MANITOBA PUBLIC INSURANCE

2022 GENERAL RATE APPLICATION

Round 2 Information Requests

September 15, 2021

Taxi Coalition (TC)

TC (MPI) 2-1

Part and Chapter:	**TC (MPI) 1-4**	**Page No.:**	
PUB Approved Issue No:	**2a) Rate indication based on AAP in Canada**		
Topic:	**VFH Rates**		
Sub Topic:	**Impact of Major class on subcategory VFH rates**		

Preamble to IR:

In Appendix 1 to the above noted IR, MPI state for collision coverage:

3 – Public	**12-24 – 5-year weighted hi-lo avg.** **24-36 – 5-year weighted hi-lo avg.:** • Last Year – Judgment. **36-48 to 60-72 – Judgment:** • Selected based on the indicated factors.

Question:

a) Please explain the process MPI uses to select loss development factors. Please also describe how the process is vetted, and who makes the final determination.

b) Please explain the rational for the change to the selected 24-36 development factor, presented in the pre-amble.

c) Please confirm that "5 Year weighted hi-lo avg" above is the same weighted average as "Wtd Ave Last 5" as found on RM Appendix 9, Table 7, Basic Collision, Public, at PDF page 1205.

d) Please provide a sample calculation of "Wtd Ave Last 5", and "5 Year weighted hi-lo avg" if they are different.

e) Referencing RM Appendix 9, Table 7, Basic Collision, Public, at PDF page 1205, please explain why the selected factor for 12-24 of 1.0067 is not found in the rows above, and not equal to 1.0059, the Wtd Ave Last 5.

Rationale for Question:

To understand loss development factor selection, among factors impacting the public major class.

RESPONSE:

a) MPI selects loss development factors (LDFs) based on a review of historical indications as well as the calculated averages. Further, per *Ratemaking Chapter, page 35*, "*The selected factors used considered both the major classes' indications and the overall loss development factors taken from the "Appointed Actuary's Report as at March 31, 2021" as presented in External Actuary Review.*"

   The actuarial analyst performing the review selects the LDFs, which are ultimately reviewed and accepted by the Chief Actuary of MPI. It is also the responsibility of the Chief Actuary to sign off on the ratemaking methodology.

b) Per *Ratemaking Appendix 9, Table 7*, a review of the more recent collision LDFs for the Public major class for the 24-36 development indicates one higher than normal LDF (1.0095) and one lower than normal LDF (1.0000). MPI selected the 5-year weighted hi-lo average in order to exclude these two LDFs. The exclusion of these LDFS for the 24-36 development is also consistent with the selections MPI made for all other major classes except the Private Passenger major class.

   In the 2021 GRA, MPI used its own judgment due to the presence of a lower than normal LDF (0.9985) and the absence of a higher than normal LDF. MPI judgmentally used the 5-year weighted average excluding the lower than normal LDF to select a factor of 1.0045. Using the 5-year weighted hi-lo average would result in a selected LDF of 1.0042; a factor that is only marginally different than the one selected.

c) The 5-year weighted hi-lo average is different than the 5-year weighted average. The 5-year weighted average uses all five of the most recent LDFs. The 5-year weighted hi-lo average excludes (from the five most recent LDF's) the highest and lowest LDFs. For example, for the collision LDFs for the Public major class for the 24-36 development, MPI excluded the LDFs for accident years 2014/15 (highest LDF) and 2015/16 (lowest LDF).

d) *Figure 1* below provides an example calculation based on the collision LDFs for the Public major class for the 24-36 development.

Figure 1 Weighted Average Calculation

Line		5-Year Weighted Average		5-Year Weighted Hi-Lo Average	
No.	Accident Year	LDF	Weight	LDF	Weight
1	**2014**	1.0095	8,759	Excl - Highest LDF	
2	**2015**	1.0000	9,545	Excl - Lowest LDF	
3	**2016**	1.0052	11,023	1.0052	11,023
4	**2017**	1.0026	12,387	1.0026	12,387
5	**2018**	1.0049	12,302	1.0049	12,302
6	**Weighted Average***	1.0043		1.0042	
7	*Weighted Average = Sumproduct (LDF, Weight) / Sum (Weight)				

e) Per the response to (c), the 5-year weighted hi-lo average, which is the basis for the selected LDF, is different than the 5-year weighted average. *Figure 2* below shows the calculation based on the collision LDFs for the Public major class for the 12-24 development.

