,805.20	51.19%
27	Taxicab Vehicle-for-Hire	April	70,848.29	30.63	216,460.59	32.73%
28	Taxicab Vehicle-for-Hire	May	120,554.68	42.75	322,168.22	37.42%
29	Taxicab Vehicle-for-Hire	June	223,157.24	47.58	365,195.37	61.11%
30	**Taxicab Vehicle-for-Hire**	**Total**	**608,487.07**	**172.02**	**1,282,629.38**	**47.44%**
31	Public Major Class (b)	March	239,487.43	72.55	426,377.25	56.17%
32	Public Major Class (b)	April	89,415.79	44.88	246,947.86	36.21%
33	Public Major Class (b)	May	165,435.53	57.42	353,732.49	46.77%
34	Public Major Class (b)	June	231,583.71	63.47	399,633.92	57.95%
35	**Public Major Class (b)**	**Total**	**725,922.46**	**238.33**	**1,426,691.52**	**50.88%**
36	All Vehicle-for-Hire	March	328,735.06	149.39	574,671.48	57.20%
37	All Vehicle-for-Hire	April	125,542.48	103.76	361,407.04	34.74%
38	All Vehicle-for-Hire	May	260,629.46	110.63	458,342.82	56.86%
39	All Vehicle-for-Hire	June	272,511.02	116.90	505,732.09	53.88%
40	**All Vehicle-for-Hire**	**Total**	**987,418.02**	**480.68**	**1,900,153.43**	**51.97%**

41 Notes:
42 (a) Includes all Passenger Vehicle-for-Hire
43 (b) Includes Accessible Vehicle-for-Hire, Limousine Vehicle-for-Hire and Taxicab Vehicle-for-Hire

c) Situations where an insurance use has a loss ratio exceeding 130% are rare. This could occur in insurance uses with a small number of units, whereby a single large loss could throw off the entire loss ratio for that use. This could also occur in the case of new insurance uses, where MPI has insufficient data to determine an appropriate starting rate.

The latter scenario above represents the case with Passenger VFH. When it created the insurance use, MPI understood that individuals would drive for a ridesharing company on a casual basis, and pick up passengers as part of their regular day-to-day driving from one place to another. The starting rates for this insurance use reflected this understanding (i.e. MPI assumed a moderately higher rate for Passenger VFH as compared to All Purpose to reflect the increased risk exposure). Further, per the 2018 Interim Application for Vehicles for Hire, page 14, a jurisdictional scan shows that "the average VFH rate is approximately 8% to 25% higher than the all-purpose rate."

d) Basic rates are set on a break-even basis. Per Figure RM-12, the implied pure loss ratio for Basic on an overall basis is $701.28 / $900.74 = 77.9%. However, since every rating classification has a different proportion of claims costs relative to fixed per unit expenses, the break-even loss ratio will be different for every rating classification (i.e. the Public Class has a break-even pure loss ratio of $1,747.20 / $2,152.36 = 81.2%).

e) The ratemaking methodology of MPI uses the pure premium approach, which uses the average loss per exposure as the basis for determining required rates (and required rate changes).

For claims forecasting, MPI forecasts claims on an overall basis by reviewing changes in frequency and severity by coverage. The methodology used for claims forecasting is described in *Claims Incurred*. Loss ratios are not relevant for claims forecasting since premiums should not be a factor in determining future claims costs, i.e. forecasting future claims costs cannot be based on an acceptable loss ratio. Moreover, future claims costs drives the determination of the future revenue (premium) requirement, not vice versa.

Similar to claims forecasting, claims management is not based on achieving an acceptable loss ratio. Rather, claims are managed based on doing what is right for the claimant. In that regard, claims management is independent of the current premium structure.

In general, loss ratios are used at MPI as a monitoring and strategizing tool. It informs management of potential issues so that an appropriate response can be determined if necessary. The above processes may be affected depending on these responses, but not necessarily so.

TC (MPI) 1-3

Part and Chapter:	**Part VI, RM Appendix 5**	**Page No.:**	**1,19** **Other references included in question**
PUB Approved Issue No:	**1, 2, 11, 12**		
Topic:	**Taxi and Passenger VFH rates**		
Sub Topic:	**Year over year comparison**		

Preamble to IR

The Taxi VFH insurance use has been very prevalent in the 'Top 50 Increases' lists for the Major Public class in the last GRA, and in the current GRA they are very prevalent in the 'Top 50 decreases'.

Question:

a) With reference to the 2021 GRA RM Appendix 5, page 19, please discuss reasons and circumstances for the seemingly significant reversal in the Taxi VFH rates within the Public Major class, as compared with the 2020 GRA (see 2020 GRA, RM Appendix 5, page 17), given the prevalence of that insurance use in the 'Top 50' lists. Please reference other figures throughout the GRA, as appropriate, to explain the composition of these lists.

b) Similarly, please discuss the year over year trend in Passenger VFH (2021 GRA RM Appendix 5, page 1, vs 2020 GRA RM Appendix 5, page 1), given the prevalence of that insurance use in the 'Top 50' lists. Please reference other figures throughout the GRA, as appropriate, to explain the composition of these lists.

Rationale for Question:

To understand and quantify the significant change in Taxi VFH rates from the 2020 to the 2021 GRA.

RESPONSE:

a) Taxi VFH often makes the 'Top 50' list in respect of dollar change because of the high base rate (i.e. for Taxi VFH in Territory 1, the base rate, which is the 2020 rate, is $11,836 and is more than five times the rate for an All Purpose Passenger Vehicle in Territory 1 at the highest rate group, which is $2,292). As a result, a 1.0% rate increase for Taxi VFH in Territory 1 translates into an increase of $118. For comparison, the All Purpose Passenger Vehicle requires a 5.15% rate increase to attain the same dollar increase.

The reversal (i.e. from 'Top 50' dollar increase in the 2020 GRA to 'Top 50' dollar decrease in the 2021 GRA), is mainly the result of the 5.0% capital release proposed by MPI. With the capital release, the experience adjustment for Taxi VFH in Territory 1 is -5.33% (see *Ratemaking Appendix 3, page 5*), which translates into a $631 decrease. Excluding the 5.0% capital release, the experience adjustment is 0.93% or a $110 increase.

b) Per the response to *PUB (MPI) 1-88*, based on the loss data as of February 29, 2020, for the two loss years since the introduction of the VFH use, the loss ratio for Passenger VFH is more than 120% each year (see lines 7 and 8). This implies that the rates for this group are currently insufficient. As such, for both the 2020 and 2021 GRA, the rates for Passenger VFH have seen increases above the average for vehicles in the Private Passenger major class. This explains why it made the 'Top 50' list in both GRAs.

TC (MPI) 1-4

Part and Chapter:	Part VII ART Appendix 1	Page No.:	References included in preamble and question
PUB Approved Issue No:	1, 2, 11, 12		
Topic:	VFH		
Sub Topic:	Time Bands		

Preamble to IR:

Figure 1 of the 2018 Vehicles for Hire Interim Application presents time bands for insured commercial operation:

Figure 1: Time Bands for Insured VFH Commercial Operation

Line No.	Time Bands	Time of Insured Commercial Operation
1	A	Monday through Friday 10:00 am to 3:00 pm and Sunday through Thursday from 7:00 pm to 11:00 pm
2	B	Nightly 11:00 pm to 7:00 am
3	C	Monday through Friday 7:00 am to 10:00 am and 3:00 pm to 7:00 pm
4	D	Friday 6:00 pm through Sunday 11:00 pm

The 2018 Interim Application further states at page 11, lines 4-7:

> *The insured times of each time band were designed to accommodate the hours of operation that vehicles for hire drivers might prefer, such as weekends, or evenings, while balancing the increased level of exposure from operation between the four time bands.*

Question:

a) Since the initial consultation to develop the VFH framework, has MPI held further consultations with industry in regards to the ongoing appropriateness of the time bands? If so, please describe which parties were consulted, and the feedback that was received? Please provide any relevant documents related to these consultations.

b) Please discuss the possibility of, and implications for, changing or simplifying time bands within subcategories of the VFH pool (Taxi, Limo, Accessible, and Passenger), such that different subcategories have time bands tailored to the particular commercial needs.

c) Please summarize current customer adoption patterns for time bands, in a form similar to Figure VFH-2 in the 2019 GRA (at page 16 of 24), and provide any comment with respect to trends since the inception of the VFH framework.

d) Please confirm that time bands are still priced so as to maintain consistent pricing between time bands, so that the number of time bands selected is relevant to risk evaluation.

e) Given customer adoption patterns of VFH time bands, or any other relevant considerations, please explain if MPI's view on having different prices for different time bands has changed since the 2018 Interim Application.

Rationale for Question:

To understand MPI's current assessment of the time band structure and pricing.

RESPONSE:

a) MPI has had general discussions with parties regarding the existing time band model. However, there has not been consultation with any parties regarding the ongoing appropriateness of the time bands and the times insured by each band.

b) It is possible to structure the VFH model so that the different subcategories have time bands tailored to their particular commercial needs. Implications of making such a change would include:

- customers making a change to their existing time band selection to maintain their current hours of operation
- MPI informing internal staff, customers and stakeholders of changes to the time bands
- MPI updating internal and external websites and communication materials
- MPI adjusting the pricing if there is a change in the number of time bands

Since most Taxi VFH (97%) select all 4 time bands, changing or simplifying the existing time bands may have no practical effect.

c) On July 1, 2020 the distinct vehicle counts by insurance use are as follows:

Figure 1 Distinct Vehicle Counts by Insurance

Line No.	Data as of July 1, 2020	Vehicle Count by Timeband			
1	**VFH Group**	**1**	**2**	**3**	**4**
2	**Accessible VFH**	3	5	16	140
3	**Limo VFH**	2			33
4	**Passenger VFH**	57	48	38	558
5	**Taxi VFH**	2	4	12	568
6	**Grand Total**	**64**	**57**	**66**	**1,299**

As VFH began on March 1, 2018, not enough time has elapsed to establish a trend.

d) MPI has not changed the relationship between the rates for different time bands since the inception of the VFH framework in 2018 as there is a limited amount of loss experience for 1, 2 and 3 time bands. The VFH framework has only been in effect for two years and the majority (87.4% per (c) above) of VFH policies select all 4 time bands.

e) MPI has not changed its view with respect to different prices for different time bands. It insures the majority of VFH vehicles as VFH4, meaning they have selected all 4 time bands.

TC (MPI) 1-5

Part and Chapter:	**Part VI, RM**	**Page No.:**	**Reference included in preamble and questions**
PUB Approved Issue No:	**1, 2, 11, 12**		
Topic:	**VFH**		
Sub Topic:	**Time bands**		

Preamble to IR:

The 2018 Interim Application Vehicles for Hire Information Request PUB (MPI) 6 response contained the following table:

Figure 9: Percentage of Taxi/Livery Claims Incurred and Claims Counts by Time Band – 2007 to 2017 loss years

Line No.	Selected Time Bands	Level	Claims Incurred *	Claims Counts *	Selected Relativity
1	A	1	25%	30%	25%
2	B	1	31%	15%	25%
3	C	1	25%	32%	25%
4	D	1	19%	23%	25%
5	Level 1 Straight Average		25%	25%	25%
6	A, B	2	56%	45%	50%
7	A, C	2	50%	62%	50%
8	A, D	2	44%	53%	50%
9	B, C	2	56%	47%	50%
10	B, D	2	50%	38%	50%
11	C, D	2	44%	55%	50%
12	Level 2 Straight Average		50%	50%	50%
13	A, B, C	3	81%	77%	75%
14	A, B, D	3	75%	68%	75%
15	A, C, D	3	69%	85%	75%
16	B, C, D	3	75%	70%	75%
17	Level 3 Straight Average		75%	75%	75%
18	A, B, C, D	4	100%	100%	100%
19	Level 4 Straight Average		100%	100%	100%
20	** For the period 2007 to 2017 – vehicle insurance use = taxi/livery*				

Question:

a) Please provide comparable tables based on actual experience since the VFH framework came into effect, for each of the VFH subcategories.

b) Please comment on any observable trends in each of the tables, including if each additional time band equates to approximately 25% additional claims exposure.

c) Referencing MPI's response to PUB (MPI) 7 in the 2018 Interim Application Vehicles for Hire, please describe any monitoring MPI has performed on the deviation of time bands from the target 25% threshold. Has MPI observed any trends, or considered taking any actions to date?

d) To what extent has MPI observed customer switching between time bands, and have there been observable differences between the subcategories of VFH.

e) Has MPI re-instated fees to change time band coverage for VFH? If so, please provide an estimate of how much revenue these switching fees have generated.

