

VFH Technical Conference – April 20, 2021 - Summary

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1. Overview

The following is a summary of the comments made by attending parties at the Technical Conference held on 20 April 2021, virtually via Microsoft Teams, with respect to Vehicle for Hire (VFH).

Directive 10.10 of Board Order No. 1/21 provided:

A Technical Conference shall be held on the Vehicle For Hire framework, which shall be initiated by the Board but on such dates as are mutually agreed as between the Board and MPI, with the results of the Technical Conference to be reported on in the 2022 GRA. The report arising out of the Technical Conference shall include proposals on how to deal with significant difference in relativities in the Top 20 relativity listing and determine whether Taxi Vehicle For Hire in Territories 2, 3 and 4 are being overcharged and whether a reduction in rates for those classifications should be accelerated.

Also relevant to this Technical Conference, Directive 10.9 of Board Order No. 1/21 provided:

The Corporation shall file its Vehicle For Hire framework review in the 2022 GRA.

An outline of issues for consideration was prepared by the Manitoba Public Utilities Board (Board) advisors and circulated prior to the Technical Conference. The Manitoba Public Insurance Corporation (Corporation) prepared a presentation on VFH, including an Appendix which identified how the presentation responded to all of the issues in the outline. In addition, an Excel worksheet was provided by the Corporation with a summary of premium and claims experience, with an update to be provided after the Technical Conference, to include information on units by territory.

The Corporation's presentation provided a high level description of alternatives to the current VFH framework to encourage feedback from the participants. Participants included representatives from Consumers' Association of Canada (Manitoba), Winnipeg Taxi Coalition, Mothers Against Drunk Driving Canada, Manitoba Trucking Association, Wheelchair Service of Manitoba, Uber, Duffy's Taxi and Tapp Car.

This summary is intended to capture the essence of the discussion that occurred during the Technical Conference, and is organized by topic as set out in the Corporation's presentation.

If, in the view of parties, any issues or positions are mischaracterized or omitted, feedback is welcome.

1. Introduction

MPI indicated that it now has an improved focus on the VFH customer group. Project NOVA is expected to allow MPI to make changes to products more easily. MPI's hope is that all the interested parties want change and MPI can design products that are aligned with those interests and with MPI's.

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2. Stakeholder Survey

MPI sent out a VFH survey to 33 stakeholders within the VFH market, representing all subcategories, and received responses from 11. The survey was targeted to City of Winnipeg dispatchers and Transportation Network Companies (TNC) within Winnipeg. The responses came from 5 PTP, 3 taxi, 1 taxi/PTP, and 1 limo subcategories, as well as the City of Winnipeg. Due to the targeting, there was no representation from any stakeholders outside of Winnipeg.

The survey was undertaken internally by the customer insights team at MPI. A copy of the survey was provided after the Technical Conference. The survey was conducted in an anonymous fashion and, hence, it was not possible to identify any of the individual responses. MPI has not spoken to its ratepayers generally in terms of how it handles VFH. Although it is a small component of total premium revenues, almost everybody has a need for a VFH service at some point. There are significant fairness issues being raised and changes being proposed as to how MPI sells insurance and prices it for this Major Class. The survey was conducted prior to the release of the Board Order approving rates for the 2021/22 year.

The key findings of the survey were based on matters on which respondents were mostly in alignment that did not reflect MPI's current practices. As well, matters on which there was a clear split among respondents were also considered a key finding. The total number of responses was significantly less than MPI was hoping for and hence there are definite weaknesses with the results. MPI was not able to estimate, at the time, the proportion of the total VFH population that was represented. Individual drivers were not canvassed.

