

**TC (MPI) 2-13**

<b>Part and Chapter:</b>	<b>TC (MPI) 1-15</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>	<b>1, 2, 11, 12</b>		
<b>Topic:</b>	<b>Fleet Rebate Program</b>		
<b>Sub Topic:</b>			

**Preamble to IR:**

In response to TC (MPI) 1-15) (a), MPI states:

*"The fleet program was designed to provide a financial incentive for vehicle owners to implement a fleet management program to reduce losses arising from automobile accidents."*

In response to TC (MPI) 1-15) (c), MPI states:

*"The current design of the fleet program enables fleet customers to earn the same maximum 33% discount as individual customers (i.e. those not in the fleet program). Vehicles in the fleet program are rated the same as individual customers (i.e. same territory, same insurance use, etc.)."*

In response to TC (MPI) 1-15) (e), MPI states:

*"The current incentives encourage good driving behavior. MPI believes that the maximum discount of 33% afforded to both fleet and non-fleet customers is fair and does not favour one group over the other."*

**Question:**

- 
- a) Please confirm that one year of good experience in the fleet program will result in an immediate discount of 33%, whereas it may take many years for an individual driver to climb the DSR scale to enjoy that level of discount.
- b) Please confirm that corporate customers, with less than 10 vehicles are not eligible for any form of vehicle premium discount (either through the DSR, or fleet program).
- c) Please confirm that loss experience in the fleet program is based on at-fault claims, or based on the degree of responsibility for the claims cost (excepting comprehensive claims).
- d) Please confirm that the incentives for at-fault accident free driving would increase, as eligibility for the fleet program is expanded, as the financial impact of a single claim on discount/surcharges is increasingly more significant.
- e) Please estimate the degree of administrative effort to administer the Fleet Program, if eligibility was expanded to include taxi fleets between 2 and 7 vehicles. Please then estimate the degree of administrative effort if participation in the fleet program was limited to 20 taxi fleet owners.
- f) Please discuss any regulatory constraints to expanding participation in the fleet program, for the coming test year, and beyond.
- g) Please discuss the merits of expanding eligibility of the fleet program on a pilot project basis, considering benefits (which might include understanding the responsiveness of taxi operators to enhanced incentives), and the costs (which might include increased administrative or regulatory burden).

**Rationale for Question:**

To more fully understand the incentives of the fleet program.

**RESPONSE:**

- a) Confirmed. To obtain the maximum discount of 33%, a fleet customer is required to have a loss ratio of 37% or lower within the assessment year.
- b) Corporate customers with less than 10 vehicles are not eligible for any form of vehicle premium discount, either through the Driver Safety Rating (DSR), or fleet program. However, a single-owner limited company can enter into a right of possession agreement, to make the sole owner the registered owner. The registered owner's driver's license is then used to determine the DSR Vehicle Premium Discount.
- c) With the exception of comprehensive claims, which are entirely included in the loss ratio calculation, claims are included according to the degree of responsibility. For example, if the fleet driver is held 40% responsible in a claim, only 40% of this claim's cost is charged to the fleet experience.
- d) The incentives for at-fault accident free driving increase as a fleet customer moves up the rebate scale, which is a function of their loss ratio for the assessment year. This is independent of expanding eligibility for the fleet program by decreasing the number of vehicles required to enter into the fleet program. However, if the fleet size were to decrease, the financial impact of a single claim on discount/surcharges would become increasingly more significant.
- e) There are currently 48 instances of a single owner having between 2 and 7 taxis registered in their name. The effort required to expand the Fleet Program to include all of these "taxi fleets" would be significant. As MPI adds approximately 150 new qualifying customers each year, the resulting additional 48 fleet customers would require an increase in effort of over 30%. Once these customers are set up in the Fleet Program, MPI will also need to manage them in the program. MPI is currently unable to process the volume of new customers in the current Fleet Program and would incur significant costs (i.e. additional staff) in

order to accommodate an increase in the number of Fleet Program customers. The administrators of the Fleet Program manually complete registrations, conduct quarterly and annual assessments, manually adjust customer files and corresponding loss experiences and respond to all Fleet customer inquiries and issues. If the Fleet Program were limited to only 20 taxi fleet owners, the resulting degree of administrative effort would decrease but would still require significant effort from existing staff.

- f) The Automobile Insurance Plan Regulation, Man. Reg. 49/2019 establishes the business rules for participation in the Fleet Program. Any changes to expand participation in the Fleet Program would require regulation changes. Given the current timetable of approximately 18 to 24 months needed to enact such changes, MPI does not believe it is feasible to expect it to make any changes in time for the coming test year.
- g) As discussed in the above responses to e) and f), there are significant administrative costs and regulatory burdens that need to be overcome in order to consider expanding eligibility of the fleet program, even on a pilot project basis. Moreover, there is a significant risk to the taxi fleet owners of allowing such a small number of vehicles to be defined as a fleet, and gain entry into the Fleet Program. Unlike the DSR scale that is used to calculate rebates and surcharges for individual vehicle owners, the Fleet Program promotes safety through a sliding scale of rebates and surcharges based on the annual loss experience of a customer (i.e. the loss ratio), which considers the severity of a claim. Allowing taxis to enter the Fleet Program will greatly increase the financial impact of a single claim for the registered owner resulting in rebate/surcharges becoming increasingly more significant. As such, MPI does not believe that taxi owners with 2 to 7 vehicles registered to them should be eligible for enrollment in the Fleet Program.

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