Rationale for Question:

To understand the appropriateness of the time bands, given actual experience.

RESPONSE:

a) Please see the requested figures below:

Figure 1 Percentage of Taxi VFH Physical Damage Claims Incurred and Claims Count by Time Band

Line No.	Selected Time Bands	2018 and 2019 Insurance Years Claims Incurred*	Claims Count*
1	**A**	30%	27%
2	**B**	19%	25%
3	**C**	29%	28%
4	**D**	22%	20%
5	**Straight Average**	**25%**	**25%**
6	**A, B**	49%	52%
7	**A, C**	59%	55%
8	**A, D**	52%	47%
9	**B, C**	48%	53%
10	**B, D**	41%	45%
11	**C, D**	51%	48%
12	**Straight Average**	**50%**	**50%**
13	**A, B, C**	78%	80%
14	**A, B, D**	71%	72%
15	**A, C, D**	81%	75%
16	**B, C, D**	70%	73%
17	**Straight Average**	**75%**	**75%**
18	**A, B, C, D**	100%	100%
19	**Straight Average**	**100%**	**100%**

20 *Excludes claims with overlapping time bands

Figure 2 Percentage of Passenger VFH Physical Damage Claims Incurred and Claims Count by Time Band

Line No.	Selected Time Bands	2018 and 2019 Insurance Years Claims Incurred*	Claims Count*
1	**A**	27%	27%
2	**B**	17%	20%
3	**C**	29%	30%
4	**D**	28%	23%
5	**Straight Average**	**25%**	**25%**
6	**A, B**	44%	47%
7	**A, C**	56%	57%
8	**A, D**	55%	50%
9	**B, C**	45%	50%
10	**B, D**	44%	43%
11	**C, D**	56%	53%
12	**Straight Average**	**50%**	**50%**
13	**A, B, C**	72%	77%
14	**A, B, D**	71%	70%
15	**A, C, D**	83%	80%
16	**B, C, D**	73%	73%
17	**Straight Average**	**75%**	**75%**
18	**A, B, C, D**	100%	100%
19	**Straight Average**	**100%**	**100%**

20 *Excludes claims with overlapping time bands

Figure 3 Percentage of Accessible VFH Physical Damage Claims Incurred and Claims Count by Time Band

Line No.	Selected Time Bands	2018 and 2019 Insurance Years Claims Incurred*	Claims Count*
1	**A**	31%	24%
2	**B**	14%	29%
3	**C**	39%	31%
4	**D**	16%	16%
5	**Straight Average**	**25%**	**25%**
6	**A, B**	44%	53%
7	**A, C**	70%	55%
8	**A, D**	47%	40%
9	**B, C**	53%	60%
10	**B, D**	30%	45%
11	**C, D**	56%	47%
12	**Straight Average**	**50%**	**50%**
13	**A, B, C**	84%	84%
14	**A, B, D**	61%	69%
15	**A, C, D**	86%	71%
16	**B, C, D**	69%	76%
17	**Straight Average**	**75%**	**75%**
18	**A, B, C, D**	100%	100%
19	**Straight Average**	**100%**	**100%**

20 *Excludes claims with overlapping time bands

Figure 4 Percentage of Limousine VFH Physical Damage Claims Incurred and Claims Count by Time Band

Line No.	2018 and 2019 Insurance Years		
	Selected Time Bands	**Claims Incurred***	**Claims Count***
1	**A**	14%	25%
2	**B**	28%	24%
3	**C**	53%	35%
4	**D**	5%	16%
5	**Straight Average**	**25%**	**25%**
6	**A, B**	42%	49%
7	**A, C**	68%	60%
8	**A, D**	19%	42%
9	**B, C**	81%	58%
10	**B, D**	32%	40%
11	**C, D**	58%	51%
12	**Straight Average**	**50%**	**50%**
13	**A, B, C**	95%	84%
14	**A, B, D**	47%	65%
15	**A, C, D**	72%	76%
16	**B, C, D**	86%	75%
17	**Straight Average**	**75%**	**75%**
18	**A, B, C, D**	100%	100%
19	**Straight Average**	**100%**	**100%**
20	*Excludes claims with overlapping time bands		

b) As Vehicles for Hire (VFH) only began on March 1, 2018, insufficient time has elapsed to establish a trend. More years of data is required to determine if each time band equates to approximately 25% of claims exposure. However, the early experience has tracked reasonably close to the initial assumptions.

c) MPI has not monitored the deviation of time bands from the target 25% threshold. As VFH only began on March 1, 2018, not enough time has elapsed to establish a trend.

d) During the 2019 insurance year, the total number of switches between time bands within the same VFH subcategory were:

Figure 5 Number of Switches Between Time Bands Within the Same VFH Category

Line No.	VFH Subcategory	Number of switches (within the same category)
1	**Accessible VFH**	9
2	**Limo VFH**	8
3	**Passenger VFH**	189
4	**Taxi VFH**	16

The Passenger VFH subcategory had significantly more number of switches than the other VFH subcategories. The difference can be attributed to the higher number of vehicles in the Passenger VFH subcategory that are insured as a VFH1, VFH2, and VFH3 (see *TC (MPI) 1-4*). Vehicles insured as VFH4 (24/7 commercial operation) are less likely to switch (i.e. going from full time to part time) than those insured as VFH1, VFH2, and VFH3. Since almost all Taxi VFHs are insured as VFH4, the number of switches in this subcategory was very low, even though the number of Taxi VFHs is similar to the number of Passenger VFHs.

e) MPI has not re-instated fees to change time band coverage for VFH.

TC (MPI) 1-6

Part and Chapter:	**Part VI, RM**	**Page No.:**	**Reference included in preamble and question**
PUB Approved Issue No:	**1, 2, 11, 12**		
Topic:	**VFH Claims Pool**		
Sub Topic:	**Claims outside commercial operation**		

Preamble to IR:

The 2018 Interim Application Vehicles for Hire Information Requests PUB (MPI) 11 response states:

> *"MPI will collect the same information on Vehicle for Hire (VFH) policy claims as it does for all other policies. The claims experience for VFH classes will be tracked separately, through the use of an additional field in the Enterprise Data Warehouse. These separately tracked claims will form the 'VFH pool' that will be used to set actuarially sound rates for VFH policies. Once a customer is a VFH policy holder, all claims under that policy will fall into the VFH pool, and be isolated from the rest of Basic's customers. For example, a collision occurring outside the VFH time bands will still be tracked within the VFH pool."*

Question:

a) Please provide summary tables with current information in a form similar to Figure VFH -3 from the 2019 GRA (at page 16).

b) Please provide a summary, by VFH subcategory, of the number of collisions occurring outside the commercial operation time bands, that have been tracked within the VFH pool.

c) Please quantify the contribution of collisions by non-commercially operating VFH on the total incurred for the VFH pool overall, and by subcategory.

d) Please provide a narrative description of any trends in this data since the implementation of VFH framework.

Rationale for Question:

To understand the operation of the VFH pool, and the implications of the commercial operation time band on the pool.

RESPONSE:

a) VFH claim count by time band and VFH subcategory is depicted below:

Figure 1 Claim Count by Time Band

Line No.	VFH Group	VFH Timeband 1	2	3	4	Grand Total
1	**Accessible VFH**	3	3	6	269	281
2	**Limo VFH**	1			61	62
3	**Passenger VFH**	60	39	38	634	771
4	**Taxi VFH**	3		14	2,043	2,060
5	**Grand Total**	**67**	**42**	**58**	**3,007**	**3,174**
6	**Loss Date: 3/1/2018-2/28/2020**					

b) See *figure 2* below for the number of collisions occurring outside the commercial operation time bands by VFH category.

Figure 2 Non-commercial VFH Claim Count

Line No.	VFH Group	Ciaim Count
1	**Accessible VFH**	4
2	**Limo VFH**	1
3	**Passenger VFH**	66
4	**Taxi VFH**	6
5	**Grand Total**	**77**
6	**Loss Date: 3/1/2018-2/28/2020**	

c) See *Figure 3* below.

Figure 3 Non-commercial VFH Claims Incurred by Subcategory

Line No.	VFH Group	Non-Commercial Incurred	Total Incurred
1	**Accessible VFH**	10,744.62	768,948.28
2	**Limo VFH**	-	183,826.72
3	**Passenger VFH**	193,687.42	2,554,519.72
4	**Taxi VFH**	8,660.84	6,037,891.23
5	**Grand Total**	**213,092.88**	**9,545,185.95**
6	**Loss Date: 3/1/2018-2/28/2020**		

d) VFH began on March 1, 2018. Not enough time has elapsed to establish a trend.

TC (MPI) 1-7

Part and Chapter:	**Part VI, RM**	**Page No.:**	**Reference included in preamble and question**
PUB Approved Issue No:	**1, 2, 11, 12**		
Topic:	**VFH Rates**		
Sub Topic:	**Processes for claims handling and appropriate coverage**		

Preamble to IR:

The 2018 Interim Application Vehicles for Hire Information Request PUB (MPI) 11 response states:

> *"b) Apart from establishing a separate pool, as outlined above, MPI will continue to employ its processes to ensure that claimants are correctly insured at the time of a claim, for example, ensuring that VFH drivers are correctly insured under a VFH policy, and under the appropriate sub category (passenger, taxi, limo, accessible). These processes are similar to those already in place for detecting and ensuring intact coverage for the date/time of loss, and adherence to all conditions (such as vehicle use for purposes not intended under the policy)."*

Question:

a) If collisions occurring outside the time band are tracked within the VFH pool (See also TC (MPI) 1-6), do MPI processes at the time of a claim establish if the VFH was engaged in commercial operation at the time of an accident?

b) Apart from anything discussed in part a), please explain any other practical distinctions between being insured for non-commercial operation outside of the time bands, and commercial operation within the time bands? (see also 2019 GRA, Part V VFH, p.11, line 2).

c) Please provide details as to if and how MPI establishes commercial operation for other types of delivery services, such as web enabled food delivery using a private vehicle (e.g. Skip the Dishes), in the event of a claim.

d) Please provide details as to how MPI ensures that prospective drivers for mobile app enabled delivery services are insured under the correct insurance use? For example, do Brokers employ standard questions to assess if a customer intends to use their vehicle for commercial purposes?

e) In the event that a Passenger VFH insured is also driving for one or more web-enabled food delivery services, how does MPI establish the correct insurance use for that insured?

f) Referencing 2020 GRA Information Requests - Round 1 PUB (MPI) 1-85(b) Appendix 1 – Redacted, (MPI Exhibit 19, page 19 of 42), has MPI pursued a solution in AOL for dual use for common carrier and local vehicle for hire policies since the VFH Project Close Out Report was completed?

Rationale for Question:

To understand any differences between other insurance uses for commercial operation, and the VFH insurance uses.

RESPONSE:

a) MPI has established a process to confirm a vehicle for hire claim. This process begins when a customer reports an accident. MPI will ask the customer a number of questions and based on the customer's responses, MPI's system may automatically flag the claim to be reviewed by an Adjuster. One scenario where the claim will be flagged is when the time of loss occurs outside the policy's declared time band. An adjuster will contact the customer to investigate and establish if the vehicle was engaged in commercial activity at the time of accident. As with any use code potential breach, the adjuster will obtain a non-waiver agreement and statutory declaration from the customer. They will investigate the claim as

required to validate that the insurance use is proper including contacting the passenger(s), third party if applicable, City of Winnipeg Permit Office, or the applicable ride share company. If the claim investigation confirms a use code breach, the adjuster will put forward a recommendation to either deny the claim or cover the claim under Relief from Forfeiture or ex gratia.

b) If a VFH trip begins during the selected time band and ends outside the selected time band, MPI may choose to grant a certain grace period under reasonable circumstances.

c) The trip's intent and operating radius (within city/municipalities, within 161 km in Manitoba, or over 161 km in Manitoba) determine the insurance use. Web enabled food delivery services would typically require Common Carrier insurance. One example of an insurance use under the Common Carrier classification is Common Carrier Local Passenger Vehicle.