Survey responses included the following:

- 1) 55% (6 out of 11) indicate the current model meets their business needs:
 - a) Needs were not met in the areas of Time Band revisions and a dispatcher purchased blanket policy.
- 2) 55% (6 out of 11) indicate the current model is fair to base VFH insurance premiums overall:
 - a) Inequities in rates between subcategories were noted by those whose views differed.
- 3) 82% (9 out of 11) believe the registered owner should pay the additional VFH premium: the other 2 selected the dispatcher.
- 4) Different exposure bases were preferred by respondents:
 - a) 6 out of 11 preferred the current Time Band model;
 - b) 3 out of 11 preferred a flat rate that did not vary based on kilometres, time of day, time on road; and
 - c) 2 out of 11 preferred kilometers.
- 5) Respondents had different views on the diversity of models:
 - a) 6 out of 11 preferred one model to be used for all categories; and
 - b) Some preferred the dispatcher or registered owner model.
- 6) Most respondents (8 of 11) prefer a model that incorporates a premium rebate/surcharge based on the vehicle's total loss ratio or other measures. MPI indicated that the DSR model is proving to be relatively ineffective in creating an environment where collisions are likely to be reduced for many VFH categories.

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Four key findings were indicated by MPI:

- 1) There is a need for a blanket policy purchased by the TNC instead of the registered owner.
- 2) VFH Insurance use purchased by the registered owner must continue to be offered, with further study of the model to determine if Time Bands are appropriate or if a move to flat rating is best.
- 3) Models incorporating a premium rebate/surcharge outside of the DSR should and will be explored.
- 4) Fairness in rating between VFH categories is of significant concern to some stakeholders.

MPI was asked whether the solutions presented at the Technical Conference are consistent with the overall direction MPI will be taking. MPI will maintain an end state in mind as it moves forward to avoid building and then discarding new products. There must be more than one product option. Participating parties may see benefits to some of the newer products and wish to transition to them. Unused products may be dropped. As the VFH market matures, the number of vehicles may change. MPI's first focus on products must always be based on the need. There are government approvals that must occur, which creates uncertainty. Product development is occurring at the pace MPI expected. Lessons may be learned from other jurisdictions as the VFH market matures.

Consensus that broader based survey results would have been helpful and that further review of and flexibility in insurance products should be pursued.

3. Technical Framework – Blanket Policy

MPI wants to create more choice for customers. The first being a TNC purchased policy (Blanket Policy).

MPI undertook a review of the proposed Blanket Policy, with the following details, including questions raised by participants:

- 1) The Blanket Policy would allow ride share companies or other dispatchers to purchase commercial insurance on their drivers' behalf. It is not a solution that is pinned to any subcategory of VFH.
- 2) Rates would be adjusted annually, and capture individual risk.
- 3) Amendments to the MPIC Act and Regulation would be required as well, which is non-trivial.
- 4) The biggest issue is to ensure that the benefits of the No-Fault Program are not sacrificed; that Basic and PIPP be maintained. The flow-through to a company and then to the driver is different, but maybe somewhat similar to the Fleet Program.
- 5) MPI is looking towards an implementation date of April of 2023 for any changes. Any changes would have to be approved by the Board through either the GRA or an Interim Rate Application, with the timing being up in the air.

