

PUB (TC) 1-4

Volume and Chapter:	Pre-Filed Testimony of Jeff Crozier and Patrick Bowman 2.5 MPI's fleet program offers prompt and effective incentives to avoid at fault collisions	Page No.:	11-13
PUB Approved Issue No:	1. Requested Vehicle Rate and Any Changes to Other Fees and Discounts; 12. Claims experience to date for the VFH class		
Topic:			
Sub Topic:			

Preamble to IR (If Any):

Mr. Crozier has noted:

"One notable gap in the incentive structure provided by MPI, is that corporately owned VFH, and corporate customers with small fleets (less than 10 vehicles) generally, are not eligible for any form of vehicle premium discount, either through the Fleet Program, or the DSR Program."

Small corporate customers (fewer than 10 vehicles) are unduly discriminated against, as incentives through either the DSR Program or the Fleet Program are unavailable to them.

Mr. Crozier has recommended that the PUB should also find that MPI's proposed solution must address the gap in incentives available to small corporate customers (with fewer than 10 vehicles).

Question:

- a) Please indicate the number of taxi companies that currently qualify for fleet rating and the reasons why other fleets in the TC do not qualify. Please elaborate on the perceived discrimination.
- b) Would Mr. Crozer agree that smaller fleets experience would be more random relative to larger fleets and that they could be subject to more volatility of year to year claims experience, due to the lower exposure inherent from fewer units in the fleet?
- c) Does the Taxi Coalition have any evidence that small corporate customers (with fewer than 10 vehicles) are being overcharged relative to their loss experience?
- d) Can the Taxi Coalition suggest a solution that would provide an appropriate incentive to small corporate customers, reflecting the smaller number of vehicles, and hence more volatile loss ratios of these customers (due to the law of large numbers)?
- e) What size of fleets should be used to qualify for the fleet rate program and why?

Rationale for Question:

To determine if the Taxi Coalition has a proposed solution for small corporate customers.

RESPONSE:

- a) Mr. Crozier has been advised that the largest owner-operator within the Taxi Coalition has 6 vehicles. Accordingly, no owner-operator 'fleets' within the Taxi Coalition qualify for MPI's Fleet Program.

The discrimination exists in that (multi-owner) corporate customers with fewer than 10 vehicles are not eligible for the MPI's Fleet Program (owing to the fact that they do not meet the 10 vehicle threshold), nor are they eligible for the DSR Program (owing to the fact that ownership is structured as a multi-owner corporation). MPI has highlighted an option for single owner corporations to participate in the DSR Program.

There is a gap in incentive program availability, which could be corrected through program design.

- b) There is no known data on the record to conclude that smaller fleet experience would be more random than larger fleet experience. The experience of larger versus smaller fleets would presumably be impacted by the drivers operating those fleets, and other 'deterministic' characteristics such as distance travelled or time on road (those factors MPI identified in response to TC(MPI) 1-8 (c&d)). There may also be an element of pure randomness, that could increase with fleet size (more vehicles on the road, having a greater chance of random collision).

Mr. Crozier notes that in response to TC(MPI)1-15(d), MPI stated that:

“volatility of year-to-year rates would likely also increase for customers with less than 10 vehicles (i.e. MPI expects fleets with a small number of vehicles to have more volatile rates than larger fleets). As the fleet size decreases, the financial impact of a single claim would be more significant to those customers with fewer vehicles in their fleet”

and can agree with MPI's observation about volatility, and financial impact. Mr. Crozier notes that the strength of the incentive should increase with financial impact.

- c) No. The concern is about incentives that are unavailable to a small sub-set of customers, as a result of program design.
- d) Small multi-owner corporate customers are likely excluded from DSR Program incentives because there is no single DSR rating on which to base a vehicle premium discount (that issue is addressed for single owner corporations through additional administration). Options to correct this might include determining a DSR discount based on drivers of the small fleets, or decreasing the minimum fleet size to allow small corporate customers to participate in the existing Fleet Program (although this approach would likely increase volatility at some point). A pilot program may allow MPI to study the effects on volatility, gauge interest and effectiveness, while limiting the administrative impact to the Fleet Program. If not limited to small multi-owner corporate fleets, such a pilot could be open to small

VFH fleets. These are conceptual proposals, and MPI is best positioned to propose a detailed and feasible solution.

Please also note that modifications to the Fleet or DSR Programs, may require changes to regulations under the MPIC Act.

- e) Unknown. There is no data known to be on the record that could be used to investigate this issue.

Based on the response to TC(MPI) 1-15(a), the current threshold appears to have been judgmentally selected, and has not changed since 1974. If the fleet size threshold was based on an analysis prior to 1974, it seems plausible that analysis might lead to a different conclusion today.