

CMMG (MPI) Pre-Ask 2

Part and Chapter:		Page No.:	
PUB Approved Issue No:	DSR Distribution		
Topic:			
Sub Topic:			

Preamble to IR:

In CMMG (MPI) 2-6(b) Appendix 1, there is a reference to a 'preface paper' that customers will have read for the purpose of completing the survey. It does not appear that the preface paper has been provided.

Question:

Please file the preface paper which will be provided to customers completing the Basic Insurance Model License Holder/Registered Owner Survey.

Rationale for Question:

RESPONSE:

Please refer to [Appendix 1](#).



Driver Safety Rating (DSR) Discount



MANITOBA
PUBLIC INSURANCE

Foreword

This is your invitation to share your views on the Driver Safety Rating program.

At Manitoba Public Insurance, our mission is to provide “exceptional coverage and service, affordable rates and safer roads through public auto insurance.” We want to make sure that we deliver on this mandate now and into the future. This includes obtaining your important views on how insurance rates are determined.

Pricing for your Autopac coverage depends on the following four primary factors:

- Where you live
- How you use your vehicle
- What kind of vehicle you own
- **Your driving record (as reflected in your Driver Safety Rating – DSR)**

The DSR system is a key factor in how much individual drivers pay for licensing and insurance, and one over which drivers have control. It was introduced in January 2010 to recognize safe driving behaviour for individual drivers in a fair and simple way. Minor changes have been made to the system over the years to ensure that the DSR scale continues to represent the risk of each Manitoba driver.

The Public Utilities Board (PUB) has ordered that we review the DSR model as part of the Autopac premium rating system to ensure the rates charged to our customers reflect their risk as best as possible. Overall, premiums collected are adequate to cover the costs of auto insurance claims. Our objective today is to determine if there is a more accurate and fair way to allocate or divide premium based on driver risk. As part of the review, we have committed to consult with you – the public – regarding how you believe driving records, as defined by the DSR scale, should be applied to vehicle insurance policy discounts.

We welcome your input on our current DSR program and on potential alternatives we are considering.

We recognize that any changes could impact individual Manitobans, depending on their specific circumstances differently. As such, we are inviting you to review this paper and encouraging you to share your views with us.

We thank you in advance for your participation in this important initiative. Your feedback is very important to us.

Driver Safety Rating scale

	DSR LEVEL	DRIVER PREMIUM	VEHICLE PREMIUM DISCOUNT
NEW	+17	\$15	40%
	+16	\$15	40%
	+15	\$15	40%
	+14	\$20	34%
	+13	\$20	33%
	+12	\$20	32%
	+11	\$20	31%
	+10	\$20	29%
	+9	\$25	27%
	+8	\$30	26%
	+7	\$30	26%
	+6	\$30	21%
	+5	\$30	16%
	+4	\$30	16%
	+3	\$35	11%
	+2	\$35	10%
	+1	\$40	5%
	0 (BASE)	\$45	0%
	-1	\$200	0%
	-2	\$200	0%
	-3	\$300	0%
	-4	\$400	0%
	-5	\$450	0%
	-6	\$500	0%
	-7	\$650	0%
	-8	\$800	0%
	-9	\$900	0%
	-10	\$1,000	0%
	-11	\$1,200	0%
	-12	\$1,400	0%
	-13	\$1,600	0%
	-14	\$1,800	0%
	-15	\$2,000	0%
	-16	\$2,200	0%
	-17	\$2,400	0%
	-18	\$2,600	0%
	-19	\$2,800	0%
	-20	\$3,000	0%

Introduction

As a not-for-profit Crown corporation, we are accountable to you and committed to:

- Guaranteeing all Manitobans access to Basic automobile insurance.
- Setting rates fairly by matching Autopac premiums to claims risk and submitting
- Basic Autopac rates to the PUB for independent review and approval.
- Giving you the most complete auto insurance protection in North America.
- Making Autopac services accessible throughout Manitoba.
- Settling claims fairly and promptly.
- Promoting road safety to help prevent traffic collisions and keep insurance costs down.

