

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.~~

b) Please see Appendix 1. Please note that:

- MPI calculated the raw relativities for the Private Passenger Major Class assuming a \$428 per unit Serious loss for Passenger VFH (Passenger Vehicle).
- MPI assumed that all Serious Losses for Passenger VFH (Passenger Vehicle) occurred in Territory 1.

- MPI applied experience adjustments of 20% to Passenger VFH (Passenger Vehicle) for all territories (based on the indicated increases) in accordance with PUB Order 1/21 (Directive #3).
 - MPI did not run the experience adjustments through the rate model. The results of the rate model would be very similar to the Balanced Capped Indicated Adjustments for all insurance uses (in Appendix 1) except Passenger VFH (Passenger Vehicle), which will show a 20% change in average rates given that all 2022/23 rates are subject to a \pm 20% cap from 2021/22 rates per PUB Order 148/04.
- 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.~~
- d) Please see Appendix 2. Please note that:
- MPI calculated raw relativities for the Private Passenger and Public major classes assuming a \$258 per unit Serious Loss for Passenger VFH (Passenger Vehicle), Accessible VFH, Taxicab VFH and Limousine VFH. For Taxicab VFH, this is a decrease from the per unit Serious Loss used to calculate the raw relativities as filed in the 2022 GRA.
 - MPI assumed that all Serious Losses occurred in Territory 1.
 - MPI applied experience adjustments of 20% to Passenger VFH (Passenger Vehicle) for all territories (based on the indicated increases) in accordance with PUB Order 1/21 (Directive #3).

- MPI used a Balanced Capped Indicated Adjustments (in *Appendix 1*) and expects that use of this methodology generates a very similar result as compared to the rate model; with the exception of Passenger VFH (Passenger Vehicle), which will show a 20% change in average rate given that all 2022/23 rates are subject to a $\pm 20\%$ cap from 2021/22 rates per PUB Order 148/04.
- e) MPI is unable to reproduce this given that MPI does not have earned premiums data for Basic split by coverage.

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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) Please see Appendix 1. Please note that:

- MPI calculated the raw relativities for the Private Passenger Major Class assuming a \$428 per unit Serious loss for Passenger VFH (Passenger Vehicle).
- MPI assumed that all Serious Losses for Passenger VFH (Passenger Vehicle) occurred in Territory 1.
- MPI applied experience adjustments of 20% to Passenger VFH (Passenger Vehicle) for all territories (based on the indicated increases) in accordance with PUB Order 1/21 (Directive #3).
- MPI did not run the experience adjustments through the rate model. The results of the rate model would be very similar to the Balanced Capped Indicated Adjustments for all insurance uses (in Appendix 1) except Passenger VFH (Passenger Vehicle), which will show a 20% change in average rates given that all 2022/23 rates are subject to a \pm 20% cap from 2021/22 rates per PUB Order 148/04.

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 Appendix 2. Please note that:

- MPI calculated raw relativities for the Private Passenger and Public major classes assuming a \$258 per unit Serious Loss for Passenger VFH (Passenger Vehicle), Accessible VFH, Taxicab VFH and Limousine VFH. For Taxicab VFH, this is a decrease from the per unit Serious Loss used to calculate the raw relativities as filed in the 2022 GRA.
- MPI assumed that all Serious Losses occurred in Territory 1.
- MPI applied experience adjustments of 20% to Passenger VFH (Passenger Vehicle) for all territories (based on the indicated increases) in accordance with PUB Order 1/21 (Directive #3).
- MPI used a Balanced Capped Indicated Adjustments (in Appendix 1) and expects that use of this methodology generates a very similar result as compared to the rate model; with the exception of Passenger VFH (Passenger Vehicle), which will show a 20% change in average rate given that all 2022/23 rates are subject to a $\pm 20\%$ cap from 2021/22 rates per PUB Order 148/04.

