

Driver Safety Rating (DSR)

Presentation to: General Rate Application

Presented by: Satvir Jatana, Vice President and Chief Customer Officer

Jing Lang, FCIA, Director – Pricing & Portfolio Management

Tai Tong Phoa, Actuarial Analyst – Pricing & Portfolio Management

Curtis Prystupa, Manager – Product Development and Management



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Agenda

- 1) Background
- 2) PUB Order 1/21
- 3) Models Explored / Public Consultation
- 4) DSR Model / Moving Forward
- 5) Driver Safety Rating (DSR) Short Term Strategy
- 6) High Level Summary
- 7) Detailed Changes



Background

- **MPI has been engaged with the Public Utilities Board (PUB) to review the DSR and the Autopac premium rating system:**
 - **2018 GRA:**
 - ▶ PUB ordered that MPI begin consultations with the public regarding how driving records, as defined by the DSR scale should be applied to vehicle and driver premiums.
 - **2019 GRA:**
 - ▶ MPI identified potential alternate DSR models and intent to conduct further research, conduct public consultations and bring forward recommendations for DSR changes.
 - **2020 GRA:**
 - ▶ MPI reported findings on public consultation. MPI is directed to file which rating model it intends to proceed with and pricing examinations.
 - **2021 GRA:**
 - ▶ MPI files pricing examination of Registered Owner (RO) model, jurisdictional scan and declared intention to remain with current model and find ways to move premiums closer to actuarial target.



PUB Order 1/21

- **2021 Board Orders:**
 - In the 2022 GRA, the Corporation shall file proposed driver premium rates and vehicle premium discounts that are more statistically consistent with the estimated claims cost per driver for each level of the Driver Safety Rating scale, including incorporating the Driver Safety Rating into its minimum bias analysis used to set rating relativities.
 - ▶ This was filed in accordance with the Board order.
 - The Corporation shall bring forward a plan, including timelines, major milestones and implementation date, for any changes to the Driver Safety Rating model, including a date by which the Corporation will file an application for any such changes with the Board.
 - ▶ MPI maintains its position to keep the current model, however, recognizes that it may not meet PUB's expectations that MPI moves from the current model to the Primary Driver model.



Models Explored

Registered Owner Model:

“Under the Registered Owner Model, the current model used in Manitoba, a vehicle’s premium is based on the Driver Safety Rating of the registered owner of the vehicle regardless of how many other drivers drive the vehicle or the driving records of the other drivers.”

Primary Driver Model:

“Under the Primary Driver Model, a vehicle’s premium would be based on the Driver Safety Rating of the primary driver of the vehicle, the one who drives the vehicle the most.”

All Household Drivers Model:

“Under the All Household Drivers Model, the vehicle’s insurance premium would be based on the Driver Safety Rating of all the drivers in the household.”

Declared Drivers Model:

“Under the Declared Drivers Model, the vehicle’s insurance premium would be based on the Driver Safety Ratings of all the declared drivers listed on the vehicle’s policy.”

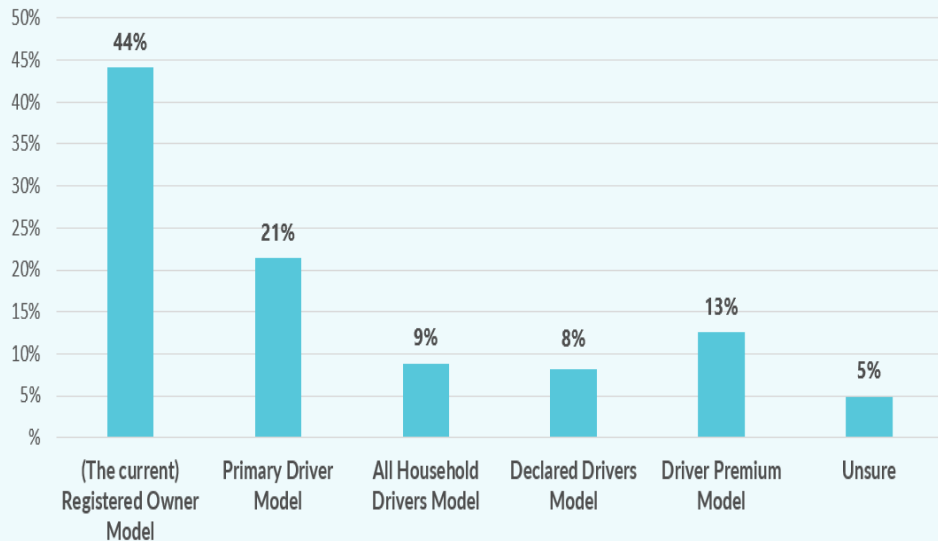
Driver Premium Model:

“Under the Driver Premium Model, people who hold a driver’s licence but do not register or insure a vehicle in their name would pay an additional “non-owner” driver premium, based on their Driver Safety Rating. The driver premium collected from these “non-owners” would be used to lower vehicle premiums for the pool of insured vehicles.”



Public Consultation Feedback

If you were to choose one of these models to use for setting vehicle and driver premiums in Manitoba, which would you choose?



- Customer Preference:
 - 44% prefer current model.
 - Customers understand, support and are accustomed to the current model.
 - Customers are able to allow other drivers to operate their vehicle without the need to take any action to maintain their regular coverage.
 - 21% prefer Primary Driver model.
- Customers consider both models equally fair.
- Good driving should be rewarded with lower premiums.
- Fair pricing is important.
- No single model is perfect.
- Little public appetite for change to a complex model.



Public Consultation Conclusion

- Manitobans chose the current model as their preferred model for setting vehicle and driver premiums.
- Manitobans value simplicity over complexity.
- Manitobans do not view any single model as “perfect”.
- MPI concluded that it was not in the best interest of Manitobans to adopt a solution that would be high cost or administratively burdensome.



DSR Model

- There is general concern that “people are gaming the system”.
 - 33% of reported collision losses where a driver was not the registered owner.
 - 9% of Motorcycle policy holders do not have a Class 6 (Motorcycle) license.
- MPI recognizes that heart of the issue we are collectively trying to solve is to ensure DSR premium discounts more accurately reflect risk.
- MPI expects the same inaccuracies that exist with the current model due to customer misreporting would repeat with the Primary Driver model.
- Adopting Primary Driver model will not address the overarching goal.
 - This model hinges largely on customer self reporting at the time of purchasing insurance.
 - This model requires customer to inform MPI of any changes to the Primary Driver.
 - MPI would need to consider implications on claims administration where someone other than the Primary Driver was driving.
- Implementing the Primary Driver model during Nova would be resource intensive and not feasible.



Moving Forward

- MPI acknowledges that shortcomings in the current model exist, but believe that these shortcomings cannot be met with adoption of Primary Driver Model.
- Other models or combinations of models may need to be explored including further analysis of previously considered models.
- The scope of any change to the core DSR model is significant and implementing this change during Nova is not viable.
- From a technology and regulatory perspective, implementing DSR model changes in a post Nova environment will pose less risk to the corporation and our customers.
- MPI will undertake a deeper dive on DSR models post Nova in consultation with our stakeholders to determine the best strategy going forward.
- MPI is committed to continue on improving the actuarial soundness of DSR in consultation with stakeholders.



Driver Safety Rating Short Term Strategy

- Provide incentives for continued safe driving for customers at/near the top of the DSR scale:
 - Expand DSR scale to +20 (in +1 annual increments)
- Make the current model more accurately reflect risk and reduce cross subsidization:
 - Move DSR discounts toward actuarial target
- Minimize rate dislocation for customers:
 - MPI recommends scale expansion and movement of DSR discounts toward actuarial target to occur over a five year period.



High Level Summary

- **New DSR level +16**
- **Higher vehicle premium discounts for DSR levels +10 to +16:**
 - +4% for DSR levels +15 and +16
 - +2% for DSR levels +11 to +14
 - +1% for DSR level +10
- **No changes to the driver premiums surcharges**
 - MPI will need to perform further analysis to determine the actuarially indicated surcharge at the driver level.



DSR level +16 - Rationale

- MPI expanding DSR scale from +15 max to at least +20, adding 1 level per year over next 5 years:

	Rating Year					
	2021 (Current)	2022	2023	2024	2025	2026
Maximum DSR Level	+15	+16	+17	+18	+19	+20

- Rationale for change:
 - Feedback received from Manitobans – “rewarding having a good driving record” is a top priority.
 - Increases perceived fairness – higher DSR level for drivers with more incident-free years.
 - Encourages and rewards safe driving for more experienced drivers.
 - Allows greater distribution of drivers on scale (1/3 of drivers at maximum DSR level +15).
 - Aligns with other Crown Insurers (i.e. SGI and ICBC).