Founding principles

Manitoba Public Insurance began operations in 1971 to provide basic, compulsory insurance coverage, which became known as Autopac. With the introduction of the Autopac program, both vehicles and drivers have been required to be insured. This reduced the number of uninsured vehicles and drivers on Manitoba roads, kept administrative costs low and increased customer convenience, as it combined two processes (driver licensing and insurance issuance) that had previously been completed separately.

A key founding principle of the Autopac program was guaranteed access to coverage – no one should be denied insurance. Prior to the Autopac program, insurers were able to deny some customers insurance if they felt that the risk was too high, resulting in uninsured drivers.

Another important founding principle of Autopac was fairness. The plan does not use non-driving rating factors such as credit score, gender, or age to determine auto insurance rates. This makes Autopac more accessible and affordable for less experienced drivers.

How your Autopac premium is set

The concept of insurance is based on the fact that it spreads out the cost of claims among many people, so no one has to face the cost of a claim alone. For one person, the cost from an accident could cause significant financial hardship, or even bankruptcy. Spread among many people, the cost becomes affordable.

All auto insurance plans, including Autopac, group you with others. You are grouped with others who live in a similar area, own similar vehicles and use their vehicles like you do.

The money collected from everyone in your group covers you if you have a claim. In exchange for that protection, you share your group's costs through your premiums. In part, your premiums depend on how much your group has cost the insurance fund.

Reducing risk on the road

One of the ways that we seek to keep premiums low is to work with Manitobans to reduce risk on the road through the promotion of safe driving. Our DSR system is one of the tools we use for this; it encourages drivers to act responsibly when they are behind the wheel. The benefits of the system include rewarding good driving behaviour, while charging drivers with histories of poor driving behaviour a higher premium, based on their risk, using an easy-to-understand numerical scale (DSR scale).

Pricing risk on the road

Currently, the DSR level of the registered owner of the vehicle has a large impact on the cost of vehicle insurance. If the registered owner has a positive DSR, he or she will be eligible for a discount on their vehicle insurance. On the other hand, if their DSR is negative, they will not be eligible for a discount on their vehicle insurance and may be required to pay a surcharge on their driver's licence.

In many cases, the registered owner is not the only driver of the vehicle. Many people could be driving the same vehicle at different times and the drivers could have different DSR levels.

The PUB has asked us to investigate to see if there is a better way to price vehicle risk, including when more than one driver uses a vehicle. The goal of any change is to allow us to more accurately determine vehicle and driver premiums based on the risk associated with drivers of a vehicle and to continue to encourage safe driving.

Driver premium and vehicle premium

In Manitoba, the costs of the auto insurance plan (which includes coverage for physical damage, property damage and bodily injury claims) are covered through two sources: driver insurance premiums and vehicle insurance premiums. The driver insurance premium (ranging from \$15 to \$3,000, depending on the licence holder's DSR level) is charged on every Manitoban's driver's licence. Collecting this premium ensures that all Manitoba drivers share some of the risk of accidents, regardless of whether they insure a vehicle or not.

Vehicle insurance premiums cover most of the costs of the auto insurance plan. Pricing for vehicle premiums depends on where you live, how the vehicle is used, the kind of vehicle you own, and the registered owner's DSR level.

The DSR system and current Autopac premium pricing model

Your position on the DSR scale depends on your driving record, which reflects your years of safe driving, and your accident and traffic conviction history. Driving safely moves you up the scale, which can lower the costs of your driver's licence and your vehicle insurance. Your DSR level and resulting premiums can change based on your driving record over the past year, including any traffic convictions, at-fault claims or alcohol- or drug-related administrative suspensions.

The main goal of the DSR system is to charge drivers an appropriate premium based on their risk level. A customer's DSR level is a rating indicator and MPI does not intend to charge any more than necessary to cover the expected risk.

Today, we use what is referred to as the Registered Owner Model to determine a vehicle's premium discount (between 0 and 40 per cent). Under this model, we use the DSR level of the registered owner of the vehicle to calculate the vehicle insurance premium discount, regardless of how many other drivers drive the vehicle or the driving records of the other drivers.

The DSR scale on the following page shows the current driver premium and vehicle premium discount at each level.