Common Carrier Local Passenger Vehicle insurance is for any passenger vehicles being used more than four days in one month or more than 1,609 km during a registration period for any delivery purpose in connection with a business, trade or occupation. This includes not only professional couriers or delivery services, but also vehicles used for delivery purposes in connection with any other business, including florists, pharmacies and grocery stores, within city or municipal limits.

Situations also arise when a passenger vehicle or truck is used for multiple purposes. When this occurs, the vehicle must be registered with the highest rated insurance use.

In the event of a claim, MPI will ask the customer a number of questions and based on the customer's responses, MPI's system may automatically flag the claim to be reviewed by an Adjuster if the vehicle is potentially being used improperly. An adjuster will contact the customer to investigate and establish if the vehicle was engaged in commercial activity at the time of accident. As with any use code potential breach, the adjuster will obtain a non-waiver agreement and statutory declaration from the customer. If the claim investigation confirms a use code

breach, the adjuster will put forward a recommendation to either deny the claim or cover the claim under Relief from Forfeiture or ex gratia.

d) There are documented procedures outlining the business rules that a broker must follow to ensure that the customer is selecting the appropriate insurance use. Brokers ask specific questions clarifying eligibility for VFH or any other commercial use.

e) When a vehicle is used for multiple purposes, the vehicle must be registered with the highest rated insurance use. The higher rated insurance will be shown as the primary use and the lower rated insurance use will be documented as the secondary use in the customer's file.

f) MPI has not pursued a solution in AOL for dual use for common carrier and local vehicle for hire.

TC (MPI) 1-8

Part and Chapter:	**RSF.2.2**	**Page No.:**	**4**
PUB Approved Issue No:	**1, 2, 11, 12**		
Topic:	**Rate Setting Framework**		
Sub Topic:	**Optimal VFH Rating Data**		

Preamble to IR:

At page RSF page 4 MPI states:

> *"The rating approach of MPI uses 4 easy to apply categories, consistent with normal industry practices. These categories are:*
> - *location;*
> - *use of the vehicle;*
> - *type of vehicle; and*
> - *driving record."*

Question:

a) What data, if any, does MPI have on other relevant risk factors affecting VFH (giving consideration to VFH subcategories, and VFH generally), beyond territory, insurance use, vehicle type and driving record? If any data is in MPI's possession, please indicate the sources of that data, what analysis has been performed, and what conclusions have been drawn from that analysis? Please file any documents related to this data, analyses, and conclusions.

b) To the extent not already addressed in part a), has MPI explored options for acquiring other relevant risk data from sources such as mobile app enabled TNC operators, or food delivery operators, municipal VFH regulators (such as the City of Winnipeg), or other sources. If MPI has considered acquiring data from other sources, but not done so, what has prevented MPI from doing so?

c) If MPI could acquire any data it deemed relevant to assessing VFH risk, what would be the most relevant for rate-setting purposes? E.g. time on road, kilometers driven, on-peak kilometers driven etc. Please rank order the candidate data, and provide a detailed explanation as to why that that data is preferred to current rating variables. Please file any documents related to this data, analyses, and conclusions.

d) Is MPI aware of any risk factors for which relevant data may not currently be available? Please comment on any such known factors.

Rationale for Question:

To understand any data limitations to developing an optimal VFH insurance framework.

RESPONSE:

a) MPI does not have any data on other relevant risk factors affecting VFH beyond territory, insurance use, vehicle type and driving record.

b) MPI has not explored options for acquiring other relevant risk data.

c) and d)
Data that may be relevant in assessing VFH risk include:

1) Driver of vehicle – owners of Taxi VFH vehicles hire drivers to drive their vehicles and these drivers may change frequently. This frequent change in who drives the vehicle impacts the ability to assess risk.

2) Distance driven – the increased distance driven by Taxi VFHs may increase the risk.

3) Time on road – the increased time Taxi VFHs are on the road may increase the risk.

It has not been determined that the above data is preferred over the current rating variables.

TC (MPI) 1-9

Part and Chapter:	**Part VI, RM**	**Page No.:**	**Reference included in preamble and question**
PUB Approved Issue No:	**1, 2, 11, 12**		
Topic:	**Taxicab VFH Rates**		
Sub Topic:	**Appropriateness of VFH Subcategories**		

Preamble to IR:

In the 2019 GRA, at VFH.6.1, at page 14, MPI states:

> *"The Corporation acknowledges that there is a significant difference in rates between the Passenger VFH category and the Taxi VFH category. However, MPI believes that offering DSR incentives, when combined with the industry's public comments about focusing on safety, and the loss prevention strategies MPI is working collaboratively with the taxi industry on will have a positive effect on loss experience.*
>
> *The VFH framework is such that loss experience for each of the VFH categories will be tracked separately. As experience data becomes available, the Corporation will continue to ensure that the rates assigned to each VFH group is reflective of the risk and actuarially supported.* ***The Corporation will also be in a better position to determine if Taxicabs should fall within another VFH category****. However, at this time there is no basis for the Corporation to make a change to the current rating model." [emphasis added]*

Question:

a) Referencing the 2019 GRA, VFH.6.1, please describe what factors MPI will consider to determine if Taxicabs should fall within another VFH subcategory? Please include an itemized list, rank ordered by the most important factor. Please include a description of each factor, and the current status and trend of each factor.

b) What analysis has MPI conducted to date to support such a determination? What further analysis does MPI need to perform to reach this conclusion? Please file all relevant documents that pertain to the Corporation's assessment of appropriate VFH subcategories.

c) Has MPI conducted any analysis on the competitive impacts of the large differential in insurance rates between Taxi and Passenger VFH, as competitors in the same industry? Is MPI aware of any such reports completed in other jurisdictions? Does MPI have a copy of any such reports? If so please provide them. Does MPI have access to any such reports? If so please request a copy and provide a copy in response to this interrogatory.

d) Please describe any public policy considerations incorporated into the VFH framework at the time it was developed, and how those considerations impacted choices around the development of the framework, rates for subcategories of VFH, and in particular the significant difference between Taxi and Passenger VFH.

Rationale for Question:

To understand MPI's progress towards a response to directives 6.9 and 6.10 from PUB Order 11/18.

RESPONSE:

a), b), c), and d)
MPI is currently reviewing its vehicle for hire (VFH) products in order to address known issues with their existing design, including:

- significant differences between Taxi VFH and Passenger VFH rates;
- significant differences in exposure (i.e. kilometers driven) and driver risk, not properly captured by the current system;
- feedback from Transportation Network Companies that the current product offering does not meet their needs (i.e. no per kilometer rate available, blanket coverage, etc.); and

- lack of incentives to improve driving behaviour (i.e. flat-rated Taxi VFH).

MPI is currently developing a Vehicle for Hire proposal for approval as a concept by Management. MPI anticipates completing this work by fall 2020. Once approved, the proposal will be brought to industry stakeholders for feedback.

TC (MPI) 1-10

Part and Chapter:	**Part VI, RM**	**Page No.:**	**Reference included in preamble and question**
PUB Approved Issue No:	**1, 2, 11, 12**		
Topic:	**Passenger VFH Rates**		
Sub Topic:	**Initial Ratemaking assumptions**		

Preamble to IR:

The 2018 Interim Application Vehicles for Hire, VFH.3.1 at page 14 states:

> *External data to support ratemaking: The figure below provides a jurisdictional scan of vehicles for hire rates in other jurisdictions. As shown in the figure, the average vehicles for hire rate is approximately 8% to 25% higher than the all-purpose rate.*

Figure 2: Summary of Jurisdictional Review of VFH premiums

Line No.	City	Base Rate	TNC Endorsement (per year)	% Over Base Rate
1	Calgary	$3,251	$500-$800	15%-25%
2	Edmonton	$3,410	$500-$800	15%-23%
3	Toronto	$6,593	$1,000 - $1,600	15%-24%
4	Montreal	$2,267	$190	8%

> *Proposed 2018/19 Passenger Vehicles for Hire Rates: Given the lack of MPI data on Passenger vehicles for hire loss experience, the proposed initial rates for Passenger vehicles for hire have been set based on the percentage difference between All Purpose and Passenger vehicles for hire rates used in other jurisdictions (as shown above). This 'percentage increase' method was assumed to best reflect the difference in coverage and loss experience in Manitoba. The Level 4 (i.e. 24/7) Passenger VFH was judgmentally set at 20% above the current Private Passenger All Purpose rate for corresponding vehicle type and rate group*

Question:

a) Has MPI conducted any further jurisdictional scans of rates to support the experience-based rate adjustments to Passenger VFH rates to date? If so, please provide the supporting documentation.

b) Has MPI conducted any jurisdictional scans to compare the premiums, or cost to provide coverage of taxicabs vs TNC vehicles? If so, please provide the supporting documents, including any analyses and conclusions. Please see also TC (MPI) 1-17.

Rationale for Question:

To establish the availability of any further external data to support ratemaking, and establish the reasonableness of the differential between Taxi VFH and Passenger VFH Rates.

RESPONSE:

a) MPI conducted a limited jurisdictional scan of rates to support the experience-based rate adjustments made to Passenger vehicle for hire (VFH) rates to date.

As noted in the response to *TC (MPI) 1-16*, at the time of the 2018 VFH Interim Application, only Ontario, Alberta and Quebec had VFH (TNC) legislation in force. Since that time, VFH provisions were enacted in Saskatchewan (effective December 14, 2018) and in British Columbia (effective September 16, 2019). Nova Scotia and New Brunswick are both in the process of creating regulatory frameworks, but have yet to enact VFH legislation.

As public insurers, Saskatchewan Government Insurance (SGI) and Insurance Corporation of British Columbia (ICBC) are jurisdictions most comparable to MPI and MPI has therefore focused its recent jurisdictional review on these two models. Furthermore, rating models used in other Canadian jurisdictions with private insurance are not considered suitable within the MPI environment, given the compulsory nature of Basic, and the regulatory framework in Manitoba. As such,

we have not re-evaluated the rating models in Ontario, Alberta and Quebec, where private insurance exists.

As outlined in the response to *TC (MPI) 1-16*, for Saskatchewan (SGI):

Using a 2020 Base Rate of $1,317 to $1,519 (Based on the Regina driver profiles used in BMK-1 Passenger Vehicle Rates Comparison Charts by Driver Profile), the estimated $385 VFH premium that would be directed to the Saskatchewan Auto Fund, to offset the VFH risk, would be approximately 25% to 29% of the base rate of the vehicle.

b) MPI has conducted a limited jurisdictional scan to compare the premiums, or cost to provide coverage of taxicabs vs TNC vehicles. As noted in (a), MPI focused its jurisdictional review on the public insurers, SGI and ICBC.

Using the same Saskatchewan TNC vehicle/profile in the example in a), the Total premium (Base Rate plus VFH premium) in Regina ranges from $1,702 to $1,904.

In recent consultation with SGI, SGI advised that their taxi rates did not change when they introduced ridesharing. Taxi rates still need to go through their regular rate-setting process. The rates have not changed since 2014, when their last rate program was approved. Taxi insurance rates vary from $2,101 to $4,437 annually depending on the location of their operation. Details for the Class PT (Passenger Taxi) insurance rates can be found in the Auto Fund Rate Manual (link below). According to the manual, the taxi rate in Regina is $4,437. This is approximately 133% higher than the TNC rate noted above.

https://issuerstartpageext.sgi.sk.ca/autofund/IssuerStart/eRates/RateReleaseCurrent/PT-Insurance.html

B.C rates: MPI recently requested information from ICBC on their taxi and TNC insurance rates but received no information as of this date.

TC (MPI) 1-11

Part and Chapter:	**Part V, REV**	**Page No.:**	**REV Appendix 1**
PUB Approved Issue No:	**4,13**		
Topic:	**DSR impact on Taxi VFH**		
Sub Topic:	**Driver Premium forecast by DSR level**		

Preamble to IR:

Taxi VFH, and other VFH subcategories have become eligible for DSR discounts.