DSR level +16 - Implementation

- **Drivers transitioning to DSR level +16 on go-forward basis:**
 - DSR level +15 drivers will require incident free year to qualify for level +16
 - Avoids need to review claims history of all DSR level +15 drivers
 - Same process for drivers at all other DSR levels
- **Implementation easiest from system perspective (only requires addition of DSR level +16):**
 - Avoids costs of identifying and placing drivers at DSR level +16 on April 1, 2022
- **Drivers at DSR level +15 move to DSR level +16 over period April 1, 2022-March 31, 2023**
 - Based on reassessment date and incident record since prior reassessment date
- **No difference in discount between DSR levels +15 and +16**
 - Fair treatment for all drivers currently at DSR level +15 - in no better or worse position



DSR Level +16 – Vehicle Premium Discount

- **2022 GRA – Same vehicle premium discount of 37% for DSR levels +15 and +16:**
 - MPI anticipates different vehicle premium discounts for DSR levels +15 and +16 by 2024 GRA
 - Allows for collection of at least 1 year of data to appropriately differentiate loss exposure
- **Benefits of being at DSR level +16:**
 - If at-fault accident, driver moves down to DSR level +11 rather than to DSR level +10
 - Vehicle premium discount at DSR level +11 is 2% more than DSR level +10 based on changes



Changes for DSR levels +10 to +16

- MPI is proposing higher vehicle premium discounts for DSR levels +10 to +16:
 - +4% for DSR levels +15 and +16
 - +2% for DSR levels +11 to +14
 - +1% for DSR level +10
- Gradual move towards actuarially indicated discounts determined based on current RO model
 - Avoids significant rate dislocations
 - Avoids increasing average base rate (i.e. undiscounted rate) by publically unacceptable 22%¹



Pricing Examination

- Required rate decrease offsets revenue loss from higher vehicle premium discounts
- Initial 2022 GRA filing (i.e June 2021) indicates breakeven overall rate decrease of -2.8%:
 - Changes to vehicle premium discounts = -2.6% premium decrease
 - Breakeven overall rate change = -0.2% premium decrease
- Updated GRA filing (October 2021) indicates breakeven overall rate decrease of -1.2%:
 - No change to proposed higher vehicle premium discounts for DSR levels +10 to +16
 - Changes to vehicle premium discounts = -2.6% premium decrease
 - Breakeven overall rate change = 1.5% premium increase



Pricing Examination - Overview

- **RO-basis (i.e. based on the DSR level of RO of vehicle to which loss cost attributed)**
 - Discount percentages/surcharge dollars reflect the collective loss experience of drivers of vehicles registered to owners with the same DSR level
- **Minimum Bias Procedure (MBP)**
 - Standard actuarial technique to isolate DSR level effect on loss costs by adjusting for exposure correlations with other rating variables
 - Procedure applied separately to PIPP and Other than PIPP
- **Data for merit eligible passenger vehicles and light trucks only (>95% of merit eligible vehicles)**
 - Other merit eligible vehicles (i.e. motorhomes/motorcycles) not used, minimal effect on results



Pricing Examination – Vehicle Premium Discount

DSR	Discount		
	Indicated	Current	Indicated less Current
15	56.0%	33.0%	23.0%
14	45.6%	30.0%	15.6%
13	44.8%	29.0%	15.8%
12	43.6%	28.0%	15.6%
11	42.1%	27.0%	15.1%
10	40.2%	26.0%	14.2%
9	37.9%	25.0%	12.9%
8	35.3%	25.0%	10.3%
7	32.2%	25.0%	7.2%
6	28.8%	20.0%	8.8%
5	25.0%	15.0%	10.0%
4	20.8%	15.0%	5.8%
3	16.2%	10.0%	6.2%
2	11.2%	10.0%	1.2%
1	5.8%	5.0%	0.8%
0	0.0%	0.0%	0.0%

- Discount percentages reflect collective loss experience of drivers of vehicles registered to owners with same DSR level
- Does not reflect relative riskiness of drivers at different DSR levels
- For all DSR levels where vehicle discount is applicable, indicated discount greater than current discount