Figure 2 Weighted Average Calculation

Line		5-Year Weighted Average		5-Year Weighted Hi-Lo Average	
No.	Accident Year	LDF	Weight	LDF	Weight
1	**2014**	1.0111	9,440	1.0111	9,440
2	**2015**	1.0017	11,004	1.0017	11,004
3	**2016**	1.0148	12,206	Excl - Highest LDF	
4	**2017**	1.0078	12,207	1.0078	12,207
5	**2018**	0.9950	12,112	Excl - Lowest LDF	
6	**Weighted Average***	1.0059		1.0067	
7	*Weighted Average = Sumproduct (LDF, Weight) / Sum (Weight)				

TC (MPI) 2-2

Part and Chapter:	TC (MPI) 1-9	Page No.:	
PUB Approved Issue No:	2a) Rate indication based on AAP in Canada 12) VFH class, including rates		
Topic:	VFH Rates		
Sub Topic:	Change from prior year		

Preamble to IR:

In the above noted IR response, MPI states:

Please see Appendix 1 for a revised version of Ratemaking Appendix 1 - *Basic rate Tables.*

The above noted IR response also included the following table, which has been modified:

TC 1-9 Figure 1
Rates for Taxi VFH 4, Territory 1

	2021 GRA Compliance Filing			A	B					C=(B-A)/A
Line No.	2021 Discount Level	Rate w/out Capital Release	Capital Release	Rate with Capital Release	2022 Discount Level	2022 GRA	% Change*	2022 GRA w/out DSR Disc Change	% Change*	
1	0.00%	12,075	-628	11,447	0.00%	12,504	3.55%	12,504	3.55%	9.23%
2	5.00%	11,471	-596	10,875	5.00%	11,879	3.56%	11,879	3.56%	9.23%
3	10.00%	10,868	-566	10,302	10.00%	11,254	3.55%	11,254	3.55%	9.24%
4	15.00%	10,264	-534	9,730	15.00%	10,628	3.55%	10,628	3.55%	9.23%
5	20.00%	9,660	-502	9,158	20.00%	10,003	3.55%	10,003	3.55%	9.23%
6	25.00%	9,056	-471	8,585	25.00%	9,378	3.56%	9,378	3.56%	9.24%
7	26.00%	8,936	-465	8,471	27.00%	9,128	2.15%	9,253	3.55%	7.76%
8	27.00%	8,815	-459	8,356	29.00%	8,878	0.71%	9,128	3.55%	6.25%
9	28.00%	8,694	-452	8,242	30.00%	8,753	0.68%	9,003	3.55%	6.20%
10	29.00%	8,573	-446	8,127	31.00%	8,628	0.64%	8,878	3.56%	6.16%
11	30.00%	8,453	-440	8,013	32.00%	8,503	0.59%	8,753	3.55%	6.12%
12	33.00%	8,090	-421	7,669	37.00%	7,878	-2.62%	8,378	3.56%	2.73%
13	*Reflects the change from the 2021 rate without capital release to the 2022 rate									

Question:

a) Please confirm that the rate tables, attached to the original 2022 GRA filing eBook, should no longer be relied upon.

b) Please provide the total amount of capital release paid to Taxi VFH, by Territory, through the capital release provision, as approved through the 2021 GRA Compliance Filing.

c) Please estimate the total amount that would have been paid through capital release in the current application, had the capital release provision been maintained in this application.

d) Please estimate the total amount of rebate expected to be paid to Taxi VFH, by territory, through the 2022 special rebate application being heard with this GRA.

e) Please confirm that the right-most column in the pre-amble table represents the change in customer costs, between last year's approved rates, and this year's applied-for rates.

Rationale for Question:

To understand the dollar impacts of this year's rate change and special rebate application.

RESPONSE:

a) Confirmed.

b) Please see *Figure 1* below, which provides an estimate of the capital release for Taxicab VFH based on the rate model population of vehicles as of November 1, 2020 and using 2021 rates.

Figure 1 Estimated Capital Release Dollars for Taxicab VFH

Line No.	Territory	2021 Discounted Premium	Estimated Capital Release*
1	**1**	4,248,080	220,900
2	**2**	551,673	28,687
3	**3**	232,835	12,107
4	**4**	29,849	1,552
5	**Total**	5,062,437	263,247
6	*Estimated Capital Release = 5.2% * 2021 Discounted Premium		

c) Please see *Figure 2* below, which provides an estimate of the capital release for Taxicab VFH based on the rate model population of vehicles as of November 1, 2020 and 2022 proposed rates. The estimate in *Figure 2* is hypothetical, and assumes the same percentage of the capital release for the 2022 rating year as for rating year 2021. MPI does not apply for a capital release for the 2022 rating year.

