Vehicle for Hire (VFH) and Driver Safety Rating (DSR)

Presentation to: General Rate Application

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VFH History and Framework Review

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History of MPI VFH Model

- **March 1, 2018 - MPI introduced a new Vehicle for Hire (VFH) insurance model in response to Local Vehicles for Hire Act (February 28th , 2018).**

  ◦ MPI developed an insurance product for all classes of VFH within its current legislative framework

  ◦ The Time Band model

    ▸ Coverage allows for VFH operators to select desired times of coverage, tailoring their insurance costs to meet their operating needs.

  ◦ **Over time 2 main weaknesses have been identified:**

    ▸ 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)

VFH Framework Review

- **Objective:**
  - To assess overall model efficacy and gain insight and data from stakeholders to inform model revisions that better meet the needs of VFH customers.

- **Method:**

Stakeholder Engagement	Consultation with External Public Insurers	MPI Time Band Analysis

• Surveys:
  • VFH Dispatcher Survey - Dec. 2020
  • VFH Policyholder Survey - July 2021
• Focused Consultation with each stakeholder group
	• Conversations with ICBC and SGI on public VFH insurance models and VFH economies	• Analysis on VFH customer uptake across all groups

Results of VFH Stakeholder Engagement

Is the current model fair? Who should pay the premium? How should premium be determined?

- **December 2020 - VFH Dispatcher Survey**

  - Approximately 50% say current model meets business needs

    - Dispatchers were interested in both a dispatcher and a non-dispatcher purchased policy.

    - Dispatchers approved of a model being based on time of day, full time and exploring methods outside of the DSR.

- **Summer 2021 – VFH Policyholder Survey**

  - Less than 50% indicate the current model meets their needs

    - Interest in both a dispatcher and non-dispatcher purchased policies

      - 88% of customers indicated that they select all 4 time bands to ensure full coverage.

Results of VFH Stakeholder Engagement

Spring 2021 – Winter 2022- Focused Consultation with Stakeholder groups

a) Limo/Accessible VFH Groups

- Time bands ineffective
- Support for full time model

b) Transportation Network Companies

- In support for development of a basic blanket policy
- Time bands are ineffective

c) Taxi Coalition

- Time Bands do not meet operating needs but still value flexibility
- Desire to have a model that provides part time coverage
- Exploration of alternative models to rate risk

Results of External Jurisdiction Consultation

VFH Group	SGI	ICBC
Taxi, Limo and Accessible VFH	• Commercial coverage based on declared registration class • Subject to Business Recognition Program • Maintained based on claims history of VFH Group	• Commercial coverage based on declared rate class. • Subject to policyholder and listed driver factor • Maintained based on claims history of VFH Group OR • Select taxis within large Fleet companies are on a combined model
Transportation Network Companies (TNCs)	• Blanket policy- Coverage only during ridesharing periods • Paid by dispatcher • KM based • Discount or surcharge based on claims history of TNC	• Blanket policy- Coverage only during ridesharing periods • Paid by dispatcher • KM based • Discount or surcharge based on claims history of TNC

Results of MPI Time Band Analysis

Time bands are largely ineffective across all VFH groups

Current VFH Time band Use, April 2022

VFH Group (April 2022)	Vehicle Count by Time band (%)			
	1	2	3	4
Accessible VFH	0.5%	3.2%	9.1%	87.2%
Limo VFH	6.4%	8.5%	0.0%	85.1%
Passenger VFH	4.3%	3.7%	3.3%	88.7%
Taxi VFH	0.20%	0.30%	8.80%	90.7%
Grand Total	2.7%	2.7%	5.5%	89.1%