Pricing Examination – Impact on Average Rates

DSR	Average Rate			
	Current	Indicated	Variance	% Variance
15	\$963	\$770	-\$193	-20.1%
14	\$1,045	\$988	-\$56	-5.4%
13	\$1,067	\$1,010	-\$58	-5.4%
12	\$1,102	\$1,049	-\$53	-4.8%
11	\$1,114	\$1,074	-\$39	-3.5%
10	\$1,142	\$1,123	-\$20	-1.7%
9	\$1,171	\$1,178	\$8	7.0%
8	\$1,171	\$1,229	\$58	5.0%
7	\$1,181	\$1,298	\$117	9.9%
6	\$1,268	\$1,372	\$105	8.3%
5	\$1,349	\$1,448	\$99	7.4%
4	\$1,349	\$1,529	\$180	13.4%
3	\$1,434	\$1,625	\$191	13.3%
2	\$1,428	\$1,714	\$286	20.0%
1	\$1,519	\$1,833	\$314	20.6%
0	\$1,543	\$1,877	\$334	21.7%
-1 to -20	\$1,575	\$1,916	\$341	21.7%
Total	\$1,165	\$1,165	\$0	0.0%

- Indicated discount percentages applied to 2021/22 rates
- Impact on average rate by DSR level based on applying higher indicated discounts offset by 21.7% increase in base rate required to achieve revenue neutrality
- ROs at DSR levels +10 to +15 will see lower average vehicle premiums (all others will see higher average vehicle premiums)



Pricing Examination – Proposed Changes

DSR	Discount			Sel'd less Current
	Indicated	Selected	Current	
15	56.0%	37.0%	33.0%	4.0%
14	45.6%	32.0%	30.0%	2.0%
13	44.8%	31.0%	29.0%	2.0%
12	43.6%	30.0%	28.0%	2.0%
11	42.1%	29.0%	27.0%	2.0%
10	40.2%	27.0%	26.0%	1.0%
9	37.9%	25.0%	25.0%	0.0%
8	35.3%	25.0%	25.0%	0.0%
7	32.2%	25.0%	25.0%	0.0%
6	28.8%	20.0%	20.0%	0.0%
5	25.0%	15.0%	15.0%	0.0%
4	20.8%	15.0%	15.0%	0.0%
3	16.2%	10.0%	10.0%	0.0%
2	11.2%	10.0%	10.0%	0.0%
1	5.8%	5.0%	5.0%	0.0%
0	0.0%	0.0%	0.0%	0.0%

- 22% increase in base rate (excluding other ratemaking changes) not publically acceptable
- Proposed changes reflect gradual move towards actuarially indicated vehicle premium discounts
- Higher vehicle premium discounts for ROs at DSR levels +10 to +16



Pricing Examination – Impact on Surcharges

DSR	Surcharge	
	Indicated	Current
-1	\$139	\$200
-2	\$210	\$200
-3	\$283	\$300
-4	\$359	\$400
-5	\$439	\$450
-6	\$522	\$500
-7	\$608	\$650
-8	\$698	\$800
-9	\$792	\$900
-10	\$890	\$1,000
-11	\$991	\$1,200
-12	\$1,098	\$1,400
-13	\$1,208	\$1,600
-14	\$1,324	\$1,800
-15	\$1,444	\$2,000
-16	\$1,569	\$2,200
-17	\$1,700	\$2,400
-18	\$1,837	\$2,600
-19	\$1,979	\$2,800
-20	\$2,128	\$3,000

- Table shows indicated vs. current surcharge dollars after applying 21.7% increase in base rate
- Indicated and current surcharge dollars not directly comparable
 - **Indicated** – applied at vehicle level (based on average vehicle premium)
 - **Current** – applied at driver level
- Indicated surcharge dollars represent minimum surcharge dollars for drivers with respective DSR levels



Next Steps

- MPI acknowledges moving *gradually* to actuarially indicated vehicle premium discounts means continued cross-subsidization in short term
- Shift to actuarially indicated vehicle premium discounts in 1 year would result in publically unacceptable overall premium increase
- MPI intends to consult with stakeholders on the following:
 - Appropriate timeline for moving towards actuarially indicated vehicle premium discounts
 - Acceptable cap on overall premium increase resulting from higher vehicle premium discounts
 - Acceptable cap on overall premium increase resulting from both higher vehicle premium discounts and breakeven required rate change