Question:

a) In the form of a histogram or other similar presentation, please provide the number of VFH policies by DSR level of the registered owner. Please provide in aggregate, and by VFH subcategory (taxi, passenger, etc.), for each year since inception of the VFH framework. If available through DSR modelling, provide the same for each for the forecast years to 2022/23F.

b) Please provide the annual total DSR discount (reduction in premiums) for each sub category of VFH, since inception of the VFH framework, and eligibility for DSR discounts. Please include the forecast total annual DSR discounts through 2022/23F.

c) Please discuss and reconcile the reasons why the actual (historical) DSR upgrade has tended to be negative (See Fig REV-9), while the forecast of DSR upgrade tends to be positive (see Fig REV-10). Please discuss the prevalence of this pattern in forecasting across prior GRAs.

Rationale for Question:

To understand the impact of DSR discounts on the subcategories of VFH and assess the reasonableness of the DSR upgrade forecast.

RESPONSE:

a) Please refer to the figure below showing the number of VFH policies by Driver Safety Rating (DSR) level and Vehicle for Hire (VFH) subcategory. MPI obtained these figures from the rate model (i.e. the figures are based on a snapshot of the vehicle population at a point in time). For 2018 and 2019, the point in time is November 1, 2018 and November 1, 2019 respectively. The same data is not available for the forecast years, as MPI forecasts DSR levels overall, not at the insurance use level.

Figure 1 Number of VFH Policies by DSR Level and VFH Subcategory

Line No.	DSR Level	Discount Percent	Rate Model as of November 1, 2019					Rate Model as of November 1, 2018				
			Passenger VFH	Taxicab VFH	Accessible VFH	Limousine VFH	Total VFH	Passenger VFH	Taxicab VFH	Accessible VFH	Limousine VFH	Total VFH
1	**15**	**33**	107	167	22	2	**298**	65	155	12	1	**233**
2	**14**	**30**	17	16	1	1	**35**	13	36	1	-	**50**
3	**13**	**29**	25	25	3	4	**57**	13	22	2	-	**37**
4	**12**	**28**	16	23	4	-	**43**	8	20	2	3	**33**
5	**11**	**27**	30	27	8	1	**66**	19	29	4	1	**53**
6	**10**	**26**	32	28	3	2	**65**	20	34	6	7	**67**
7	**9**	**25**	26	39	6	4	**75**	18	22	2	3	**45**
8	**8**	**25**	24	23	4	-	**51**	20	29	2	3	**54**
9	**7**	**25**	33	25	5	2	**65**	17	26	2	-	**45**
10	**6**	**20**	25	20	6	-	**51**	29	29	2	2	**62**
11	**5**	**15**	35	25	2	-	**62**	23	12	4	1	**40**
12	**4**	**15**	50	15	3	2	**70**	24	18	1	-	**43**
13	**3**	**10**	38	16	10	1	**65**	38	10	6	1	**55**
14	**2**	**10**	41	23	6	-	**70**	43	17	6	-	**66**
15	**1**	**5**	47	26	6	1	**80**	28	22	6	-	**56**
16	**0 (Individual)***	**0**	92	28	15	2	**137**	54	29	10	-	**93**
17	**0 (Corporate)****	**0**	58	29	72	52	**211**	41	58	60	60	**219**
18	**-1**	**0**	20	9	1	-	**30**	9	8	1	-	**18**
19	**-2**	**0**	17	9	2	-	**28**	8	6	1	1	**16**
20	**-3**	**0**	5	5	3	1	**14**	8	7	1	-	**16**
21	**-4**	**0**	14	7	2	-	**23**	16	5	-	-	**21**
22	**-5**	**0**	13	6	1	1	**21**	5	5	3	-	**13**
23	**-6**	**0**	3	4	3	-	**10**	1	5	-	3	**9**
24	**-7**	**0**	9	3	2	-	**14**	7	3	6	-	**16**
25	**-8**	**0**	3	3	1	-	**7**	2	6	2	-	**10**
26	**-9**	**0**	3	1	-	-	**4**	1	4	-	-	**5**
27	**-10**	**0**	3	4	2	-	**9**	2	3	2	-	**7**
28	**-11**	**0**	-	4	-	-	**4**	-	-	-	-	**-**
29	**-12**	**0**	7	1	-	1	**9**	-	-	-	-	**-**
30	**-13**	**0**	1	1	-	-	**2**	3	2	2	-	**7**
31	**-14**	**0**	-	1	1	-	**2**	1	1	-	-	**2**
32	**-15**	**0**	-	1	3	-	**4**	-	1	-	-	**1**
33	**-16**	**0**	1	-	-	-	**1**	1	-	-	-	**1**
34	**-17**	**0**	2	-	-	-	**2**	-	1	-	-	**1**
35	**-18**	**0**	-	-	-	-	**-**	-	-	-	-	**-**
36	**-19**	**0**	-	1	-	-	**1**	-	-	-	-	**-**
37	**-20**	**0**	-	2	1	-	**3**	3	-	2	-	**5**
38	**Total**		**797**	**617**	**198**	**77**	**1,689**	**540**	**625**	**148**	**86**	**1,399**

39 ** Individual customer types qualify for DSR discounts*

40 *** Corporate customer types do not qualify for DSR discounts*

b) Please refer to the figure below showing the total discount by VFH subcategory. Eligibility for DSR discount is provided in the response to (a). Similar to the response to (a), the figures are taken from the rate model. The same data is not available for the forecast years, as MPI forecasts DSR discounts overall, not at the insurance use level.

Figure 2 Discount by VFH Subcategory

Line No.	VFH Group	As of Nov 1, 2019 Undisc Premium	Disc Premium	Discount	Percent Discount	As of Nov 1, 2018 Undisc Premium	Disc Premium	Discount	Percent Discount
1	**Passenger VFH**	1,855,250	1,582,399	272,851	14.71%	1,296,008	1,108,158	187,850	14.49%
2	**Taxicab VFH**	6,105,985	4,822,480	1,283,505	21.02%	6,449,849	5,114,961	1,334,888	20.70%
3	**Accessible VFH**	486,553	437,803	48,750	10.02%	349,075	321,753	27,322	7.83%
4	**Limousine VFH**	203,587	190,078	13,509	6.64%	255,642	238,911	16,731	6.54%
5	**Total**	8,651,375	7,032,760	1,618,615	18.71%	8,350,574	6,783,783	1,566,791	18.76%

c) The DSR upgrade is less significant than the vehicle upgrade and is currently close to zero. When MPI does its forecast, it assumes the same merit eligible (ME) vehicle-per-driver ratio by DSR level and the same DSR movements as the most recent year, since they are the most recent and reliable indications. This will result in a positive DSR upgrade that is close to zero.

The actual DSR upgrade for 2018/19 is negative for two reasons. First, the actual ME vehicle-per-driver ratio by DSR is slightly different than forecasted, which increased the average positive DSR (i.e. drivers on the positive side of the DSR scale) per vehicle by 0.04. Second, the actual DSR movement is slightly different than forecasted, which increased the average positive DSR per vehicle by 0.02.

The actual DSR upgrade for 2019/20 is negative due to the lower growth in earned drivers and drivers moving up the DSR scale due to less collisions and/or driving convictions.

TC (MPI) 1-12

Part and Chapter:	Part V, EXP	Page No.:	References provided in question
PUB Approved Issue No:	1, 2, 11, 12		
Topic:	VFH rates		
Sub Topic:	Loss Prevention Programming Outcomes		

Preamble to IR:

MPI has conducted a forward collision avoidance pilot project, the results of which may meaningfully impact VFH loss experience.

Question:

a) Please provide a post implementation review, project evaluation, or other relevant post project documentation related to the Mobileye Forward Collision Warning System Taxi Pilot (see 2020 GRA LP Attachment A, Appendix 6, p.44, and 2020 GRA BW(MPI)1-10)

b) Please provide details of any other Loss Prevention programming targeted at VFH generally, or Taxi VFH in particular, that is presently active. Please also describe in detail any future loss prevention programming targeted at VFH, or specific subcategories, presently planned. Please provide all relevant documents.

c) Please provide the annual budgeted and actual expenditure on the Mobileye program, and identify with reference to Figure EXP App 15-1, in which line item the costs are contained. Please also provide the same for any presently budgeted future loss prevention programming (referencing instead Figure EXP App 15-2)

d) Please provide any available document or research in possession of MPI that compares or assesses across other jurisdictions, the loss prevention efforts for Taxi

and TNC insurance uses (or comparable uses as they may vary by jurisdiction). If not such documents are in MPI's possession, does MPI have access to any such documents? If so please request a copy and provide a copy in response to this interrogatory.

Rationale for Question:

To assess the cost, effectiveness, and impact on loss experience of current or future planned loss prevention initiatives related to VFH.

RESPONSE:

a) Preliminary results from the Mobileye Forward Collision Warning System Taxi Pilot indicate:

- A total of 120 collisions involving participating taxi vehicles during the pilot, including 45 at-fault, and 8 at-fault rear-end collisions. Collisions disproportionately took place during the month of February, and were less common in April, July, and September.

- Three-quarters of participants experienced at least one collision during the pilot. Participants were slightly more likely to be in two collisions than a single collision and nearly a fifth of participants were in three or more collisions.

- During the pilot, over 40% of participants experienced at least one at-fault collision, about a quarter of those being in at-fault rear-end collisions. Over a third of participants were in a rear-end collision of any kind (i.e. either they were rear-ended or they rear-ended another vehicle). For over one-fifth of pilot participants, their vehicle was deemed a Total Loss as a result of a collision.

- A before-and-after comparison of participating taxis indicate the rate of at-fault collisions remained essentially unchanged; however, there were rate increases of 6% for all collisions, 35% for rear-end collisions, 38% for at-fault rear-end collisions, and 34% for not-at-fault rear-end collisions.

- Although increases were observed in the counts and rates of most types of collisions, the claims costs associated with those collisions appear to have decreased. There were physical damage claims cost reductions of 9% for at-fault collisions, 17% for all collisions, 63% for at-fault rear-end collisions, and 46% for not-at-fault rear-end collisions.

- The collision frequency trends observed in the pilot participant group were broadly similar to those among the taxi population overall, while the reductions in physical damage claims cost reductions were broadly in line with a downward trend in Winnipeg, as a whole. That said, longer-term trend data would provide more insight into the extent of fluctuation in collision frequencies and physical damage claims costs.

b) The road safety programming offered by MPI targets poor driving behaviours of all drivers, generally, to reduce risk on Manitoba roads. MPI has not targeted vehicle for hire (VFH) generally, or taxis VFH specifically, with its loss prevention programming and awareness efforts.

c) In 2018/19, MPI budgeted $152,000 to install Mobileye devices in pilot study vehicles, and spent $164,915.36. In 2019/20, MPI budgeted $15,000 for any additional maintenance, repair or reinstallation of devices during the pilot period, and spent $17,121.85 for this purpose. Vehicle safety programming costs, such as the taxi pilot study, are contained within the Occupant Safety Education Strategies line item in *Expenses Figure EXP App 15-1*. Future VFH programming has not yet been determined or budgeted for in *Expenses Figure EXP App 15-2*.

d) MPI is aware of the *Winnipeg Taxicab Services Review* document, which contains information obtained from consultations with key stakeholders from the taxi and VFH industry including safety and security (Section 11.0). MPI is also aware of New York City's *Vision Zero Year Four Report* which documents loss prevention efforts directed at its taxi sector to help reduce traffic casualties.

TC (MPI) 1-13

Part and Chapter:	**Part VI, RM Appendix 9**	**Page No.:**	**Table 14** **References provided in questions**
PUB Approved Issue No:	**1, 2, 11, 12**		
Topic:	**VFH Rates**		
Sub Topic:	**Impact of major class on subcategory rates**		

Preamble to IR:

Passenger VFH rates are determined in accordance with Major Class 1, Private Passenger, while the remaining VFH subcategories are determined in accordance with Major Class 3, Public.