Summary of VFH framework review

1

VFH stakeholders are diverse

2

One insurance model for all does not meet customer needs

3

Time bands are ineffective for majority of customers

Proposed VFH Framework

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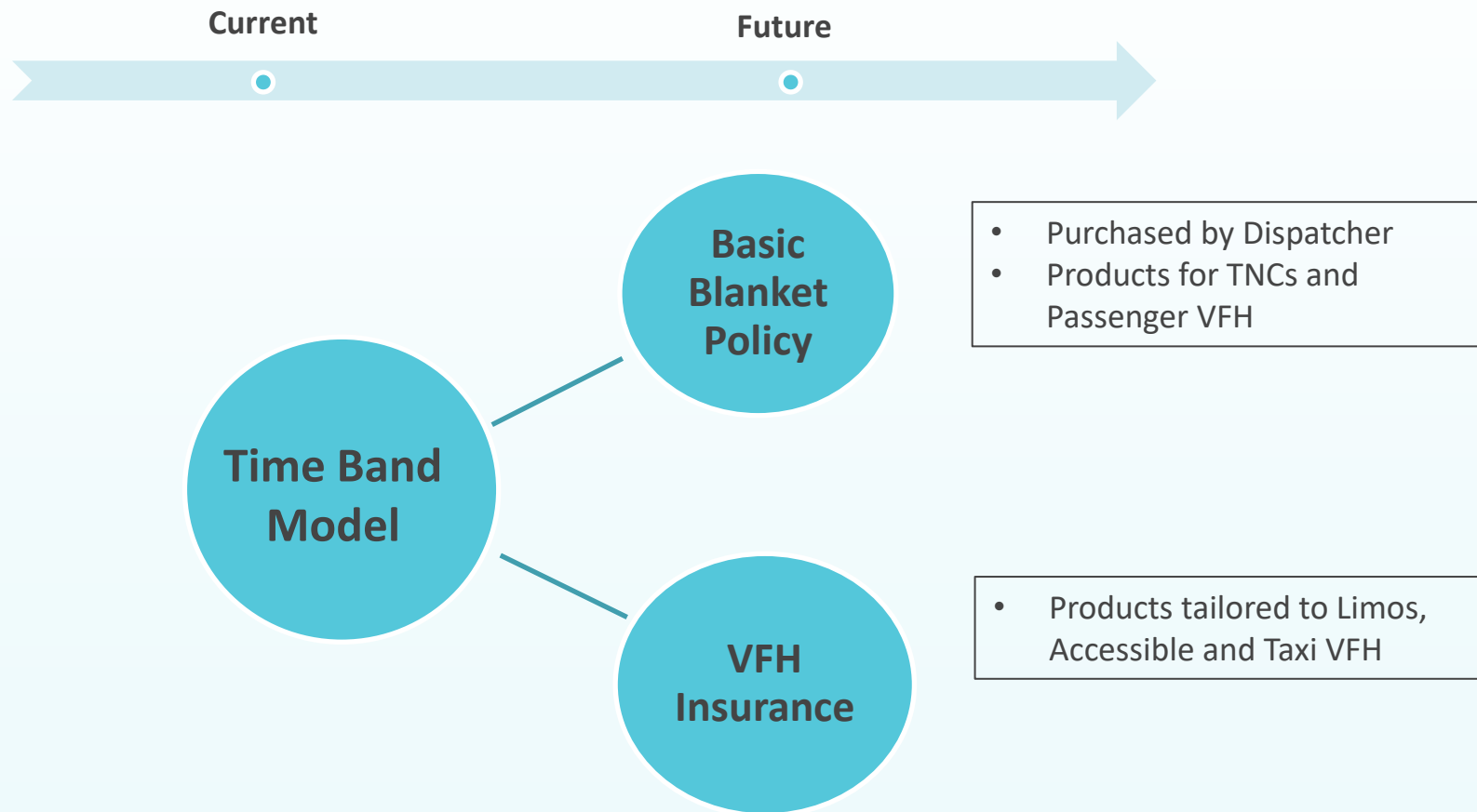
Proposed VFH Framework

VFH model will be improved to provide tailored solutions to better meet the business needs of VFH stakeholders.