Vehicle for Hire (VFH)

Presentation to: General Rate Application

Presented by: Satvir Jatana, Vice President and Chief Customer Officer

Jing Lang, FCIA, Director – Pricing & Portfolio Management

Tai Tong Phoa, Actuarial Analyst – Pricing & Portfolio Management

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Agenda

- 1) History of MPI VFH Model
- 2) Results of MPI Stakeholder Engagement
- 3) Refining VFH Model – Next Steps



History of MPI VFH Model (1/2)

- **March 1, 2018 - MPI introduces a new Vehicle for Hire (VFH) insurance model**
 - MPI developed Time Band model at time where few comparators existed and the Rideshare industry was just beginning in Canada to create an environment with flexible choices for customers
 - The Time Band model approved prior to launch by PUB
 - The model performed reasonably well with exception of 3 main concerns:
 - ▶ Passenger VFH initial rating held too low (PUB ordered 20% annual increases as solution)
 - ▶ Ineffective use of Time Bands (majority of VFH stakeholders select all 4 Time Bands)
 - ▶ Blanket Policy industry standard established in other provinces for Transportation Network Companies (TNCs)



History of MPI VFH Model (2/2)

- **2019-Present - MPI considers framework and/or pricing structure enhancements to VFH model to better meet the needs of VFH customers and in doing so:**
 - Reviews the 3 year history of the existing model
 - Examines ridesharing products introduced in other Canadian jurisdictions
 - Considers the future system capabilities that Project NOVA will bring
 - Engages with various VFH stakeholders



Results of VFH Stakeholder Engagement (1/2)

- ▶ **December 2020 - VFH Dispatcher Survey**
 - Approximately 50% say current model meets business needs
 - Remaining 50% seek a blanket policy model

- ▶ **April 2021 - PUB VFH Technical Conference**
 - Stakeholder participation (i.e. CAC, TNCs, Taxi Coalition)
 - Meaningful discussion about potential changes to current model

- ▶ **Summer 2021 - Registered Owner Survey**
 - Less than 50% half say current model meets their needs
 - Majority seek fewer time bands or flat rate pricing



Results of VFH Stakeholder Engagement (2/2)

- ▶ **Spring/Summer 2021 - Detailed Consultations**
 - **Limo/Accessible VFH Groups**
 - Prefer flat rated model, state time bands ineffective
 - **TNCs**
 - TNC supports development of a Basic Blanket Policy
 - **Taxi Coalition**
 - Desire premium and communication fairness across VFH groups
 - While time bands do not meet operating needs, still value flexibly
 - ~20% of taxis would take fewer time bands or reduced hours if options aligned with business



Refining VFH Model - Next Steps

- **Present**
 - MPI continues consultations to refine VFH Framework future state
 - Key stakeholders (i.e. Taxi Coalition, TNCs)
 - SGI and ICBC
 - MPI intends to present revised VFH model to interested stakeholders in advance of the 2023 GRA for feedback
- **2022**
 - MPI presents revised VFH model to PUB in the 2023 GRA
 - Government make necessary legislative changes
- **April 1, 2023**
 - MPI implements new VFH model



CERP Change Impacts

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CERP Change Impacts – Key Findings

- **CERP Change Study** - key findings 3 months after changes (i.e. April 1 – June 30, 2021):
 1. **Customer Sentiment**
 - ▶ Overall pleased with new products and with communication and service received regarding changes
 - ▶ Majority receive enough information and advice to make an informed purchase decision
 - ▶ Only 25% of customers read renewal/reassessment notice explaining changes
 - ▶ Educating customers of changes largely handled by brokers
 2. **Quantitative**
 - ▶ **All Perils:** just over 3% chose the \$750 deductible compared to 11% forecasted
 - ▶ **Third Party Liability:** comparable with forecast as post renewal/reassessment numbers remained flat
 - ▶ **Maximum Insured Value (MIV):** comparable with forecast as customers purchasing excess value coverage declined 5.4% to 1.4% (prior to CERP, 70% of vehicles with excess coverage already valued \$50K-\$70K)
 3. **CERP Change Enhancements**
 - ▶ Renewals/reassessments did not differentiate Standard/Plus \$200 deductible (fixed July 18, 2021)
 - ▶ Less than 9% of customers - unanswered questions about rationale for changes (MPI using enhanced social media messaging to increase awareness)