Figure 2 Estimated Capital Release Dollars for Taxicab VFH

Line No.	Territory	2022 Discounted Premium	Estimated Capital Release*
1	**1**	4,399,143	228,755
2	**2**	588,744	30,615
3	**3**	238,981	12,427
4	**4**	28,773	1,496
5	**Total**	5,255,641	273,293
6	*Estimated Capital Release = 5.2% * 2022 Discounted Premium		

d) Per *CAC (MPI) 1-88*, “MPI is forecasting a rebate of $202.8M (ProFormas Chapter, page 7), which is approximately 3.7 times the amount of a 5% capital release”. Assuming the rebate of $202.8M is unchanged, MPI estimates that Taxicab VFH will receive $1.0 million (i.e. $273,293 * 3.7) as a result of the rebate.

e) The right-most column in the preamble table represents the change in customer costs between the rates approved last year (including the capital release) and the rates applied for this year. Please see *PUB (MPI) 1-2* for the position of MPI on the 2021 rates and the 2021 capital release.

TC (MPI) 2-3

Part and Chapter:	**TC (MPI) 1-10**	**Page No.:**	
PUB Approved Issue No:	**2b) Ratemaking methodology**		
Topic:	**Ratemaking**		
Sub Topic:	**Taxi VFH Relativities**		

Preamble to IR:

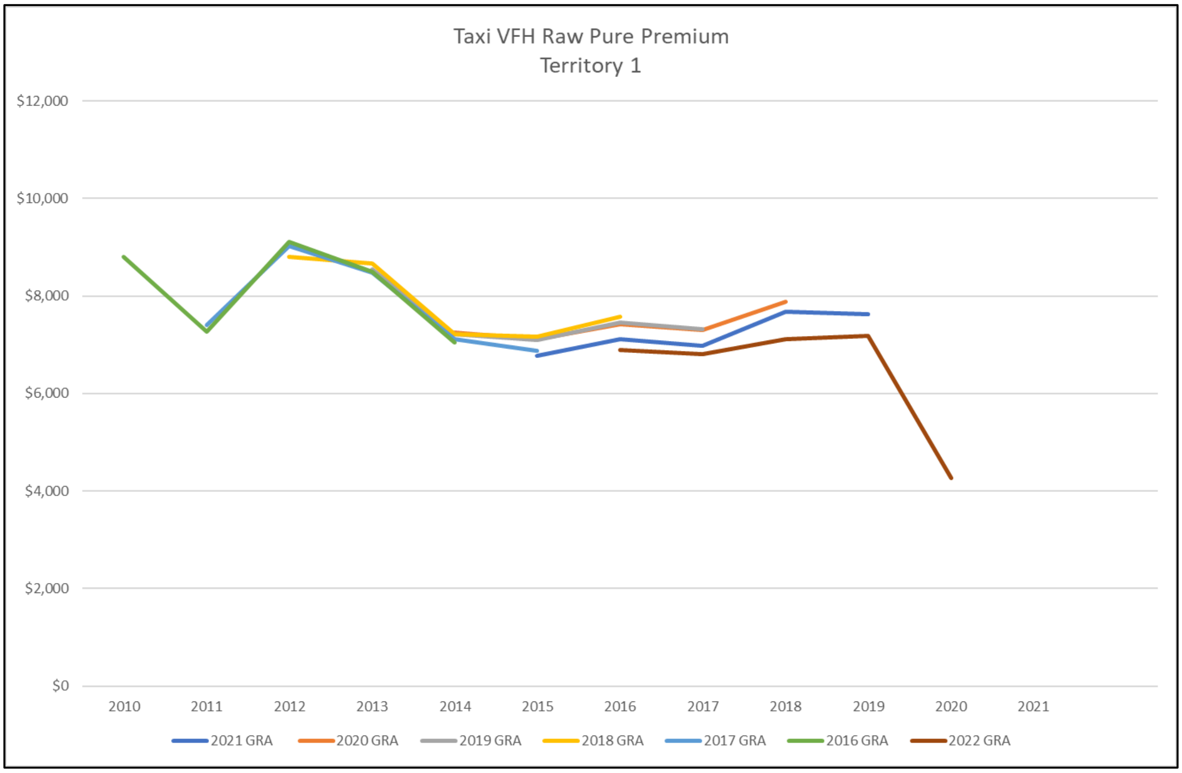
In the above noted IR response, MPI states:

> *The modest reduction in new relativity results from the application of credibility discussed in Ratemaking Chapter, page 47. Given that Taxicab VFH is a relatively small insurance use, MPI only assigns the balanced raw relativity the minimum credibility of 10% (with the remaining 90% credibility assigned to the balanced current relativity).*

In response to TC(MPI) 2-3(d) from the 2021 GRA, MPI stated:

> *When assessing whether the proposed rates are 'just and reasonable', the current ratemaking methodology used by MPI takes into account the observed data, the credibility of the observed data, and the current rate. For classifications with highly credible data, the proposed rates move very quickly from the current rate to the 'indicated break-even actuarial required rate', since there is substantial evidence to support that the indicated rate is appropriate. However, for lower credibility classifications, movement towards the indicated rate is understandably slower* ***since there is much less evidence that the actuarially indicated rate is in fact the 'true' break-even required rate.*** *To immediately give full weight to very low credibility experience would typically not be seen as 'reasonable'. As a result, it is therefore 'just and reasonable' to have proposed rates that do not completely reflect observed experience if the observed experience has very low credibility (emphasis added).*

The following chart present raw pure premiums for Taxi VFH (or prior equivalent) in Territory 1 sourced from the 2016 through 2022 GRAs:



Question:

a) Please explain what is meant by "true" break even required rate, referenced in the response to TC(MPI) 2-3(d) of the 2021 GRA. Please explain what would cause the actuarially indicated rate to be 'untrue'.

b) Please confirm that MPI insures the full population of Taxi VFH in Manitoba. Please confirm that MPI insures the full population of vehicles in every insurance use within Basic.

c) Please discuss why credibility in MPI's ratemaking methodology is a function of units only. Could a credibility methodology incorporate a measure of stability of historical experience to weight raw relativities?

d) Referencing the chart in the pre-amble, please explain if MPI considers the raw pure premiums of Taxi VFH in Territory 1 have some degree of stability (notwithstanding 2020). Please also comment on the stability between 2014 and 2019. Is MPI aware if similar patterns are present for Taxi VFH in other territories?

e) Please confirm that MPI's credibility methodology would continue to assign 10% weighting to Taxi VFH raw relativities under a revised VFH framework which provides effective incentives to reduce at fault collisions. Please explain if MPI's credibility weighting methodology is responsive to shifts in patterns of behavior among insurance uses.

f) Please discuss any alternative credibility weighting approaches that may better reflect consistency of historical experience of an insurance use, or are responsive to shifting patterns of behavior.

g) Please recreate Figure 1 of TC (MPI) 1-10 for Passenger VFH.

Rationale for Question:

To understand MPI's approach to credibility weighting for small insurance uses.

RESPONSE:

a) The phrase "true break even required rate" in the preamble refers to the rate whereby the revenue collected as a result of applying the rate to the group is equal to the claims costs and expenses for the group for the period for which the rate is in effect. This is harder to achieve as the groups become more granular (i.e. as one moves from the overall required rate to required rates for smaller groups, for example, Taxicab VFH). This is because, as the group gets smaller, there is typically more variability in the year-over-year claims costs. The ratemaking methodology recognizes and adjusts for this variability through the use of longer term averages and credibility. However, and more so for smaller groups, the rates determined are best estimates rather than the "true break even required rate".

b) MPI is the sole provider of compulsory Basic insurance in Manitoba.

c) MPI recognizes that there are other methods to determine credibility. Notwithstanding, the size of a group, as measured by earned units, is an accepted measure for determining the credibility of a group.

The stability of the historical pure premiums for the insurance use is factored into the calculation of raw relativities. To the extent that the insurance use performs better than the major class (e.g. if the pure premiums for the insurance use is stable when the pure premiums for the major class is increasing), the raw relativity for the insurance use will decrease. Please see also *TC (MPI) 1-10*.

The credibility referenced in this question is to determine how much weight should be placed on the raw relativity as compared to the current relativity, which reflects current rates. For smaller groups, applying a smaller credibility results in less variability in the rates as a result of the actual loss experience of the group.

d) MPI agrees, based on the figure presented in the preamble, that the pure premiums for Taxicab VFH in Territory 1 for 2014 to 2019 demonstrate some degree of stability. However, with consideration of the five years of pure premiums in the 2020 and 2021 GRAs, there appears to be an increasing trend. For GRAs prior to 2020, for the five years of pure premiums in each GRA (2014 – 2019), the figure shows some significant variations.