- **Removal of Time Band Model**

Current

Future

Time Band Model

Basic Blanket Policy

- Purchased by Dispatcher
- Products for TNCs and Passenger VFH

VFH Insurance

- Products tailored to Limos, Accessible and Taxi VFH

Basic Blanket Policy

Solutions for the Transportation Network Companies

- Blanket Policy will be mandatory for all TNCs

- All VFH dispatchers are eligible provided they meet minimum requirements

- Dispatching company pays premium for insurance coverage during VFH operation

- Policy is priced per KM, Premium determined on a per policy basis, and includes Basic Insurance coverage

GO ONLINE   ACCEPT TRIP   PASSENGER ENTERS   PASSENGER EXITS

Period 0 (offline)	Period 1 (available)	Period 2 (en-route)	Period 3 (on trip)

Basic Insurance

REGISTERED OWNER POLICY	BASIC BLANKET POLICY
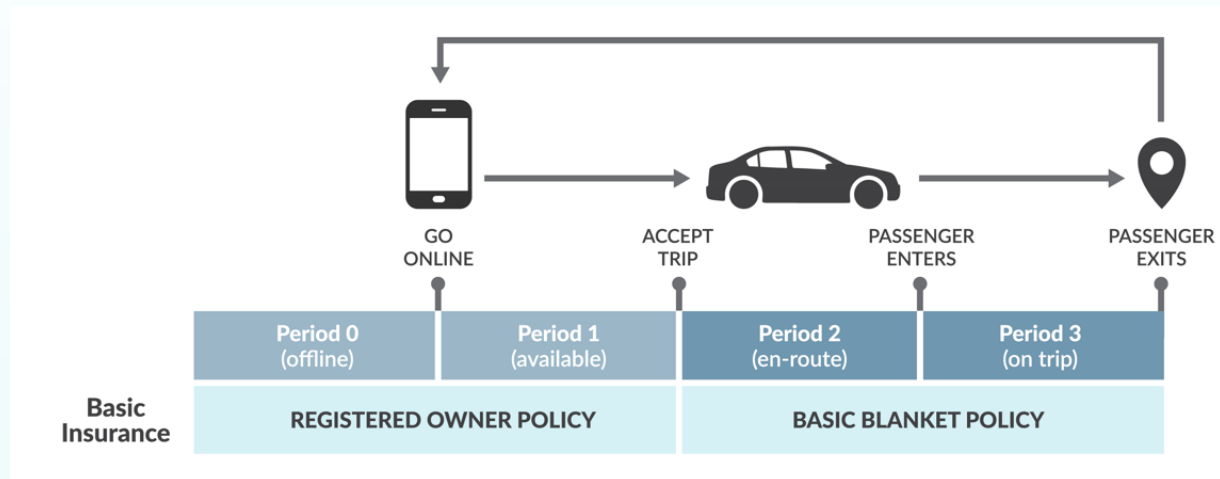
- ▶ Annual KM and Loss Reconciliation: Losses allocated to each dispatcher/ Total premium collected from dispatcher = TNC Loss Ratio ⟶ Rebate or Surcharge

VFH Insurance Use Models

Solutions for Taxis, Accessible and Limo

- VFH groups move to full time models

1. Accessible and Limo:

- Accessible VFH

- Limo VFH

2. Taxi:

- Taxi VFH

  - Part Time Taxi VFH- VFH coverage only during defined hours of commercial operation

    - MPI is currently reviewing this request and assessing the demand for a part time model

Current Status and Next Steps for VFH

- **Proposed VFH Framework**

  ◦ Actuarial analysis and development is currently being completed on the blanket policy

    ▸ finalization of product, policy and business rules

    ▸ complete product and pricing to be presented in the 2024 GRA

  ◦ Regulation work will commence in Spring 2023

VFH PUB Orders 134/21 and 1/21

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PUB Order 134/21 Directive 11.11 and 11.12

- **Directive 11.12**

  ◦ MPI filed the results of the VFH framework review

- **Directive 11.11**

  ◦ MPI has filed in accordance with the board order.

- b) **Which DSR model(s) best reflect risk and incentives to reduce risk;**

  ◦ MPI is aware that the current registered owner model with the DSR may not be the most effective in capturing risk for certain VFH groups that likely employ multiple drivers to a single vehicle.

    ▸ A more accurate model would capture the risk associated with all drivers of a vehicle.