What this means

A vehicle could be insured by a driver with a +17 DSR but driven by drivers with lower DSR levels (who present a higher risk). In this example, the risk portion of the vehicle insurance premium may not be as accurately priced as it could be under other models.

Proposed alternatives

Insurance can be a complicated topic and our intent at this time is to make you aware of some different alternatives. Manitoba Public Insurance is reviewing alternative concepts to determine whether there are any clear advantages to changing the way we determine auto insurance premiums in Manitoba.

Overall, the premiums collected today are adequate to cover the costs of auto insurance claims. As mentioned earlier, the DSR risk scale has been proven to be very accurate in predicting driver risk (i.e., at-fault accidents). The validity of the risk scale is not in question. At this time, we are not evaluating the other rating factors that comprise your insurance rates (where you live, how you use the vehicle, or the vehicle type). Our objective is to determine if there is a more accurate and fair way to determine vehicle insurance premium discounts based on driver risk.

The PUB has instructed MPI to determine rates in a more "actuarially sound" way. This might seem complicated. Essentially, it refers to applying statistical methods and risk theory to calculate insurance premiums. The closer the price of insurance to the risk, the more actuarially sound the price. Or, in other words, a vehicle driven by driver(s) higher on the DSR scale receiving a better discount compared to a vehicle driven by driver(s) lower on the DSR scale receiving a lesser discount is more actuarially sound.

The following alternative concepts to the Registered Owner Model have been identified and we are inviting Manitobans to share their views on them. There are different ways of applying each concept and your feedback will help us develop definitions and rules.

Primary Driver Model

Under the Primary Driver Model, a vehicle's premium discount is based on the DSR level of the primary driver of the vehicle (the person who spends the most time driving the vehicle) rather than the registered owner. The registered owner would be required to identify the primary driver for the vehicle and ensure that this information is updated every time it changes.

What this means

The owner of the vehicle would pay vehicle premiums based on the risk presented by the primary driver of the vehicle, rather than the owner of the vehicle.

Listed Driver Model

Under the Listed Driver Model, a vehicle's premium discount is based on the DSR level all drivers of the vehicle. The registered owner would be required to identify all people that will drive the vehicle and ensure that this information is updated every time it changes.

What this means

The owner of the vehicle would pay vehicle premiums based on the risk presented by all drivers of the vehicle, rather than the owner of the vehicle. The premium discount could be calculated by averaging the DSR of all listed drivers, using the lowest or highest DSR or several other possible calculations.

Combined Driver Model

Under the Combined Driver Model, a vehicle's premium discount is based on the DSR level all drivers of the vehicle with a higher portion of the premium discount based on the DSR of the primary driver and a lower portion of the premium discount based on the listed drivers. The registered owner would be required to identify both the primary driver and all other people that will drive the vehicle and ensure that this information is updated every time it changes.

What this means

The owner of the vehicle would pay vehicle premiums based on the risk presented by all drivers of the vehicle, rather than the owner of the vehicle, with more weight applied to the primary driver. The Combined Driver model could be calculated by attributing a percentage (75% for example) of the premium discount on the primary driver of the vehicle and the remaining percentage (25% for example) of the premium discount based on the listed drivers (see potential calculation methods for listed drivers in the Listed Driver Models section).

Personal impacts

We understand that the potential impact of each model on Manitobans will depend on each person's individual circumstances; for example, the number of vehicles in the household, the number of drivers in the household, and the frequency or amount of vehicle use by different drivers in the household.

Each model has advantages and disadvantages compared to the other models considering reporting requirements, and risk rating accuracy. Generally speaking, it is anticipated that as accuracy in pricing risk increases, so do the reporting requirements.

It is not possible to determine exactly what the impact on DSR discounts and therefore overall insurance premiums will be for each customer in each model simply because we currently lack driver information about each vehicle. Because of this, before deciding on the future model, we plan to collect primary and listed driver information from registered owners to be used for analysis to help determine the best choice for Manitobans.

Ultimately, our objective is to determine if there is a more accurate and fair way to allocate or divide premium based on driver risk. Your opinion, in addition to our analysis, will be used to help guide us in achieving this objective.