MPI has not done a similar comparison for Taxicab VFH on an overall basis or for other territories.

e) MPI confirms that its current credibility methodology would continue to assign 10% weighting to Taxicab VFH raw relativities. However, MPI can also propose, through the GRA process, rate adjustments to reflect changes that would have an effect on potential loss costs (e.g. if Taxicab VFH had "*a revised VFH framework which provides effective incentives to reduce at fault collisions*").

f) MPI has not reviewed other approaches to measuring credibility.

g) Please see *Figure 1*.

Figure 1 Comparison of Pure Premium

Line No.		Pure Premium 2021 GRA [a]	2022 GRA [b]	% Change
1	**Passenger Vehicle-for-Hire (Passenger Vehicle)**	2,215	1,949	-12.01%
2	**Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)**	1,322	859	-35.02%
3	**Private Passenger Major Class**	712	675	-5.20%
4	**Notes:**			
5	**[a]** ***2021 GRA, Ratemaking Appendix 9, Table 14***			
6	**[b]** ***2022 GRA, Ratemaking Appendix 9, Table 12***			

TC (MPI) 2-4

Part and Chapter:	TC (MPI) 1-12	Page No.:	
PUB Approved Issue No:	2b) Ratemaking methodology		
Topic:	Ratemaking		
Sub Topic:	Public Major Class Required Rate		

Preamble to IR:

In response to the above noted IR, MPI helpfully provided detail by coverage.

Question:

a) Please prepare a comparable table to Figure 1 for Private Passenger Major Class.

b) Please provide a narrative explanation of why Collision, Comprehensive and IRI saw large increases. Please explain if these increases were attributable to certain insurance uses within the public major class.

c) Please explain why commission had a material increase, and why the increase for private passenger major class appears to be about half as much.

d) Please explain why claims expense has increased by $8.36, whereas claims expense for Private Passenger is largely unchanged.

e) Please summarize why the public major class is the only major class with an indicated rate increase.

Rationale for Question:

To further understand the Public Major class increases.

RESPONSE:

a) Please see *Figure 1* below, which is the comparable table to *TC (MPI) 1-12 Figure 1* for the Private Passenger major class.

Figure 1 Comparison of the Components of the Required Rate ($)

Line No.	Components	2021/22	2022/23 Prior Interest Rate	Variance	2022/23 Revised Interest Rate	Interest Rate Impact	Total Impact
1		[a]	[b]		[c]		[d]
2	**Claims**						
3	Accident Benefits - Other (Indexed)	117.58	113.37	(4.22)	110.22	(3.15)	(7.37)
4	Accident Benefits - Other (Non-Ind)	35.33	32.90	(2.43)	32.61	(0.28)	(2.71)
5	Bodily Injury	5.20	5.77	0.57	5.68	(0.09)	0.47
6	Collision	544.48	546.61	2.13	546.16	(0.45)	1.68
7	Comprehensive	117.74	118.25	0.51	118.07	(0.18)	0.33
8	Property Damage	46.30	44.23	(2.07)	44.14	(0.08)	(2.15)
9	Income Replacement Indemnity	102.12	106.72	4.60	100.48	(6.23)	(1.63)
10	Impact on Claims of Product Change	(34.96)	(34.34)	0.62	(34.32)	0.03	0.65
11	**Total Claims**	**933.77**	**933.49**	**(0.28)**	**923.04**	**(10.45)**	**(10.73)**
12	**Expenditures**						
13	Claims Expense	163.91	165.31	1.40	163.48	(1.83)	(0.43)
14	Road Safety/Loss Prevention	15.05	14.04	(1.00)	14.05	0.00	(1.00)
15	Operating Expense	82.50	83.85	1.35	83.99	0.14	1.49
16	Regulatory Appeal	5.71	4.98	(0.73)	4.98	0.00	(0.73)
17	Commission (Vehicle)	39.60	46.08	6.48	45.59	(0.50)	5.98
18	Premium Tax (Vehicle)	36.45	36.87	0.42	36.47	(0.40)	0.02
19	Commission & Premium Tax (Drivers)	4.74	4.23	(0.52)	4.24	0.01	(0.50)
20	Commission Flat Fee	8.29	6.76	(1.52)	6.78	0.02	(1.51)
21	Reinsurance (Casualty)	1.46	1.65	0.19	1.65	0.00	0.19
22	Reinsurance (Catastrophe)	11.48	12.86	1.38	12.86	0.00	1.38
23	Fleet Rebates	19.74	20.10	0.36	20.05	(0.05)	0.31
24	Anti-Theft Discount	1.95	1.58	(0.37)	1.59	0.00	(0.36)
25	**Total Expenditures**	**390.88**	**398.32**	**7.44**	**395.73**	**(2.59)**	**4.85**
26	**Other Income Sources**						
27	Driver Premium	75.79	69.56	(6.23)	69.73	0.18	(6.05)
28	Service Fees	34.00	33.36	(0.64)	33.36	0.00	(0.64)
29	**Total Other Income Sources**	**109.78**	**102.92**	**(6.87)**	**103.10**	**0.18**	**(6.69)**
30	**Required Rate**						
31	**(= Claims + Expenditures - Other Income Sources)**	**1,214.87**	**1,228.89**	**14.02**	**1,215.67**	**(13.22)**	**0.80**
32	Notes:						
33	[a] Per PUB Order 1/21						
34	[b] Based on interest rate of 1.94% i.e. the same interest rate used to derive						
35	the 2021/22 required rate per PUB Order 1/21						
36	[c] Based on interest rate of 2.46% i.e. the interest rate used to derive the						
37	2022/23 required rate as filed in the 2022 GRA						
38	[d] = [c] - [a]						