    ▸ In 2021, MPI had presented a Risk/Incentive model positioned to capture risk more appropriately for Taxis

      - Taxi were not amenable to the proposed model within the current ratemaking methodology

PUB Order 134/21 Directive 11.11 and 11.12

- **11.11 parts d) ,f), and i)**

  ◦ **Relevant data collection to better understand Taxi VFH, Passenger VFH and the appropriateness of various metrics for VFH premium design**

  ◦ To further answer these directives MPI sent out a formal data request to all VFH dispatchers to ascertain the data they capture and their willingness to share

    - Number of fares, number of hours worked during VFH operation, cumulative hours, KMs travelled

      - Little consistency in data collection among dispatchers

      - Given variability /availability of data and industry trends, MPI believes that Kms travelled is an appropriate metric in designing VFH premium for the ridesharing economy.

      - MPI is partnering with the TC on the telematics pilot to collect data and gain further insights relative to the high taxi claims experience.

PUB Order 1/21 Directive 3

- The PUB ordered an increase of 20% for Passenger VFH in the 2022 and 2023 GRAs.

Line No.	Insurance Use	2023 Rate Model		
		Number of Vehicles	Average Dollar ($) Change	Average Percent (%) Change
1	Passenger Vehicle for Hire (Passenger Vehicle	1,034	615	19.24
2	Passenger Vehicle for Hire (Truck 4,499 kg or less GVW)	11	456	19.66
3	Taxicab Vehicle for Hire	621	54	0.65
4	Limousine Vehicle for Hire	47	-9	-0.31
5	Accessible Vehicle for Hire	168	113	4.41

Driver Safety Rating (DSR)

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DSR Model Change Process

Note: In the table below the calendar timeline runs as twelve months (J F M A M J J A S O N D) for each of Year 1 through Year 6. "X" marks a shaded (active) month for each activity.

Activity	Y1 J	F	M	A	M	J	J	A	S	O	N	D	Y2 J	F	M	A	M	J	J	A	S	O	N	D	Y3 J	F	M	A	M	J	J	A	S	O	N	D	Y4 J	F	M	A	M	J	J	A	S	O	N	D	Y5 J	F	M	A	M	J	J	A	S	O	N	D	Y6 J	F	M	A	M	J	J	A	S	O	N	D
A. Government approval*/legislative changes to collect Primary Driver		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X																																																							
B. Develop Definition and Business Rules		X	X	X	X																																																																			
C. Stakeholder Consultations						X	X	X					X	X		X	X															X	X	X						X	X	X							X																							
D. Confirm Data Requirements													X	X	X																																																									
E. Nova Release 3 Launch and production support																X	X	X	X																																																				
F. Consult with IBAM (collection of driver information)																X	X	X																																																					
G. Develop Communication Plan for information collection																X	X	X																																																					
H. System design and changes to collect Primary Driver information																				X	X	X	X																																																
I. Public Awareness Campaign re collection of Primary Driver information																						X	X																																																
J. Collect Primary Driver information																									X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
K. Pricing Examination																																					X	X	X	X	X	X																													
L. Finalize Business Rules																																								X	X	X																														
M. Identify & Draft Regulation Changes*																																								X	X																															
N. Government approval*/legislative changes to implement Primary Driver																																										X							X	X	X																					
O. Develop Transition Plan																																								X	X																															
P. Finalize Pricing																																																	X	X	X																					
Q. Submit GRA based on Primary Driver model																																																		X	X	X																			
R. System design and changes to implement Primary Driver model																																																				X	X	X																	
S. Develop education modules and other communication tools																																																				X	X	X																	
T. Activate communication plan																																																				X	X																		
U. Launch of and transition to Primary Driver Model (ends March 31, 2029)																																																										X	X	X	X										

(*) These timelines are only placeholder illustrative estimates. Government is the sole decision maker related to whether regulation or legislation amendments are to proceed, and if they are to proceed the timeline for such changes.

Household study

- Current data is limited in nature and difficult to conduct a thorough analysis necessary for alternate DSR models. Our existing data is unable to identify primary or listed drivers and does not support actuarial analysis for alternate DSR models.