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

BASIC PROGRAM
Transition from Experience Rate Requirement Indicators to Applied For Rate Adjustment

Major Class	Description	GWW Code	Terr	Rate Model No. of Vehicles	A		B			C			D			E		
					Original Rate Model Before Changes		After Classification Changes and CLEAR Adjustments			Balanced Indicated Adjustment			Capped Indicated Adjustment			Balanced Capped Indicated Adjustment		
					Average Rate	Premium	Average Rate	% Change	Premium	Average Rate	% Change	Premium	Average Rate	% Change	Premium	Average Rate	% Change	Premium
1	Passenger Vehicle-for-Hire (Passenger Vehicle)	N/A	1	933	2,647.00	2,469,648	2,751.24	3.94%	2,566,906	3,943.44	48.98%	3,679,226	3,301.49	24.73%	3,080,287	3,301.49	24.73%	3,080,287
1	Passenger Vehicle-for-Hire (Passenger Vehicle)	N/A	2	79	2,322.28	183,460	2,352.09	1.28%	185,815	3,459.03	48.95%	273,263	2,822.51	21.54%	222,978	2,822.51	21.54%	222,978
1	Passenger Vehicle-for-Hire (Passenger Vehicle)	N/A	3	12	2,219.42	26,633	2,275.58	2.53%	27,307	3,644.31	64.20%	43,732	2,730.70	23.04%	32,768	2,730.70	23.04%	32,768
1	Passenger Vehicle-for-Hire (Passenger Vehicle)	N/A	4	23	2,165.96	49,817	2,231.43	3.02%	51,323	3,545.36	63.69%	81,543	2,677.72	23.63%	61,588	2,677.72	23.63%	61,588
1	Passenger Vehicle-for-Hire (Passenger Vehicle)	N/A	5	40	2,641.45	105,658	2,701.92	2.29%	108,077	3,973.57	50.43%	158,943	3,242.31	22.75%	129,692	3,242.31	22.75%	129,692
1	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	N/A	1	7	2,313.71	16,196	2,370.30	2.45%	16,592	2,226.22	-3.78%	15,584	2,226.22	-3.78%	15,584	2,227.65	-3.72%	15,594
1	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	N/A	2	4	1,919.50	7,678	1,993.29	3.84%	7,973	1,958.04	2.01%	7,832	1,958.04	2.01%	7,832	1,959.30	2.07%	7,837
1	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	N/A	3	2	2,191.00	4,382	2,143.58	-2.16%	4,287	2,060.62	-5.95%	4,121	2,060.62	-5.95%	4,121	2,061.94	-5.89%	4,124
1	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	N/A	4	1	1,778.00	1,778	1,772.56	-0.31%	1,773	2,005.84	12.81%	2,006	1,968.49	10.71%	1,968	1,969.75	10.78%	1,970
1	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	N/A	5	1	2,171.00	2,171	2,233.06	2.86%	2,233	2,242.91	3.31%	2,243	2,242.91	3.31%	2,243	2,244.34	3.38%	2,244
3	Taxicab Vehicle-for-Hire	N/A	1	458	9,275.28	4,248,080	9,275.28	0.00%	4,248,080	9,603.71	3.54%	4,398,500	9,603.71	3.54%	4,398,500	9,609.86	3.61%	4,401,318
3	Taxicab Vehicle-for-Hire	N/A	2	105	5,254.03	551,673	5,254.03	0.00%	551,673	5,606.46	6.71%	588,679	5,606.46	6.71%	588,679	5,610.06	6.78%	589,056
3	Taxicab Vehicle-for-Hire	N/A	3	41	5,678.90	232,835	5,678.90	0.00%	232,835	5,828.51	2.63%	238,969	5,828.51	2.63%	238,969	5,832.25	2.70%	239,122
3	Taxicab Vehicle-for-Hire	N/A	4	5	5,969.80	29,849	5,969.80	0.00%	29,849	5,753.65	-3.62%	28,768	5,753.65	-3.62%	28,768	5,757.34	-3.56%	28,787
3	Limousine Vehicle-for-Hire	N/A	1	25	2,972.96	74,324	2,972.96	0.00%	74,324	2,991.92	0.64%	74,798	2,991.92	0.64%	74,798	2,993.84	0.70%	74,846
3	Limousine Vehicle-for-Hire	N/A	2	11	1,694.45	18,639	1,694.45	0.00%	18,639	1,775.31	4.77%	19,528	1,775.31	4.77%	19,528	1,776.44	4.84%	19,541
3	Limousine Vehicle-for-Hire	N/A	3	0	0.00	0	0.00	0.00%	0	0.00	0.00%	0	0.00	0.00%	0	0.00	0.00%	0
3	Limousine Vehicle-for-Hire	N/A	4	0	0.00	0	0.00	0.00%	0	0.00	0.00%	0	0.00	0.00%	0	0.00	0.00%	0
3	Accessible Vehicle-for-Hire	N/A	1	177	2,419.37	428,228	2,415.02	-0.18%	427,458	2,538.89	4.94%	449,384	2,538.89	4.94%	449,384	2,540.52	5.01%	449,672
3	Accessible Vehicle-for-Hire	N/A	2	10	1,160.40	11,604	1,155.73	-0.40%	11,557	1,512.26	30.32%	15,123	1,329.09	14.54%	13,291	1,329.09	14.54%	13,291
3	Accessible Vehicle-for-Hire	N/A	3	1	787.00	787	781.96	-0.64%	782	1,569.29	99.40%	1,569	899.25	14.26%	899	899.25	14.26%	899
3	Accessible Vehicle-for-Hire	N/A	4	2	1,451.50	2,903	1,447.64	-0.27%	2,895	1,550.06	6.79%	3,100	1,550.06	6.79%	3,100	1,551.06	6.86%	3,102