b) The increase for Collision, Comprehensive and IRI is driven by the higher projected pure premiums for these coverages for the 2022 GRA compared to the 2021 GRA. In order to project the pure premiums, MPI calculates the average of the trended historical pure premiums. This is discussed in *Ratemaking Chapter, pages 37 and 38*, and illustrated in *Ratemaking Appendix 9, Table 7*.

Figure 2 below compares the projected pure premiums for the Public major class for the 2021 and 2022 GRAs. *Figure 2* also includes a comparison of the projected pure premiums for the Private Passenger major class.

Figure 2 Comparison of Pure Premiums

Line		Private Passenger Major Class			Public Major Class		
No.	Coverage	2021 GRA	2022 GRA	Change	2021 GRA	2022 GRA	Change
1	**Collision**	546.31	565.23	18.92	1,052.00	1,107.31	55.30
2	**Comprehensive**	114.10	106.23	-7.87	118.89	123.33	4.45
3	**IRI**	94.40	83.67	-10.73	178.27	189.06	10.79

c) 'Commission (Vehicle)' shows a material increase as a result of the new broker agreement, which increased the effective commission rate on vehicle premiums from 3.26% to 3.75%. The increase for the Public major class is higher than the Private Passenger major class because commission is a direct function of the required rate, and the 2022/23 required rate for the Public major class is almost two times that of the Private Passenger major class.

d) Claims expense is a direct function of claims. For 2022/23, per *Ratemaking Chapter Figure RM-14*, the claims expense ratio is 17.71% or $123.60 / $697.86 (i.e. the claims expense load is 17.71% of claims). An increase in claims, as is the case for the Public major class, would result in a similar increase in claims expense.

Another factor that lead to an increase in the claims expense for the Public major class (and all other major classes) is the increase in the claims expense ratio. For the 2021 GRA, the claims expense ratio was 17.55% compared to 17.71% for the 2022 GRA. The effect of this increase is an increase of approximately $3 in claims expense for the Public major class.

e) Please refer to *TC (MPI) 1-12* for the required rate increase rationale for the Public major class.

TC (MPI) 2-5

Part and Chapter:	**Part V REV**	**Page No.:**	**PSF page 541**
PUB Approved Issue No:	**2b) Ratemaking methodology**		
Topic:	**Ratemaking**		
Sub Topic:	**Public Major Class Required Rate**		

Preamble to IR:

At PDF page 541 MPI states:

> MPI adjusted growth rates for 2021/22 (and 2022/23 for the Public major class) to reflect the reinstatement of policies canceled or not renewed in the early months of 2020/21 due to disruptions from the COVID-19 Pandemic. Per the 2021 GRA, *"policy cancellations and non-renewals in 2020/21 are not expected 1 to affect the volume for 2021/22."* For the Public major class, this adjustment stretches over the next two policy years given that the COVID-19 Pandemic effect remains evident in 2021/22. Given that rental vehicles comprise a significant portion of this major class, MPI does not expect units for this group to return completely to prior levels in 2021/22.

Question:

a) Please explain if the above noted adjustment for the Public Major class is a reasonable adjustment for Taxi VFH specifically, and VFH in general.

b) Please estimate the impact for the Public major class of the adjustment taking only one year, as appears to be the case for the other major classes.

Rationale for Question:

To understand the reasonableness of the assumptions.