- Study featured households across Manitoba with up to 10 licensed drivers of any class and/or 10 DSR eligible policies. Of these households:

  ◦ 39% of homes have a single policy and single license holder

  ◦ 15% of homes have multiple policies and a single license holder

  ◦ 13% of homes have a single policy and multiple license holders

  ◦ 33% of homes have multiple policies and multiple license holders

    ▸ Of these homes 16% have all policies rated at a single DSR level and 17% have policies rated at different DSR levels

- Through subjective assessment, MPI estimates the prevalence at a very high level of customers leveraging the inherent structure in our current DSR model is approximately 26%. Of this 26%, MPI estimates:

  ◦ 19% experience limited financial benefits

  ◦ 7% sees more significant financial benefits

- MPI is in the process of refining this analysis to determine if more accurate estimates are possible but expects limited returns.

DSR Model Options

MPI plans to assess several potential DSR model changes to determine the best option for Manitobans. DSR models considered as follows:

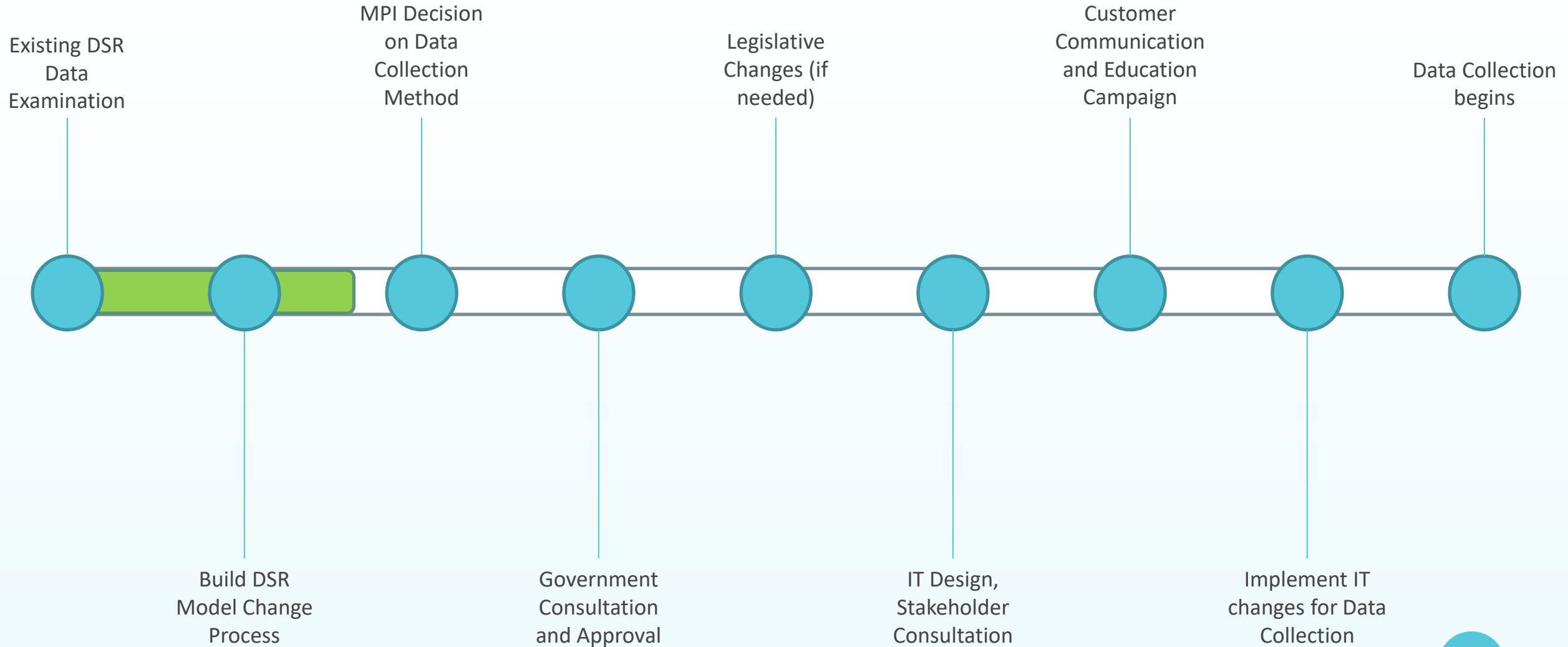|	Registered Owner (RO)	Primary Driver (PD)	Listed Driver (LD)	Primary/Listed Driver Hybrid
Policy Discount Basis:	DSR Level of RO	DSR level of PD	Calculation based on all LDs	Weighted calculation based on PD and LDs (ICBC Model)
Customer Impact:	None	High	Higher	Highest
MPI Complexity/Cost:	None	High	Higher	Highest
Risk Rating Accuracy Improvement:	Lowest	Some	More	Most
Potential Accuracy Assurance:	N/A	Surcharge at claim if PD not driving	Surcharge at claim if a LD not driving	Surcharge at claim if PD or LD not driving
Key Benefits:	No Customer Change, no Cost	Some improvement to Risk Rating Accuracy	More improvement to Risk Rating Accuracy	Most improvement to Risk Rating Accuracy
Key Shortcomings:	Lowest Risk Rating Accuracy	High Customer/MPI Impact for modest benefits, surcharge limits flexibility	Higher Customer/MPI Impact, primarily effects families	Highest Customer/MPI Impact, primarily effects families