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Transition from Experience Rate Requirement Indicators to Applied For Rate Adjustment

Major Class	Description	GVW Code	Terr	Rate Model No. of Vehicles	A		B			C			D			E		
					Original Rate Model Before Changes		After Classification Changes and CLEAR Adjustments			Balanced Indicated Adjustment			Capped Indicated Adjustment			Balanced Capped Indicated Adjustment		
					Average Rate	Premium	Average Rate	% Change	Premium	Average Rate	% Change	Premium	Average Rate	% Change	Premium	Average Rate	% Change	Premium
1	Passenger Vehicle-for-Hire (Passenger Vehicle)	N/A	1	933	2,647.00	2,469,648	2,751.24	3.94%	2,566,906	3,669.50	38.63%	3,423,647	3,301.49	24.73%	3,080,287	3,301.49	24.73%	3,080,287
1	Passenger Vehicle-for-Hire (Passenger Vehicle)	N/A	2	79	2,322.28	183,460	2,352.09	1.28%	185,815	3,219.85	38.65%	254,368	2,822.51	21.54%	222,978	2,822.51	21.54%	222,978
1	Passenger Vehicle-for-Hire (Passenger Vehicle)	N/A	3	12	2,219.42	26,633	2,275.58	2.53%	27,307	3,392.00	52.83%	40,704	2,730.70	23.04%	32,768	2,730.70	23.04%	32,768
1	Passenger Vehicle-for-Hire (Passenger Vehicle)	N/A	4	23	2,165.96	49,817	2,231.43	3.02%	51,323	3,300.24	52.37%	75,906	2,677.72	23.63%	61,588	2,677.72	23.63%	61,588
1	Passenger Vehicle-for-Hire (Passenger Vehicle)	N/A	5	40	2,641.45	105,658	2,701.92	2.29%	108,077	3,697.88	39.99%	147,915	3,242.31	22.75%	129,692	3,242.31	22.75%	129,692
1	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	N/A	1	7	2,313.71	16,196	2,370.30	2.45%	16,592	2,226.26	-3.78%	15,584	2,226.26	-3.78%	15,584	2,227.06	-3.75%	15,589
1	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	N/A	2	4	1,919.50	7,678	1,993.29	3.84%	7,973	1,958.22	2.02%	7,833	1,958.22	2.02%	7,833	1,958.93	2.05%	7,836
1	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	N/A	3	2	2,191.00	4,382	2,143.58	-2.16%	4,287	2,060.84	-5.94%	4,122	2,060.84	-5.94%	4,122	2,061.59	-5.91%	4,123