Question:

a) Please describe and demonstrate the effect on rates, of Passenger VFH calculated in accordance with the Private Passenger Major Class, while Taxi, Limo and Accessible VFH are calculated in the accordance with the Public Major Class.

b) Please explain the rationale for setting Passenger VFH rates as part of the Private Passenger Major Class, while all other VFH sub-categories are calculated in accordance with the Public Major Class. Is this rationale different than for other insurance uses intended for commercial operation found in the Private Passenger Major Class? If so, please elaborate.

c) With reference to the Automobile Insurance Plan Regulation, the 2021 GRA, or any other relevant document, please provide a definition of the major classes (Private Passenger, Commercial, and Public), a discussion of why major classes have been defined as they are, and when the definitions were established. Please also describe how, and how frequently, the major class definitions are reviewed, the

appropriateness of insurance uses within the major class are assessed, and how new insurance uses are assigned to the major classes.

d) Elaborating on part a), please describe and demonstrate, the impact on Passenger VFH rates, if they were calculated as part of the Public Major Class. Please provide necessary supporting schedules, and commentary.

e) Referencing RM Appendix 9 Table 9, please comment on the source of material differences in selected loss development factors between the Public and Private Passenger Major classes, focusing on the Collision, Comprehensive, and Property Damage. Please describe the impact on rates for these two major classes of material differences in the selected loss development factors.

f) Referencing RM page 38 sub (viii) and RM Appendix 9 Table 9, please explain what is meant by "This change uses the data after the cohort of Serious Loss incidents is more consistent". Please explain the rationale for the adjustment in methodology, that omits the most recent two years of experience, as otherwise outlined in RM Appendix 8.

g) Please confirm that in the case of Public Major Class, ABO Other Indexed and IRI, this methodology change (referenced in e) above) results in additional adjusted pure premium of $20.74, and $12.94 respectively, over the methodology employed in the 2020 GRA.

h) Referencing RM page 36 sub (vii), and RM Appendix 9, Table 8, please explain why the 'indicated exponential trend' for IRI, ABO (indexed) and ABO (non-indexed) are rounded up to the nearest 0.25%, or selected as 0.0% if negative. Do these selection rules produce an upward bias? Please explain the impact on rates if the trend selection was not constrained by these selection rules.

i) Referencing Table 9, Major Class 03, for the average adjusted pure premium for Collision, Comprehensive, and Property Damage, please explain how selected trend is determined, with reference to the RSQ, or any other relevant considerations. Stated differently, what level of RSQ is required to ignore the

exponential trend, and what consideration is given to the 10 year trend, vs the all years trend. Are there other relevant time periods over which the trend should be selected, particularly in the case of relatively new insurance uses such as VFH?

j) Please provide a representative calculation of one line within Table 9, ABO Other (non indexed) Public, and Table 9, ABO Other (indexed) Public. (referencing tabs '9-Table9 Sheet27', and '9-Table9 Sheet29' in the supplied workbooks). To the extent that these calculations are not representative of other Table 9 figures, please provide those sample calculations.

Rationale for Question:

To understand the ratemaking implications of different major classes for different subcategories of VFH, and to understand the impact on VFH of certain methodology changes.

RESPONSE:

a) Please see the response to (d) below.

b) When the VFH insurance uses were first introduced in 2018, MPI decided that Taxi, Limo and Accessible VFH would remain in the same Public major class. Vehicles in these insurance uses were well established as public service vehicles.

The decision to put Passenger vehicle for hire (VFH) in the Private Passenger major class was based on the prior understanding of MPI of how vehicles in this insurance use would operate. Specifically, MPI understood that individuals would drive for a ridesharing company on a casual basis, and pick up passengers as part of their regular day-to-day driving from one place to another. The rates for this insurance use reflected this understanding (i.e. MPI assumed a moderately higher rate for Passenger VFH as compared to All Purpose to reflect the increased risk exposure).

MPI did not put Passenger VFH in the Public major class (or the Commercial major class) because it did not assume that this insurance use would operate in the same capacity as Taxi VFH.

c) Major classes is another tool used in ratemaking to group vehicles based on certain similar characteristics, and has been part of the ratemaking methodology since 1992. There is no formal definition of the major classes. However, most of the major classes are self-explanatory per the figure below.

Figure 1 Major Classes Definition

Line No.	Major Class	Definition
1	**Private Passenger**	Privately owned vehicles for personal use
2	**Commercial**	Vehicles used for commercial purposes
3	**Public**	Vehicles used as public service vehicles including u-drives
4	**Motorcycle**	2-wheel vehicles i.e. motorcycles and mopeds
5	**Trailers**	Trailers that must be towed by a motor vehicle
6 7	**Off Road Vehicles**	Motorized vehicles not driven on the road including snowmobiles, snow vehicle, all terrain vehicles, and certain motorcycles (e.g. dirt bikes)

Generally, an insurance use is assessed and placed into a major class when the insurance use is created based on the understanding of MPI of how vehicles in the insurance use will operate, (see part b) for an explanation of this process for Passenger VFH). Thereafter, the compositions of the major classes are rarely re-assessed.

d) To recalculate the rates for Passenger VFH as if they were part of the Public major class, MPI would have to redo the entire ratemaking section employing that assumption. Such an undertaking is not possible in the applicable timeframe. As such, MPI cannot provide the impact analysis for this scenario.

Notwithstanding, the rates for the respective insurance uses will ultimately reflect the loss exposure regardless of which major class the insurance use is assigned. The pace at which this is achieved is determined by the ratemaking methodology.

e) Please see *Appendix 1*, which shows the rationale for the loss development factors (LDFs) selected for Collision, Comprehensive and Property Damage for all major classes. MPI selects LDFs based on the indications by major class and coverage. Given that the Public and Private Passenger major classes are significantly different, both in respect of volume and loss exposure, a natural consequence would be that the basis for the selected LDFs will not be the same. Stated another way, there will be differences in the basis for the selected LDFs to reflect the differences in major classes.

f) Per *Ratemaking, page 38*, "As a result of Centralized Reserving implemented in 2018, lifetime reserves (as applicable) are required if the claimant is still receiving benefits 2 years after the accident date. The addition of lifetime reserves could potentially change an incident to a Serious Loss incident. This change recognizes this effect, and "uses the data after the cohort of Serious Loss incidents is more consistent." The exclusion of the two most recent years recognizes that an incident may change from a non-Serious Loss to a Serious Loss incident when lifetime reserves are added, 2 years after the accident date (i.e. the list of incidents classified as Serious Loss incidents may change significantly).

g) Confirmed. Per *Ratemaking Appendix 8, page 2*, this change increased the required rate change for the Public major class by 1.7% from -7.3% to -5.5%.

h) MPI used its best judgment to the decide to round up to the nearest 0.25% and to employ the minimum annual trend of 0%. While there may be a very small upward bias, the same upward bias applies to all major classes since the same trend is applied to all major classes for IRI and ABO. From an overall claims cost perspective, there is no upward bias, since the overall claims cost is based on the claims forecasting process of MPI (*Claims Incurred*), which is unaffected by the ratemaking process. Further, per Part VI Ratemaking, page 39, "…the total claims from the 6 major classes will not equal the overall claims costs. …the [major classes'] pure premiums… were balanced to the overall pure premium on a pro-rata basis to account for this discrepancy."

The figure below shows the minimal impact of rounding up to the nearest 0.25% and the minimum annual trend of 0% on the major classes required rates.

Figure 2 Impact of Rounding Up to the Nearest 0.25% and Minimum Annual Trend of 0%

Line No.		Private Passenger	Commercial	Public	Motorcycles	Trailers	ORVs
1	**Rounding up to the nearest 0.25% and minimum annual trend of 0% (Part VI Ratemaking, Figure RM-13)**						
2	**Required Rate**	1,118.48	827.38	2,038.52	867.46	70.42	6.56
3	**Required Rate Change**	-11.0%	-4.2%	-5.5%	2.6%	-12.3%	-5.9%
4	**Not rounding up to the nearest 0.25% and no minimum annual trend**						
5	**Required Rate**	1,118.52	826.90	2,038.78	866.94	70.42	6.56
6	**Required Rate Change**	-11.0%	-4.2%	-5.5%	2.5%	-12.3%	-5.9%
7	**Impact**						
8	**Required Rate**	-0.03	0.48	-0.26	0.51	0.00	0.00
9	**Required Rate Change**	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%

i) Please see *Ratemaking, page 36* for an explanation of how trends are selected by major class. The indicated exponential trend of the major classes is used rather than the overall indicated exponential trend if the RSQ is 0.80 or higher (for the major class trend).

For almost all coverages, the all-year (15-year) trend is used, with Collison being the only exception. Per *RM Appendix 9, page 19*, "In general, these coverages exhibit low R-squared statistics regardless of whether the trend is calculated using all years or the 10 most recent years." Per *Ratemaking, page 37*, we used a 10-year trend for Collision to recognize "both the stability in the year-over-year growth in pure premiums and the pure premium trends for more recent years."

Trends are only determined and applied at the overall and major class level. Rates at the insurance use level are determined using a relativity approach (*Ratemaking, RM.4.4*) to achieve the overall and major classes' revenue requirements.

j) Refer to the figures below.

Figure 3 Accident Benefits Other (Indexed) for Accident Year 2017/18

Line No.			Accident Year 17/18
1	**Number of Units**	(1)	12,871
2	**Incurred Claims**	(2)	2,632,610
3	**Serious Incurred Claims**	(3)	1,777,197
4	**Other Incurred Claims**	(4)	855,413
5	**Serious Loss Devt Factor**	(5)	1.0921
6	**Other Loss Devt Factor**	(6)	0.9677
7	**Selected Trend**	(7)	0.00%
8	**Trend Factor**	(8)	1.0000
9	**Adjusted Pure Premium - Serious Losses**	(9)	150.80
10	**Adjusted Pure Premium - Other Losses**	(10)	64.32
11	**Adjusted Pure Premium - Total**	(11)	215.11
12	**Pure Premium No Trend**	(12)	215.11

13 **Notes:**
14 **(1) to (4): From MPI's database**
15 **(5) & (6): *See PUB (MPI) 1-14***
16 **(7): See *Ratemaking Appendix 9, Table 8***
17 **(8) = [1 + (7)] ^ [4 + 7/12]; Loss trend from Aug 31, 2017 to March 31, 2022**
18 **(9) = [(3) * (5) * (8)] / (1)**
19 **(10) = [(4) * (6) * (8)] / (1)**
20 **(11) = (9) + (10)**
21 **(12) = (11) / (8)**

Figure 4 Accident Benefits Other (Non-Indexed) for Accident Year 2017/18

Line No.			Accident Year 17/18
1	**Number of Units**	(1)	12,871
2	**Incurred Claims**	(2)	914,314
3	**Loss Devt Factor**	(3)	1.0027
4	**Selected Trend**	(4)	0.00%
5	**Trend Factor**	(5)	1.0000
6	**Adjusted Pure Premium**	(6)	71.23
7	**Pure Premium No Trend**	(7)	71.23

8 **Notes:**
9 **(1) & (2): From MPI's database**
10 **(3): See *External Actuary Review Policy Attachment B* ; Estimated**
11 **Ultimate Claims (page 30) / Reported to Feb 29, 2020 (page 251)**
12 **(4): See *Ratemaking Appendix 9, Table 8***
13 **(5) = [1 + (4)] ^ [4 + 7/12]; Loss trend from Aug 31, 2017 to March 31, 2022**
14 **(6) = [(2) * (3) * (5)] / (1)**
15 **(7) = (6) / (5)**

Rationale for Factor Selection for Collision, Comprehensive and Property Damage

2021 GRA

(Note: Unless mentioned, the selected factor is unchanged from last year.)

Collision

Major Class	Selected
1 – Private Passenger	**12-24 – 5-year weighted avg. adjusted:** • Adjustment = Overall selected / Overall 5-year weighted avg. **24-36 – Overall:** • Indicated factors for the MC are not significantly different than the overall.
2 – Commercial	**12-24 to 36-48 – 5-year weighted hi-lo avg.** **60-72 & 72-84 – Judgment:** • Judgmentally selected based on the indicated factors.
3 – Public	**12-24 – 5-year weighted hi-lo avg.** **24-36 – 1.0045:** • Judgmentally selected based on the indicated factors. • Decision to not change last year's method. **36-48 to 96-108 – Judgment:** • Judgmentally selected based on the indicated factors.
4 – Motorcycles	**12-24 & 24-36 – 5-year weighted hi-lo avg.:** • Consistent with other MCs, supported by the indicated factors. • Balance between stability and responsiveness. **36-48 – 5-year weighted hi-lo avg.**
5 – Trailers	**12-24 to 48-60 – 5-year weighted hi-lo avg.**

Comprehensive

Major Class	Selected
1 – Private Passenger	**12-24 – 5-year weighted avg. adjusted:** • Adjustment = Overall selected / Overall 5-year weighted avg. **24-36 to 48-60 – Overall:** • Indicated factors for the MC are not significantly different than the overall.
2 – Commercial	**12-24 & 24-36 – 5-year weighted hi-lo avg.** **36-48 & 48-60 – Judgment:** • Judgmentally selected based on the variance between the indicated factors for the MC and for Overall (ten most current years).
3 – Public	**12-24 & 24-36 – 5-year weighted hi-lo avg.** **36-48 & 48-60 – Judgment:** • Judgmentally selected based on the variance between the indicated factors for the MC and for Overall (ten most current years).