RESPONSE:

a) The statement in the preamble applies to the forecasted unit growth for the Public major class as a whole. MPI expects that the units for rental vehicles (which are part of the Public major class) will not return to pre-Pandemic levels in 2021/22 given the continued effect of the Pandemic, and adjusted the growth forecast for the Public major class accordingly. MPI does not forecast unit growth at the insurance use level.

b) MPI forecasted earned units by major class to recognize differences by major class as noted in the preamble. Given the available data, and supported by the actual observed continued effect of the COVID-19 Pandemic, MPI believes it is unreasonable to assume that rental vehicle units (and therefore the Public major class) will return to pre-Pandemic levels in 2021/22.

TC (MPI) 2-6

Part and Chapter:	**TC (MPI) 1-14**	**Page No.:**	
PUB Approved Issue No:	**12) VFH class, including rates** **3) Compliance with PUB orders**		
Topic:	**VFH**		
Sub Topic:	**VFH rating metrics**		

Preamble to IR:

In response to the above noted IR, MPI stated:

MPI is aware that other insurers use kms driven to set VFH premiums under a blanket policy The premiums are typically based 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).

Question:

a) Please explain if other insurers use distance driven as a measure of expected loss exposure, or as a billing determinant (that is a policy costs are recovered based on the number of kilometers travelled. Please discuss MPI's view of the pros and cons of both approaches.

Rationale for Question:

To understand the basis for future alternatives

RESPONSE:

a) Insurers use distance driven as a measure of expected loss exposure and as a billing determinant. For example, SGI and ICBC combine both the expected loss exposure and billing determinant aspects into their respective models by using the actual number of kilometers travelled to establish the base premium for ride share companies and by providing discounts or surcharges based on the loss ratio of a particular ride share company. While MPI is currently analyzing and determining the most appropriate method for establishing premiums under a blanket policy, it does not view these two aspects to be distinct approaches capable of being compared to each other.

TC (MPI) 2-7

Part and Chapter:	**Part II VFH**	**Page No.:**	**PDF Page 90, 91**
PUB Approved Issue No:	**12) VFH class, including rates** **3) Compliance with PUB orders**		
Topic:	**Serious Losses and major classes**		
Sub Topic:			

Preamble to IR:

At PDF page 90, MPI states:

g. Analyze and report on whether it continues to be appropriate to have Passenger VFH and Private Delivery services in different major classes

Grouping Passenger VFH and Private Delivery services 1 vehicles into a Major Class would not significantly impact their rates because MPI prices every classification to break-even over time. However, grouping these vehicles together for the purpose of comparing relative experience does make sense. MPI intends to analyze the impact of splitting out all VFH vehicles into one group and will perform this analysis in the summer of 2021.

h. Analyze and report on the relative probability, as between the Passenger VFH and the other VFH classifications, as to whether there will be a serious loss claims experience in the future.

MPI will conduct an analysis of the serious losses by classification to determine if rate stability can be improved by incorporating a different model for allocation of serious losses. Specifically, the new model would address the significant volatility of serious losses for low credibility rating classifications. This analysis will occur in the summer of 2021.

Question:

a) Please advise when MPI expects to file reports in response to directives g & h above.

b) Please advise when MPI expects to file VFH Appendix 1.

Rationale for Question:

To understand the timing of filings in this rate hearing.

RESPONSE:

a) MPI will review directives g and h, and will provide the results of its review prior to the beginning of the GRA oral hearing on October 12, 2021.

b) The PUB will file a finalized version of the VFH Technical Conference report (VFH Appendix 1) following its review and approval by every conference participant.

TC (MPI) 2-8

Part and Chapter:	TC (MPI) 1-17	Page No.:	
PUB Approved Issue No:	14) Benchmarking		
Topic:	Benchmarking		
Sub Topic:	Taxicab Benchmarks		

Preamble to IR:

In response to the above noted IR, MPI stated:

According to SGI, the Business Recognition program assesses businesses for adjustments to the basic vehicle insurance rates. Based on its claim history, the business will either be eligible for a discount, be subject to a surcharge or pay the base insurance premium with no discount or surcharge on its basic vehicle insurance. The 0% loss ratio can be understood as the business being claims free. A loss ratio of 0%-15% would allow for a 15% discount to the basic vehicle insurance rates.