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- 6) The Blanket Policy would be priced using a per kilometre rate. Once Telematics is further along, perhaps big data can help drive the assessment of risk.
- 7) There are some finer details that need to be ironed out with regard to the Basic coverage being provided.
- 8) Extension coverage purchased by the registered owner would apply while operating under the Blanket Policy. Some work is needed to determine the pricing of that.
- 9) MPI could not think of any circumstances in which the Basic package would not provide sufficient protection to passengers.
- 10) The manner in which the per kilometre rate will be tracked, trued up, and charged is all to be determined at this point in time. MPI is open to other potential variables beside kilometres.
- 11) MPI previously held the position that a Blanket Policy was neither applicable nor appropriate for compulsory coverage under Basic (when VFH was introduced). MPI's position has changed and they have looked to find ways to provide coverage, such as offer a Blanket Policy which will still be fair and equitable.
- 12) MPI indicated that, as an action item, it will explain what has changed from the initial introduction of VFH in its Vehicle for Hire chapter in the 2022 GRA.
- 13) MPI has not yet determined how it would incorporate the claims experience of the Blanket Policy with the rest of the vehicles in Manitoba.
- 14) MPI would like a starting point for the rates closer to what it believes the long term rate should be, which may take into consideration the rate levels of other public insurance providers, such as SGI. MPI also indicated that it would incorporate actual Manitoba experience to the extent such information is available.
- 15) MPI indicated that it may review the 2007 Pay as You Drive study and consider updating it.
- 16) At this point MPI is not proposing that other classes of vehicles, such as buses or commercial vehicles, be permitted to switch to a rate base different than per vehicle but the door may be opened in the future.
- 17) The Blanket Policy would be separate and distinct from the Fleet Policy.
- 18) TNCs are generally supportive of MPI pursuing this path.
- 19) When Blanket Policies would be offered is not clear at this point.
- 20) The Blanket Policy may be similar to that offered by SGI. Further conversations and analysis are needed on this.
- 21) In other jurisdictions, there is an initial estimate of kilometres driven, followed by a reporting of actual kilometers, typically on a quarterly or monthly basis, depending on the jurisdiction. Telematics are not currently reported.
- 22) TNCs regulated by the City of Winnipeg are already required to track kilometres driven on a trip.
- 23) MPI indicated that they were building functionality into Project NOVA to be able to handle Blanket Policies.
- 24) Registered owners of the vehicles would still participate in the DSR program.
- 25) MPI was not certain whether SGI or ICBC were offering both a Blanket Policy as well as something like the existing MPI VFH policy.

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- 26) MPI indicated that it would be possible to switch between models over time, depending on the ability to track kilometres.
- 27) There may be a territorial component to the per kilometre rate.

MPI provided an example of how the rating might work for a Blanket Policy. It would be based on kilometres and change over time based on the claims experience of the TNC. At this point in time they are not certain how much credibility may be given to experience. The Fleet Program gives a high credibility to the individual fleet experience, but the overall insurance use rating methodology gives a low credibility. MPI guessed that credibility would be somewhere in the middle. It will be important for the starting rate to be appropriate. MPI claims experience will be more volatile than the example shown. The longer term serious loss run rate will need to be incorporated.

MPI would need to demonstrate that the overall rate is breakeven. The way customers receive a rebate or surcharge would need to be actuarially sound on an overall basis. MPI would strive to show fairness in rating.

Thoughts and comments by participants on the Blanket Policy included:

- 1) It is positive that it is likely to be elective and open to all VFH.
- 2) Need to see more details on working models and how rate setting for this framework is going to be folded into the standard rate setting methodology.
- 3) Cost neutrality between options is an important principle that should be actively targeted.
- 4) It appears to be a very significant effort administratively for a very modest part of the current marketplace which may not provide value to ratepayers.
- 5) Users of VFH services should be amongst those surveyed.
- 6) Drivers of VFH vehicles should be amongst those surveyed.
- 7) Marketplace disruption needs to be considered.
- 8) Would a blanket policy reduce the up-front costs for drivers who want to participate in ride sharing.
- 9) From a compliance perspective, this is a very positive move.
- 10) It would be fairly administratively difficult to incorporate a Blanket Policy into the current business model and the corporate organizations that taxis use.
- 11) It is the preferred policy for some TNCs.

Consensus that further review and stakeholder input is necessary but some form of blanket policy would be desirable.

4. Technical Framework – Time Bands

There was some interest noted in the survey for changes to the Time Bands but there was not clear direction on such changes.

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Some points that were raised included:

- 1) The majority of VFH participants purchase all four Time Bands.
- 2) Current Time Bands may not reflect operating realities.
- 3) Time Bands may not align well with the risk associated with each Time Band.
- 4) There is a possibility of having different prices for each Time Band to reflect the different risk. In terms of how accidents are actually occurring, it seems that they are reasonably equal across Time Bands.
- 5) Time Bands are not structured well for shift work and the way in which taxis operate.
- 6) Operators outside of Winnipeg might have more use for the Time Bands but were not asked to participate in the Technical Conference.