4 – Motorcycles	**N/A**
5 – Trailers	**12-24 & 24-36 – 5-year weighted hi-lo avg.** **36-48 to 60-72 – Judgment:** • Judgmentally selected based on the variance between the indicated factors for the MC and for Overall (ten most current years).

Property Damage

Major Class	**Selected**
1 – Private Passenger	**12-24 – 1.1780:** • For the ten most current years, indicated factors are for nine years lower than the overall, and higher for the remaining one year. • For these ten years, the MC indicated factors are, on average, lower than the overall indicated factors by 0.0120. • For the five most current years, the MC indicated factors are, on average, lower than the overall indicated factors by 0.0161. **24-36 – 5-year weighted avg.:** • 5-year weighted hi-lo avg. = 1.0276. **36-48 – 5-year weighted hi-lo avg.:** • Decision to use this method for Major Classes 1, 2 & 3.
2 – Commercial	**12-24 – 1.3200:** • For the ten most current years, indicated factors are for nine years higher than the overall, and lower for the remaining one year. • For these ten years, the MC indicated factors are, on average, higher than the overall indicated factors by 0.0848. • For the five most current years, the MC indicated factors are, on average, higher than the overall indicated factors by 0.1266. **24-36 – 9-year weighted avg.:** • A longer term average was chosen since indicated factors exhibit significant fluctuation. **36-48 – 5-year weighted hi-lo avg.:** • Decision to use this method for Major Classes 1, 2 & 3.
3 – Public	**12-24 – 5-year weighted avg.:** • Balance between stability and responsiveness. • 5-year weighted hi-lo avg. = 1.2651. **24-36 – 5-year weighted hi-lo avg.:** • Remove the effect of the 15/16 indicated factor, which is significantly higher than all other indicated factors. **36-48 – 5-year weighted hi-lo avg.:** • Decision to use this method for Major Classes 1, 2 & 3.
4 – Motorcycles	**12-24 to 36-48 – Overall:** • Impact is not significant.
5 – Trailers	**12-24 to 36-48 – Overall:** • Impact is not significant.

TC (MPI) 1-14

Part and Chapter:	Part VI, RM	Page No.:	References provided in questions
PUB Approved Issue No:	1, 2, 11, 12		
Topic:	VFH Rates		
Sub Topic:	Flat Rating Certain VFH Subcategories		

Preamble to IR:

Referencing the 2018 Interim Application Vehicles for Hire, and 2019 GRA VFH Chapter, MPI states that Taxi, Limo and Accessible VFH are 'currently' flat rated. There is no apparent description in the RM or RSF chapters of flat rating VFH, in the 2018 GRA, or 2019 through 2021 GRAs (before and after the 2018 Interim Application).

Question:

a) Please explain, with reference to the 2021 GRA, if Taxi, Limo and Accessible VFH are still flat rated.

b) If the answer to a) is yes, please explain and quantify the impact of flat rating on Taxi, Limo and VFH rates. If there is a difference in the current treatment of Passenger VFH from other subcategories of VFH, with respect to flat rating, please explain the rational for the different approaches to different sub categories of VFH.

c) Please confirm that Passenger VFH are not currently flat rated? Please provide a reference in the 2021 GRA to demonstrate this.

d) Please explain the purpose of flat rating generally, and why some insurance uses are flat rated, while others are not.

e) With reference to RM Appendix 2, please explain why Taxi VFH and Limo VFH have no rate Group Offset, and no Rate Line offset (see also part a) as necessary). Please explain why Accessible VFH have no rate group offset, and a rate line offset that differs from Passenger VFH (both passenger Vehicle, and light truck). Please reference the Ratemaking Chapter, if possible, in the explanation.

f) With reference to RM Appendix 9 Table 16, please explain why Taxi and Limo VFH have 0% expected drift (see also part a) as necessary).

g) Referencing RM Appendix 4, please explain why some insurance uses, such as Passenger VFH (Passenger Vehicle) in Territory 2 have a negative adjustment "After Classification Changes and CLEAR Adjustments", while most other VFH have a positive adjustment. Please explain why Taxi and Limo VFH have 0% change 'After Classification Changes and CLEAR Adjustments' (see also part a) as necessary).

Rationale for Question:

To understand the impact of and rationale for flat rating, and clarify implications of certain RM schedules.

RESPONSE:

a) Taxi and Limousine vehicle for hire (VFH) are flat rated, a carryover from prior to the introduction of VFH insurance uses. Accessible VFH is not flat rated, and its rate groups range from 0 to 17, based on declared value. This is also a carryover from prior to the introduction of VFH insurance uses. Any prior statements from MPI suggesting that Accessible VFH were flat rated would be incorrect.

Please refer to the Basic Rate Tables in *Application Rate Tables Appendix 1* for the flat rates for Taxi and Limousine VFH, and the rates by rate group for Accessible VFH.

b) Flat rating simply means a single rate for all Taxi and Limousine VFH, by territory. Not using a flat rate would result in some Taxi VFH paying more and some paying less, averaging to the same flat rate for all Taxi VFH.

By contrast, MPI does not flat rate Passenger VFH as a result of a policy decision MPI made when VFH insurance uses were first introduced and based on its understanding of how vehicles in this insurance use would operate (see *TC (MPI) 1-13(b*).

c) Passenger VFH (Passenger Vehicle) and Passenger VFH (Truck 4,499 kg or less GVW) uses are not flat rated, and have rate groups ranging from 0 to 40. Please refer to the Basic Rate Tables in *Part VIII ART, Appendix 1* for the rates by rate group for both these insurance uses.

d) The following are reasons for flat rating (and some examples of insurance uses which are flat rated for these reasons):

- The vehicle has no all perils coverage (i.e. the value of the vehicle is not relevant). These vehicles pay a flat rate to cover Personal Injury Protection Plan losses and Third Party Liability losses incurred. Examples of these vehicles are all trucks with gross vehicle weight greater than 16,330 kilograms (except farming and fishing trucks).

- The vehicle is an antique vehicle. The value of these vehicles are not dependent on the type of vehicle. Further, vehicles classified as antique vehicles have very limited use (i.e. there are significant restrictions on when these vehicles can be driven).

- Insurance is purchased for a transferable license plate (i.e. there is no specific vehicle associated with the license plate). This situation applies to dealer insurance uses whereby the license plate allows the dealer to bring potential customers on test drives on different vehicles.

- To not restrict the use of newer and more expensive vehicles – This is the situation with Taxi VFH and Limousine VFH. In general, when the insurance

use is not flat rated, newer and more expensive vehicles are rated higher. By flat rating, all taxi operators pay the same rate regardless of the vehicle driven. Taxi operators can renew their vehicle without any additional insurance cost.

e) The purpose of the Rate Group Offset and the Rate Line Offset is to offset for any changes in revenue from changes in rate group and rate line, respectively, such that there is no revenue gain or loss as a result of these changes (i.e. to ensure revenue neutrality). Offsets are applied at the vehicle type level (i.e. passenger vehicle, light trucks, motorcycles, etc.) to vehicles which have different rates depending on their rate group. These vehicles contribute to revenue changes from rate group and/or rate line changes. Offsets are not applied to flat rated vehicles since there is no revenue change from these vehicles as a result of rate group or rate line changes. See *Ratemaking RM.3* for a discussion of the Rate Group Offset and Rate Line Offset by vehicle type.

Taxi and Limo VFH have no Rate Group Offset and no Rate Line Offset because both insurance uses are flat rated.

The rate groups for Accessible VFH are based on the owner declared value for the vehicle. Within the Rate Model, MPI assumes that the rate group will remain unchanged from one year to the next, since it cannot predetermine what the owner-declared value will be the following year. As such, there is no revenue change from changes in rate group and a Rate Group Offset is not required.

For rate line, Accessible VFH is grouped together with buses because they have comparable rate groups, and is a carryover from prior to the introduction of VFH insurance uses. As such, the Rate Line Offset for Accessible VFH is similar to that for buses.

f) Drift (or upgrade) is the change in the average rate from changes in the composition of vehicles. Per *Ratemaking, page 32*, "Newer and more expensive vehicles entering the fleet are subject on average to higher rate groups thus increasing the overall average rate. Conversely, older vehicles placed in lower rate

groups will result in a decrease in the overall average rate." Implied in this is that rates are different depending on the rate group. Given that Taxi and Limo VFH are flat rated, there is no drift resulting from vehicle composition changes.

g) The percent change 'After Classification Changes and CLEAR Adjustments' reflects the combined effect of the following factors as applicable to each grouping (as represented by each row):

- Change in the average rate group – Adjustments to the rate groups (see *Ratemaking, RM.3.1*), for CLEAR rated vehicles, affect each grouping differently depending on the vehicles in the grouping. As a result, the average rate group for the grouping can increase, remain unchanged or decrease. *Ceteris paribus*, an increase in the average rate group results in more premiums (or a positive percent change) for the grouping.

- Change in the rates from rate line changes – Changes to the rate line (see *Ratemaking, RM.3.2*) affects the rates for each rate group. Depending on the vehicles in the grouping, rate line changes can result in changes to premiums. For example, if there are significantly more vehicles with rate groups whereby the rates are higher, the grouping will see a positive percent change.

- Rate group and rate line offsets by vehicle type per the response to (e) above.

Taxi and Limo VFH have a 0% change 'After Classification Changes and CLEAR Adjustments', since none of the above three factors affect these insurance uses because they are flat rated.

TC (MPI) 1-15

Part and Chapter:	**RM** **REV 1.3**	**Page No.:**	**26** **12**
PUB Approved Issue No:	**1, 2, 11, 12**		
Topic:	**Fleet Rebate Program**		
Sub Topic:			

Preamble to IR:

At REV.1.3, page 12, lines 5, 6 MPI states:

> *Customers are deemed to be a fleet owner when they have 10 or more vehicles registered on the first day of any customer month*

Question:

a) Please explain why a fleet is defined as 10 vehicles or more. Please explain if participation in the fleet program is voluntary for those customers with 10 or more vehicles. If it is not voluntary, please explain why.

b) Please explain why the fleet program has an 'off balance' such that rebates exceed surcharges. Please discuss if this has been a persistent feature of the fleet program.

c) Please discuss, and provide empirical support if available, on the incentives for safe driving behavior, provided by the fleet program? If incentives are present, what steps could be taken to improve the incentives?

d) Could eligibility for the fleet program be enhanced, by decreasing the number of vehicles eligible for a fleet program? Please discuss the implications to the fleet program of enhancing eligibility, including any relevant conclusions in part c) above.

Rationale for Question:

To understanding the current structure and benefits of the fleet program and its possible application to VFH.

RESPONSE:

a) The fleet program was first implemented in 1974 and, since then, participation in the program remains compulsory for individuals and corporations with 10 or more qualifying vehicles, registered and insured during a registration year.

   The fleet program was designed to provide a financial incentive for vehicle owners to implement a fleet management program to reduce losses arising from automobile accidents. Since inception, the number of qualifying vehicles remains unchanged at 10 vehicles as it represents a good number to differentiate individual customers from fleet customers (it would be rare for one individual to have 10 vehicles registered), while at the same time working to reduce rate volatility for the fleet customer.

b) Rebates and surcharges vary, depending on the loss ratio. The fact that rebates have consistently exceeded surcharges is simply a result of more fleet customers qualifying for a rebate rather than incurring a surcharge based on the sliding scale used to calculate rebates and surcharges. This is evidence that the fleet program works and achieves its goal of promoting safety.

c) The fleet program provides incentives for safe driving behavior by providing rebates of up to 33% for safe driving behavior through a sliding scale of rebates and surcharges.