Question:

a) Please explain what is meant by a "loss ratio of 0%-15%". Should this be read as a range that is eligible for a 15% discount?

b) Please explain if MPI consider that benchmarking of Taxis between SGI and MPI to be close to an apples to apples comparison? That is, MPI driver profile prices the 'safest' driver profile, is the same true for SGI?

c) Is a comparable 'safest' driver profile available for ICBC?

d) If a maximum discount under ICBC's fleet plan is 63%, please confirm that the insurance premium for a 2017 Prius is $6368.07. If not confirmed, explain and provide the correct figure.

e) Please provide the lowest rate attainable for Taxi coverage under ICBC, through whatever combination of fleet and driver factor that could be obtained by the 'safest' drivers. Please fully explain the results.

Rationale for Question:

To understand the basis for comparison.

RESPONSE:

a) Yes, SGI recognizes its business customers whose loss ratios fall within the range of 0% to 15% via a 15% discount. This is the maximum discount on the business recognition scale. Additional information can be found here: https://www.sgi.sk.ca/business-recognition-program.

b) While the benchmarking profiles present rates associated with Taxi drivers with the maximum discount for both MPI and SGI, both corporations have different VFH frameworks and rate making methodologies and although the rates can be used for comparison purposes they cannot be directly compared.

c) ICBC does not have a "safest driver" profile, but rather a best individual driver factor (IDF). For basic only, it would include 40 years driving experience and no claims within the scan period (which looks back to the new rating model that is effective March 1, 2017). For optional coverage, ICBC is unable to provide a best individual driver factor due to all the rating variables and the competitive nature of optional coverage available in British Columbia.

d) The insurance premium shown is not correct. The premium it is based on was already discounted using the appropriate ICBC IDFs. The correct annual premium, if this specific vehicle were to be ICBC Fleetplan rated at the maximum discount of 63%, would be $12,275.

e) The information from ICBC is not available at this time. MPI will consider the request for inclusion in its 2023 GRA.

TC (MPI) 2-9

Part and Chapter:	TC (MPI) 1-18	Page No.:	
PUB Approved Issue No:	2b) Ratemaking methodology		
Topic:	Ratemaking		
Sub Topic:	Supporting data		

Preamble to IR:

Question:

a) Please confirm per TC1_018_c_Appendix_02_VFH_Taxi_Major_Class_Loss_Experience_Aug20.xlsx, the average Serious Loss per Taxi vehicle is approximately $428.

b) Please update Part VI – RM Appendix 4, for Vehicles-For-Hire only, if:

   i. Passenger Vehicle-For-Hires are assigned a Serious Loss Loading of $428 per vehicle.

c) Assuming all Vehicles-For-Hires are grouped together, from 2011 to 2020, please provide the average Serious Loss per vehicle.

d) Please update Part VI – RM Appendix 4, for Vehicles-For-Hire only, if:

   i. All Vehicles-For-Hires are allocated the same Serious Loss Loading per vehicle as calculated in #3.

e) Please reproduce TC1_018_a_b_Appendix_01_VFH_Taxi_Loss_Experience_Aug20.xlsx and TC1_018_c_Appendix_02_VFH_Taxi_Major_Class_Loss_Experience_Aug20.xlsx with Earned Premiums split by coverage.

Rationale for Question:

To understand the implications of no serious losses on Passenger VFH.

RESPONSE:

a) MPI confirms, based on the reported losses as of March 31, 2021 (presented in *TC (MPI) 1-18, Appendix 2*), that the per unit Serious Loss costs for Taxicab VFH over the last 10 years is $428.

b) MPI is not updating *Ratemaking Appendix 4* for the following reasons:

- The assumption that Passenger VFH will have the same per unit Serious Loss costs as Taxicab VFH is inappropriate given that these two insurance uses have different operational models.

- The equivalent per unit Serious Loss costs for the Public and Private Passenger major classes are $157 and $62, further demonstrating that the per unit Serious Loss costs can vary significantly.

- MPI has already made an adjustment to Passenger VFH by fully recognizing the raw relativity (actual loss experience) as discussed in *Ratemaking, page 48*. This has resulted in experience adjustments ranging from 12% to 15% for Passenger VFH (Passenger Vehicle), recognizing that 15% is the maximum experience adjustment.

c) Based on the reported losses as of March 31, 2021, the per unit Serious Loss costs for all VFH combined over the last 10 years is $258.

d) Please see the response to (b). Further, implied in this request is that other VFH categories should subsidize the Serious Losses for Taxicab VFH given that the per unit Serious Loss costs of $258 for all VFH combined is lower than $428 for Taxicab VFH.

e) MPI is unable to reproduce this given that MPI does not have earned premiums data for Basic split by coverage.