DSR Data Collection Options

	Customer Survey	Voluntary Collection at time of interaction	Mandatory Collection at time of renewal
Overall credibility	Low	More	Most
Actuarial Soundness	None	None	Most
Legislation Complexity	None	TBD	Most
MPI Complexity/Cost	Low	More	Most
Time to Implementation	Least	More	Most
Duration Requirement	30-60 days	TBD	1 Year

Progress & Next Steps

Existing DSR Data Examination

MPI Decision on Data Collection Method

Legislative Changes (if needed)

Customer Communication and Education Campaign

Data Collection begins

Build DSR Model Change Process

Government Consultation and Approval

IT Design, Stakeholder Consultation

Implement IT changes for Data Collection

PUB Order 134/21 Directive 11.14

- The Board hereby approves the following changes to the DSR system:

  a) The top of the DSR scale shall increase from DSR +15 to DSR +16 in the 2022/23 policy year;

  b) Premium discounts for DSR Levels +15 and +16, shall increase by 4% (from 33% to 37%);

  c) Premium discounts for DSR Levels +11 to +14 shall increase by 2%; and

  d) Premium discounts for DSR Level +10 shall increase by 1%.

- This was filed in accordance with the Board order.

PUB Order 134/21 Directive 11.15

- In the 2023 GRA, the Corporation shall bring forward a DSR transition plan to manage the required increase in the base rate and year-to-year rate dislocation, while moving the DSR vehicle discounts and driver premiums to actuarial targets in a timely manner. The transition plan shall include:

    a) The methodology for moving rates from current to target and whether this approach should be purely actuarial (e.g. equal steps to move between current and target rates by DSR level) or include other policy considerations (e.g. change DSR discounts more/less depending on the size of the overall rate indication applied for each year);

    b) Whether capping rules should be applied to limit rate increases caused by DSR changes in a given year (e.g. a 5% cap on single year movements from DSR);

    c) Whether DSR vehicle discounts and driver premiums should be rounded to amounts that can be effectively communicated (e.g. if the indicated discount is 21.2% is this amount rounded down to 21% or up to 22%); and

    d) How to recognize that indicated DSR vehicle discounts will always be changing, specifically for (i) the new DSR levels +16 and (ii) potential changes in driver behavior as a result of more accurate pricing.

PUB Order 134/21 Directive 11.15

- MPI requests to defer the DSR transition plan and to have it as part of the GLM transition plan:

  - Ensure smoothness in transition to actuarially indicated DSR scale

  - Prevent frequent abrupt changes before complete transition

  - Ensure DSR transition plan encompasses all relevant factors

- The following changes are expected as a result of implementation of GLM

  - DSR discounts may change, perhaps significantly

  - DSR level to be introduced as a rating variable rather than overriding discount scheme