

**TC (MPI) 2-5**

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

**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 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.~~ Given that it represents a small fraction of the total Public Major Class, MPI submits that the above noted adjustments for the Taxicab Vehicle for Hire (VFH) use are reasonable. It also submits that the adjustment for the VFH use generally, which includes vehicles not only within the Public Major Class (i.e. taxicabs, limousines and accessible vehicles), but also vehicles within the Private Passenger Major Class (i.e. passenger VFH), is reasonable.

MPI expects taxicab VFH to recover from the COVID-19 Pandemic at a slightly faster rate than rental vehicles. MPI provides a breakdown of its VFH analysis in its response to information request TC (MPI) 2-7.

Figure 1 below shows the actual growth for policy year 2020/21 for the four VFH groups and the Public major class.

**Figure 1 Policy Year 2020/21 Vehicle-for-Hire (VFH) Actual Growth in First 12 Months**

	Private	Public			Public
	Passenger	Accessible	Limousine	Taxicab	Major
	Passenger	VFH	VFH	VFH	Class Total
	VFH				
Mar	(1)	0	0	(1)	(21)
Apr	(4)	(1)	(0)	(5)	(62)
May	(8)	(1)	(1)	(5)	(102)
Jun	(8)	(1)	(1)	(4)	(136)
Jul	1	(1)	(1)	(3)	(180)
Aug	10	(1)	(2)	(1)	(157)
Sep	16	(1)	(3)	(1)	(125)
Oct	19	(1)	(3)	(1)	(109)
Nov	16	(1)	(3)	(1)	(100)
Dec	9	(2)	(3)	(2)	(108)
Jan	6	(3)	(4)	(2)	(115)
Feb	0	(1)	(4)	(2)	(160)

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.

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	Passenger VFH	Accessible VFH	Limousine VFH	Taxicab VFH	Major Class Total
Mar	(1)	0	0	(1)	(21)
Apr	(4)	(1)	(0)	(5)	(62)
May	(8)	(1)	(1)	(5)	(102)
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