   The current design of the fleet program enables fleet customers to earn the same maximum 33% discount as individual customers (i.e. those not in the fleet program). Vehicles in the fleet program are rated the same as individual customers (i.e. same territory, same insurance use, etc.).

e) The current incentives encourage good driving behavior. MPI believes that the maximum discount of 33% afforded to both fleet and non-fleet customers is fair and does not favour one group over the other.

d) Decreasing the number of vehicles required will increase eligibility into the fleet program and ultimately increase the number of customers accepted into the program. However, the volatility of year-to-year rates would likely also increase for customers with less than 10 vehicles (i.e. MPI expects fleets with a small number of vehicles to have more volatile rates than larger fleets). As the fleet size decreases, the financial impact of a single claim would be more significant to those customers with fewer vehicles in their fleet. Therefore, MPI does not believe enhancing program eligibility to be a desirable goal.

TC (MPI) 1-16

Part and Chapter:	**BMK**	**Page No.:**	**8,9** **References included in question**
PUB Approved Issue No:	**14**		
Topic:	**Benchmarking**		
Sub Topic:	**Rates Comparison**		

Preamble to IR:

Transportation Network Companies (TNCs) are now operating in more jurisdictions than in years past.

Question:

a) If possible, please provide a comparison of rates for Taxi VFH, Passenger VFH, and Accessible VFH in a form comparable to Figures BMK-1, and BMK-2.

b) Referencing the 2018 Interim Application Vehicles for Hire, Figure 2, at p. 14, please provide and updated and expanded version of this figure, understanding that VFH are now operating in more jurisdictions than in 2018.

Rationale for Question:

To understand the current comparison of insurance premiums for Taxis and TNC operations across Canada.

RESPONSE:

a) We are unable to provide a comparison of rates for all vehicle for hire (VFH) in a form comparable to *Benchmarking Figures BMK-1* and *BMK-2*. Taxi premium rates for private insurance provinces are not accessible. Furthermore, unlike in

Manitoba, taxi VFH in other provinces do not operate under the same VFH model as TNCs. As a result, even if MPI were able to compare rates, the exercise may not be useful.

b) At the time of the 2018 VFH Interim Application, only Ontario, Alberta and Quebec had VFH (TNC) legislation in force. Since then, Saskatchewan (effective December 14, 2018) and in British Columbia (effective September 16, 2019) have also enacted legislation. While Nova Scotia and New Brunswick are both in the process of creating regulatory frameworks, neither has enacted VFH legislation as of today.

As Saskatchewan (SGI) and British Columbia (ICBC) are jurisdictions most comparable to MPI, the recent jurisdictional review focused on these two models. Further, rating models used in other Canadian jurisdictions with private insurance are not considered suitable within this environment given the compulsory nature of Basic, and the regulatory framework in Manitoba. As such, MPI has not re-evaluated the rating models in Ontario, Alberta and Quebec, where private insurance exists.

The SGI and ICBC VFH coverage and rating models are summarized below:

Saskatchewan (SGI) Vehicle for Hire model:

The Saskatchewan VFH legislation designates SGI as the administrator of the TNC "vehicle for hire service" (does not include taxi service) in Saskatchewan. As administrator, SGI establishes the rules for who operates a TNC, the class of driver's licence required, insurance regulations, and the offences for not complying. All TNCs must apply to SGI for approval to operate in the province. (In Manitoba, municipalities regulate ridesharing; MPI only provides the insurance in order for TNCs to operate). Regulation for taxis and limousines remain under the purview of the municipalities; however, the introduction of *The Vehicle for Hire Act* has resulted in some changes for taxi and limousine companies (e.g. same driver's licence options as TNC - Commercial Class 1-4, or Class 5). However, there are no changes to vehicle registration and insurance requirements for taxis and limousines.

Insurance Requirements and Premium

The TNC/vehicle for hire insurance and rating model differs significantly from the "time bands" model used in Manitoba. Under the SGI model, the TNC is essentially responsible for paying all of the premium for the associated risk for the VFH drivers, during periods of ridesharing.

The vehicle owner is not required to purchase any additional VFH insurance. They will continue to pay for their plates (Basic Plate Policy) and receive primary Basic insurance coverage (TPL $200,000; Basic deductible $700; ACV; No-fault/tort accident benefits) if involved in an accident while engaged in ridesharing. Any personal package policy (i.e. SGI CANADA Auto Pak) providing optional extension coverage, if purchased, will not apply while engaged in ridesharing. It will only apply during personal use of the vehicle (including when the app is turned on but no fare has been accepted).

The TNC is responsible for two separate premium charges 1) Purchase of a "blanket liability policy" carrying a minimum of $1M liability, to cover all affiliated drivers and vehicles. This policy responds (secondary) if the damages exceed the Basic $200,000 TPL included with the vehicle's Basic Plate insurance. 2) An additional premium that is paid to SGI (Saskatchewan Auto Fund), based on actual kilometers driven by its drivers. The details of these two premium charges are outlined below:

1) <u>TNC Blanket Liability Policy</u>

   This annual policy can be purchased by the TNC through SGI CANADA, or from any other insurance company that sells this type of coverage. It is the responsibility of the TNC to hold and register this policy annually with SGI. Currently, SGI is not aware of any other insurers in Saskatchewan that sell this coverage.

   The SGI CANADA blanket policy premium is based solely on the number of kilometers travelled by VFH drivers during phase 2 and 3 of ridesharing (driver has accepted a fare and is on their way, and while passenger is in the vehicle).

The price varies and currently ranges from $0.013 per km to $0.11 per km. The price can vary depending on the size of the driver pool, and potentially other factors. The TNC must renew their blanket policy annually, but the premium is paid monthly, based on the previous month's per km calculation. SGI does not have the data currently to provide us with an estimated cost for the annual blanket policy, and were unable to disclose the average km/year a driver may put on, in order for us to estimate the annual per km insurance costs.

2) TNC additional premium (based on kilometers driven)

An additional monthly premium is paid by the TNC to SGI (Saskatchewan Auto Fund), to cover the basic vehicle insurance for all rideshare kilometers driven by all affiliated vehicles. This premium is set at $0.11/km driven (Phase 2 and 3) and is directed to the Basic Plate Policy of the individual owner to offset the additional risk associated with vehicle for hire operations. SGI does not have the data currently to indicate how much, on average, is directed to a plate policy of a vehicle per year.

Estimating the VFH premium of SGI

The number of kilometers driven by rideshare vehicles will vary but assuming a distance of 3,500 km per year, under the SGI rating model, the personal vehicle insurance premium of the driver would remain the same, and the TNC would pay $385 (3,500 x $0.11/km) as additional insurance to SGI (Saskatchewan Auto Fund) to cover the VFH risk.

Using a 2020 Base Rate of $1,317 to $1,519 (Based on the Regina driver profiles used in BMK-1 Passenger Vehicle Rates Comparison Charts by Driver Profile), the estimated $385 VFH premium that would be paid by the TNC and directed to the Saskatchewan Auto Fund, to offset the VFH risk, would be approximately 25% to 29% of the vehicle's base rate.

British Columbia (ICBC) Vehicle for Hire model:

B.C. legislation amends the Passenger Transportation Act to create two new entities; Passenger Directed Vehicles (PDVs) and Transportation Network Services (TNSs). The legislation expands the Passenger Transportation Board's authority under the Passenger Transportation Act, to include Transportation Network Services, and gives the PTB exclusive jurisdiction over: the supply, boundaries and fares for commercial ride-hailing, licencing applications and requirements for TNSs, and enforcement and compliance of TNSs. The Government also requires a minimum class 4 driver's licence, which applies to drivers of passenger directed vehicles (PDVs) such as taxis, limousines, and transportation network services (TNSs), or ride-hail vehicles. The legislation also amends The Insurance (Vehicle) Act to enable ICBC to issue a blanket certificate of insurance to the TNS.

Taxi companies and taxi drivers that already have passenger transportation licences may want to participate in a Transportation Network Service (TNS). For a taxi company to authorize TNS drivers, it must have a TNS company licence. Taxi drivers who wish to operate as a TNS at times require the permission of the taxi company and a licence to operate as a TNS driver.

Insurance Requirements and Premium

Under this model, the vehicle owner is not required to purchase any additional VFH insurance. The ride hailing company (TNS) must purchase a blanket insurance certificate, issued by ICBC, which applies and provides the Basic insurance during ride-hailing use (i.e. driver has accepted a trip, and is *en route* or transporting passengers). The driver's own Basic vehicle insurance policy will apply in all other instances. This blanket Basic coverage is mandatory, and provides coverage for accident benefits and up to $1M third party liability. Lessors of vehicles used for taxi and ride-hail will be provided with limited liability. The rate for this blanket insurance is based on kilometers driven.

Both the ride hailing company and vehicle owners will have the option to purchase additional optional coverage, such as collision and comprehensive coverage, to extend coverage while providing ride-hailing services. Ride-hailing companies may purchase a blanket optional policy that would apply to all of its drivers. If the ride-

hailing company has not purchased any blanket optional coverage (or their blanket optional coverage is lower than the personal coverage of the vehicle owner), the vehicle owner may be able to add optional coverages to their own personal policy, which would apply during ride-hailing use.

Estimating ICBC's VFH premium

MPI has reached out to ICBC, to obtain information on VFH insurance rates. To date, it has not received the requested information.

TC (MPI) 1-17

Part and Chapter:	**Part III, BAC**	**Page No.:**	**10**
PUB Approved Issue No:	**19**		
Topic:	**Coverage Changes**		
Sub Topic:	**Implications for VFH**		

Preamble to IR:

Basic coverage changes have been approved in Regulation to be in effect for the coming fiscal year. These coverage changes will apply to VFH within Basic.

Question:

a) Please confirm which subcategories of VFH are presently eligible to purchase extension products, including deductible buy down, increased Maximum Insured Value, and increased Third Party Liability.

b) Please provide the percentage of VFH insured, by sub-category (i.e. Taxi, Limo, Accessible, and Passenger VFH), that currently purchase extension coverage to enhance the existing coverages that will be impacted by the coverage change.

c) Please provide the number of TPL claims applicable to VFH (all subcategories) over the past 6 years (between 2012 and 2019) where the existing Basic TPL coverage was insufficient to protect the insured. Please also indicate the number of claims where the insured was underinsured, once extension coverage is considered.

d) Since the inception of the VFH insurance framework, please provide the number of VFH claims (for each subcategory of VFH) that were not fully insured under the existing Basic 50,000 MIV limit. Please also indicate the number of claims where the insured was underinsured, once extension coverage was considered. Please

include the total number of insured VFH (by subcategory) in each year, for comparison purposes.

Rationale for Question:

To understand the effect and reasonableness of coverage changes on VFH.

RESPONSE:

a) All vehicle for hire (VFH) subcategories are eligible to purchase the deductible buy down, increased Maximum Insured Value (MIV), and increased Third Party Liability (TPL) extension products. Loss of Use, New and Leased Vehicle Protection and Lay-up coverages are also available to these subcategories.

b) The percentage of policies with one or more Extension coverages in place to enhance existing coverages impacted by the coverage change (as of July 1, 2020) is as follows:

VFH Sub-Group	Percentage of Policies
Accessible VFH	98%
Limo VFH	60%
Passenger VFH	96%
Taxi VFH	99%

c) There were no claims identified during this period where the existing Basic TPL coverage was insufficient. Further, there were no claims identified during this period where the insured was underinsured once Extension coverage was considered.

d) There were no claims identified during this period where the existing Basic MIV limit was insufficient. Further, there were no claims identified where the insured was underinsured once Extension coverage was considered.