Consensus that Time Band model requires further review and consultation with stakeholders.

5. Technical Framework – Surcharge/Discount Outside of DSR

There was some interest noted in the survey for additional possibilities for surcharges and discounts outside of the DSR. The incentives and penalties could serve to reduce claims.

The surcharge/discount program would operate along with the DSR program, and hence details would need to be worked through to avoid double charging or double crediting. Otherwise, several accidents would both affect an individual's DSR rating and result in a surcharge in their VFH rate.

At this point it is not clear if the claim would be attached to the registered owner, the vehicle or the driver.

In the example shown, MPI used one year of claims experience, but it would be possible for rates to be based on more than one year. The rates would be tied to a normal rate-making methodology.

At this stage, the possibility of a system of surcharge/discount is more for discussion purposes, to obtain feedback and talk it through; to illustrate the gap and the potential.

MPI indicated that they could provide the current loss allocation rules.

MPI indicated that they have some data that could potentially be modeled to show what the expected claims experience would be given the prior year's claims experience, and said they would take that away and look at it (and presumably provide the results of the analysis). This would show if the rates charged are fair and reasonable.

There is an assumption that the surcharges will result in a positive change in behaviour. MPI is not aware of any literature on the specific impact of surcharges on behaviour within the taxi industry.

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MPI has internally concluded that DSR just does not make sense for taxis as the registered owner may have nothing to do with the people driving the vehicle 24/7.

Consensus that further review and consultation of a possible surcharge/discount model is required.

6. Ratemaking Methodology

There was discussion on the minimum bias methodology and how it impacted taxi rates.

Items raised include:

- 1) If taxis were moved to any other class, the difference between territory 1 and the others would be smaller so it would not help taxis in territories 2, 3, and 4.
- 2) It was not clear if there were other rating variables that may be able to reflect the observed difference between the territories.
- 3) Use of a predictive model was suggested as a possible option.
- 4) The use of a different option for full credibility, other than 60,000 vehicles, was raised, such as taking into consideration the variability in experience from year to year.
- 5) One area that MPI is going to explore is grouping the more alike behaviour type of vehicles and determining what territory relativities result from that.
- 6) Another area that may be looked at is just lumping all rural territories together to determine whether the data is more consistent.
- 7) Serious losses were looked at to see what the impact might be of adding the current serious loss load for all purpose passenger vehicles or taxis onto the VFH rate.
- 8) Currently, when determining if a loss is serious, MPI does not take inflation into account but considers it an improvement they could make.
- 9) MPI could take into account potential exposure for serious losses and not just actual serious losses.
- 10) Serious losses could potentially be smoothed across the major class.

Consensus that further review and consultation is required.

7. Wrap-Up

Final comments by participants included the following:

- 1) There was a tremendous amount of learning and the discussion today was very helpful.
- 2) There is a need to broaden the scope of engagement to two key constituencies, the first being the drivers and secondly to the general population.
- 3) There should be multiple opportunities for feedback in a way that is also efficient for MPI.
- 4) It is important to obtain feedback at particular stages when implementing a change, such as a) when options are still on the table; b) when an option has been chosen and the roll out is being planned; and c) when the roll out takes place. Those are the key times. Also, it is very important to get back to the people who provided feedback.

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- 5) Participants were thankful for being asked to participate.
- 6) Drivers would be very supportive of the changes being talked about for ride sharing because it reduces an upfront cost that they currently bear and shifts it to the dispatcher, which makes sense for the TNC business model.
- 7) Quick movement forward on the Blanket Policy would be appreciated.
- 8) Some participants will go back to their members and discuss possible solutions.

Consensus that the Corporation should continue to review possible alternatives to the current VFH framework and continue to engage with stakeholders on such alternatives.