1	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	N/A	4	1	1,778.00	1,778	1,772.56	-0.31%	1,773	2,006.15	12.83%	2,006	1,968.59	10.72%	1,969	1,969.31	10.76%	1,969
1	Passenger Vehicle-for-Hire (Truck 4,499 kg or less GVW)	N/A	5	1	2,171.00	2,171	2,233.06	2.86%	2,233	2,243.17	3.32%	2,243	2,243.17	3.32%	2,243	2,243.98	3.36%	2,244
3	Taxicab Vehicle-for-Hire	N/A	1	458	9,275.28	4,248,080	9,275.28	0.00%	4,248,080	9,566.03	3.13%	4,381,242	9,566.03	3.13%	4,381,242	9,569.49	3.17%	4,382,829
3	Taxicab Vehicle-for-Hire	N/A	2	105	5,254.03	551,673	5,254.03	0.00%	551,673	5,596.23	6.51%	587,605	5,596.23	6.51%	587,605	5,598.26	6.55%	587,817
3	Taxicab Vehicle-for-Hire	N/A	3	41	5,678.90	232,835	5,678.90	0.00%	232,835	5,819.43	2.47%	238,596	5,819.43	2.47%	238,596	5,821.53	2.51%	238,683
3	Taxicab Vehicle-for-Hire	N/A	4	5	5,969.80	29,849	5,969.80	0.00%	29,849	5,738.69	-3.87%	28,693	5,738.69	-3.87%	28,693	5,740.77	-3.84%	28,704
3	Limousine Vehicle-for-Hire	N/A	1	25	2,972.96	74,324	2,972.96	0.00%	74,324	3,034.17	2.06%	75,854	3,034.17	2.06%	75,854	3,035.27	2.10%	75,882
3	Limousine Vehicle-for-Hire	N/A	2	11	1,694.45	18,639	1,694.45	0.00%	18,639	1,803.39	6.43%	19,837	1,803.39	6.43%	19,837	1,804.04	6.47%	19,844
3	Limousine Vehicle-for-Hire	N/A	3	0	0.00	0	0.00	0.00%	0	0.00	0.00%	0	0.00	0.00%	0	0.00	0.00%	0
3	Limousine Vehicle-for-Hire	N/A	4	0	0.00	0	0.00	0.00%	0	0.00	0.00%	0	0.00	0.00%	0	0.00	0.00%	0
3	Accessible Vehicle-for-Hire	N/A	1	177	2,419.37	428,228	2,415.02	-0.18%	427,458	2,579.30	6.61%	456,536	2,579.30	6.61%	456,536	2,580.23	6.65%	456,701
3	Accessible Vehicle-for-Hire	N/A	2	10	1,160.40	11,604	1,155.73	-0.40%	11,557	1,538.72	32.60%	15,387	1,329.09	14.54%	13,291	1,329.09	14.54%	13,291
3	Accessible Vehicle-for-Hire	N/A	3	1	787.00	787	781.96	-0.64%	782	1,597.22	102.95%	1,597	899.25	14.26%	899	899.25	14.26%	899
3	Accessible Vehicle-for-Hire	N/A	4	2	1,451.50	2,903	1,447.64	-0.27%	2,895	1,576.06	8.58%	3,152	1,576.06	8.58%	3,152	1,576.63	8.62%	3,153