The VFH policy counts are as follows:

VFH Sub-Group	Policy count as of July 1, 2018	Policy count as of July 1, 2019	Policy count as of July 1, 2020
Accessible VFH	76	191	164
Limo VFH	61	81	35
Passenger VFH	419	707	701
Taxi VFH	531	612	586

TC (MPI) 1-18

Part and Chapter:	Part VI, RM	Page No.:	Reference included in preamble
PUB Approved Issue No:	12		
Topic:	VFH Insurance Framework		
Sub Topic:	General industry monitoring		

Preamble to IR:

The 2018 Interim Application Vehicles For Hire, at p.8 states:

> *Further, the vehicles for hire marketplace in North America has not adopted motorcycles or mopeds as eligible vehicles associated with the service. As the vehicles for hire service continues to mature, MPI will monitor the experience of other North American jurisdictions. If motorcycles and mopeds become more prevalent in this marketplace, MPI will re-evaluate the local market needs and options.*

Question:

a) Please describe MPI's ongoing efforts to monitor the development of the Vehicles for hire marketplace in N. America, both as it pertains to the use of motorcycles and mopeds, and for general market trends. Please provide any relevant documents related to this monitoring.

b) Please discuss any insights or conclusions from the monitoring effort, as it might pertain to revisions to the VFH framework. Pleas file any relevant documents related to contemplated revisions to the VFH framework.

Rationale for Question:

To understand the extent of MPI's ongoing monitoring of the TNC industry, and any implications this may have with respect to the redesign of VFH Framework.

RESPONSE:

a) An internet scan of the vehicle for hire (VFH) marketplace in North America does not reveal significant development as it pertains to the use of motorcycles and mopeds, or any general market trends.

Efforts to launch motorcycle VFH are focused mainly outside of North America, where traffic congestion is high, and motorcycles are already a popular form of transport (i.e. Asia, Africa, etc.). Uber, for one, launched its first motorcycle service, UberMOTO, as a pilot program in Thailand in 2016, which was followed by launches in other Asian cities. However, due to improper licencing/regulatory challenges, they discontinued the service in some of these areas.

So far, no form of "Uber for motorcycles" has caught on in the United States. The American company, Moto Limos, tried to set up a membership-based motorcycle taxi service in the U.S in 2011 (New York City and California). It appears however that this company has since dissolved. A service called Spyke emerged briefly in 2014 attempting to make this transportation model work in the U.S., but it ended as quickly as it began.

An article, "Motorcycle Ridesharing: Transportation of the Future, or Disaster Waiting to Happen?" (May 4, 2018) discusses the pros and cons of motorcycle ridesharing, stating:

> *"Motorcycles are a unique vehicle with a very specific set of considerations, and what works for cars often doesn't translate over to bikes…On the plus side, a motorcycle ridesharing service could give very fast transportation for one person in areas with high congestion. But because virtually the entire country besides California outlaws motorcycle lane splitting, that state is the only place it would demonstrate a measurable benefit in travel times…*
>
> *But there are many drawbacks that may outweigh the benefits. There is much greater risk involved in being on a motorcycle in general when compared to a car, and the risk is exacerbated when carrying a passenger. The additional liabilities involved with carrying a passenger*

for hire, especially in the case of an accident with injuries, would be disastrous. In addition, there would be the challenge of having the proper gear. In California, the only state where such a service would be viable, a DOT-approved helmet is mandatory for all motorcycle passengers, so anyone using the service would have to have their own with them. Furthermore, very few people would be comfortable not only riding with, but trusting their lives, to a complete stranger…Motorcycle Ridesharing works great, just not HERE…

The U.S. is a great outlier when it comes to motorcycles, both in how they are used logistically and viewed culturally. In most of the world, motorcycles aren't an expensive recreational toy, but rather, an economical form of transportation that is an essential part of local transportation infrastructure."

It appears that motorcycle rentals, in the form of peer-to-peer rentals, may be more likely to catch on in North America than VFH/taxi motorcycles. "Riders Share", which is like a TURO for motorcycles (peer-to-peer motorcycle rentals) launched in 2016; popular areas: Los Angeles, San Francisco, Houston, Denver, Washington.

The founder of Riders Share stated that he started the peer-to-peer motorcycle rental network because "The car-sharing companies were not touching motorcycles." He believes the relatively small market explains the lack of motorcycle sharing services. Motorcycle rentals are, by comparison to car rentals, only 0.5% to 2% of that market. "Furthermore, insurance is more expensive and there are unique challenges like protective gear and helmet laws that make the market even more unattractive. It's not a coincidence that traditional car rental companies do not offer motorcycle rentals."

Texas-based Twisted Road, a 2018 start-up, offers a model similar to Airbnb for renting out motorcycles in the U.S. The premise: owners whose bikes sit dormant in garages can rent their motorcycles to travelers who want to explore on a two-wheeler.

As for whether we would ever see Uber motorcycle taxis in Canada:

> *"There would no doubt be a lot of hoops to jump through, and Canadians aren't likely to see the advantages of moto-taxis in a country that bans lane-splitting…Motorcycle taxis are pretty common outside of North America, but so far the idea hasn't caught on here – you can blame weather, public disapproval of motorbikes, or an almost-universal ban on lane-splitting, but one of the biggest obstacles is probably a plain old fear of two-wheeled transport."*

Other market trends in the vehicle for hire marketplace:

Uber and Lyft both offer car rentals to drivers who would like to try their hand at driving for Uber and/or Lyft, but do not have access to a vehicle: ExpressDrive (Lyft) and Fair (Uber). There are other third-party companies creating even more options for drivers. However, in February, 2020, used vehicle subscription service Fair announced that it was ending Fair Go, its weekly car-rental program that allowed Uber drivers to lease cars for short periods of time. (Uber drivers can still lease a car for a month or longer with Fair). They attribute the change largely to skyrocketing insurance rates. Subscription service companies have been struggling to remain profitable, with many bowing out of the model.

Articles Reviewed re: Motorcycle Ridesharing:

Uber launches its first motorcycle service (February 24, 2016):
https://www.theverge.com/2016/2/24/11104394/uber-motorcycle-service-bangkok-ubermoto

Try uberMOTO at just Rs. 20 (November 8, 2017):
https://www.uber.com/en-IN/blog/hyderabad/try-ubermoto-just-rs-25/

Turo for Motorcycles: an interview with the Riders Share founder (3 years ago):
https://sharetraveler.com/turo-motorcycles-interview-riders-share-founder/

Riders Share website:
https://www.riders-share.com/

Affordable car rental programs for rideshare drivers - Don't get locked in to a car payment you'll regret if you decide to quit (February 23, 2020): https://www.autoblog.com/2020/02/23/uber-lyft-car-rental-lease-resources/

Motorcycle Uber already running into trouble (March 15, 2016): https://canadamotoguide.com/2016/03/15/motorcycle-uber-already-running-into-trouble/

Motorcycle taxis for the US (April 15, 2011): https://canadamotoguide.com/2011/04/15/motorcycle-taxis-for-the-us/

For The American Sharing Economy, The Future Of Motorcycles Might Be Imitating Airbnb, Not Uber (July 9, 2018): https://www.forbes.com/sites/rebeccaheilweil1/2018/07/09/in-the-american-sharing-economy-the-future-of-motorcycles-might-be-imitating-airbnb-not-uber/#3261611e3d5c

Are You Ready To Share Your Motorcycle With A Total Stranger? (Date: Unknown): http://clutchandchrome.com/articles/1030-are-you-ready-to-share-your-motorcycle-with-a-total-stranger-612122

Honda invests in Southeast Asia-based Uber rival Grab (December 11, 2016): https://techcrunch.com/2016/12/11/honda-grab/?renderMode=ie11

CanGo Africa, formerly SafeMotos, closes shop over lack of funding (January 22, 2020): https://disrupt-africa.com/2020/01/cango-africa-formerly-safemotos-closes-shop-over-lack-of-funding/

Motorcycle Ridesharing: Transportation of the Future, or Disaster Waiting to Happen? (May 4, 2018): https://www.bikebandit.com/blog/motorcycle-ridesharing-transportation-of-the-future-or-disaster-waiting-to-happen

b) MPI is not currently contemplating any revisions to the VFH framework to include motorcycles/mopeds.

TC (MPI) 1-19

Part and Chapter:	**Part VI, RM**	**Page No.:**	**References included in preamble**
PUB Approved Issue No:	**1, 2, 11, 12**		
Topic:	**VFH industry risk exposure**		
Sub Topic:	**Impact of expanding service providers**		

Preamble to IR:

The 2018 Interim Application, Vehicles for Hire states at p.12:

> *As a result of this change, taxicabs, limousines and livery vehicles (former 'x-plate' vehicles) will see Basic deductible reduced by $100. MPI is not proposing to increase vehicles for hire Basic insurance rates due to the decrease in deductible level from $600 (current deductible level for 'x-plate' vehicles) to $500 (vehicles for hire deductible level). The policy decision to lower the deductible level is meant to align vehicles for hire with the rest of Basic, and is justified based on an expectation of reduced risk exposure in these classes (see section VFH.3 for further details).*

Question:

a) Please discuss and quantify the impact to risk exposure of Taxi, Limo and Accessible VFH (formerly x-plated vehicles), as a result of Passenger VFH entering the Manitoba marketplace. Please compare and discuss these observations, with MPI's expectations at the time of 2018 Interim Application for VFH.

b) Please further comment on the degree to which the decrease in deductible level ($100) corresponded to the observed reduction in risk exposure for each of the relevant VFH subcategories.

Rationale for Question:

To understand the appropriateness of initial rating assumptions, relative to actual experience.

RESPONSE:

a) At *page 15* of the *2018 Interim Application*, MPI states:

> *"There will be an as yet undetermined reduction in loss (risk) exposure for taxis as a result of competition from Passenger VFH".*

Given that the Passenger VFH insurance use has only been around for two years, MPI cannot provide any conclusive evidence that this group has impacted the risk exposure for Taxi VFH (or other VFH groups).

Per *Ratemaking Appendix 9, page 84*, the "Reported Loss and ALAE with Hail and Actual Serious Losses" for Taxicab VFH indicate lower losses in 2018 and 2019 (averaging $3.7 million) compared to 2016 and 2017 (averaging $4.1 million). However, these losses are less developed given that these two years are more current years. Further, this may also be driven by less Taxicab VFH in 2018 and 2019 per *Ratemaking Appendix 9, page 129*.

MPI will continue to monitor the loss experience of all VFH groups, and appropriately adjust rates to reflect any changes.

b) The change in the reduced deductible (from $600 to $500) actually results in an increase in risk exposure given the MPI is now paying more per claim. The preamble recognizes that the increased loss exposure, without a change to rates for 2018, is justified given that MPI expects reduced risk exposure resulting from competition from Passenger VFH.

TC (MPI) 1-20

Part and Chapter:	**Part IV, VM Appendix 1**	**Page No.:**	**References included in preamble and question**
PUB Approved Issue No:	**10**		
Topic:	**Project NOVA**		
Sub Topic:	**Impact of Project NOVA on VFH Framework**		

Preamble to IR:

The 2019 GRA Part V EXP Appendix 20, section 6.84 at page 3 states:

> *The information technology costs related to upgrading or modifying the AOL and CARS programs to accommodate vehicles for hire is forecasted to be $600,000. As of March 31, 2018, the life-to-date spend is $365,343.*

Question:

a) Please discuss the implications and opportunities that Project NOVA will provide to modify the VFH rating system in the future. For instance, is Project NOVA expected to simplify or complicate future changes to ratemaking, claims forecasting, and supporting analyses. Will it provide enhanced functionality or tools over what is currently available to MPI today?

b) With reference to the 2019 GRA, EXP Appendix 20, 6.83, page 3, please provide an update of the total system implementation costs of the VFH framework, if those costs were materially different from the estimate.

c) Please provide if possible, an estimate of implementation costs, had the VFH Framework been rolled out post Project NOVA.

Rationale for Question:

To understand the impact of Project NOVA on potential future changes to the VFH framework, and implications for costs associated with changes to the framework.

RESPONSE:

a) MPI anticipates that Project Nova, and the adoption of the Duck Creek Technologies platform specifically, will increase business agility, scalability, adaptability and reduce deferred development costs (making system enhancements) by 25% in future years once implemented and stabilized. This is primarily associated with the ratemaking, issuance and administration of Basic, Extension and Special Risk Extension insurance products. MPI cannot confirm at this time the benefits for claims forecasting and supporting analysis as it has yet to select the solution for those processes. However, based on the request for proposal responses to similar questions and demonstrations by Duck Creek, MPI understands that the product will provide such capabilities without the need for customization. The claims forecasting and supporting analysis functions will be reviewed towards the end of the program (FY2024/25).

b) The improvement initiative for Vehicle for Hire life to date amount was $596,783.

c) Please see (a) above.