

**MANITOBA PUBLIC INSURANCE**  
2024 GENERAL RATE APPLICATION  
Round 2 Information Requests  
September 6, 2023

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Taxi Coalition (TC)



**MANITOBA  
PUBLIC INSURANCE**

**TC (MPI) 2-1**

<b>Part and Chapter:</b>	<b>TC(MPI) 1-31 Part XI- Investments</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>	<b>9) Performance of the investment portfolio 19) Interest Rate Forecast</b>		
<b>Topic:</b>	<b>Inflation Forecast</b>		
<b>Sub Topic:</b>			

**Preamble to IR:**

MPI confirms the RBC inflation forecast included in the GRA is correct.

**Question:**

- a) Please provide an updated inflation forecast from RBC, if one exists, and please comment on any changes in the forecast from the one included in the GRA.
- b) Please calculate the impact of excluding the RBC outlier, and/or updating the RBC forecast, on the average of the bank forecast. Please also estimate the impact of the inflation forecast change on 'downstream' calculations in the GRA.

**Rationale for Question:**

To fully understand the impact of the RBC inflation forecast on the current application, and the impact of removing/ameliorating the outlier.

**RESPONSE:**

- a) Royal Bank of Canada (RBC) confirmed that the 5.1% forecast was not correct. The actual Q1 2024 forecast as of March 31, 2023 was 2.0%.

The updated Q1 2024 forecast, after correcting RBC's forecast, is 2.5%, which is down from 3.0%.

- b) There are no downstream effects as MPI uses the Manitoba Consumer price index (CPI) in the GRA calculation, not national CPI, and the Manitoba CPI was not affected by this change.

**TC (MPI) 2-2**

<b>Part and Chapter:</b>	<b>TC (MPI) 1-22 PUB (MPI) 1-10</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>	<b>19) Interest Rate Forecast</b>		
<b>Topic:</b>	<b>Naïve Interest Rate Forecast</b>		
<b>Sub Topic:</b>			

**Preamble to IR:**

MPI provided data and analysis with respect to the 'big bank' interest rate forecasts in response to PUB and TC information requests.

**Question:**

- a) For Figure 1 of PUB(MPI) 1-10 please provide the dates (or quarterly date ranges) over which the forecast values were published, the date range to which the forecast applies, and the date range to which the actual value applies.
- b) Please comment on the trend since the 2020 GRA that bank forecasts, and 50/50, have smaller differences from forecast than the naïve.
- c) Please discuss the implications of consistently underestimating or overestimating the interest rate forecast.

**Rationale for Question:**

To fully understand MPI's approach to interest rate forecasting.

**RESPONSE:**

- a) The interest rate forecasts for each GRA were published immediately prior to the filing of each respective GRA (i.e., March – June of each year). The date range to

which those forecasts applied was Q1 to Q4 of the fiscal year *following* the GRA. The actual values are from March 31 of each year.

- b) Since the 2020 GRA, on average, bank forecasts and the 50/50 had smaller differences from forecast than the naïve forecast (+5 bps & -10 bps vs. -24 bps respectively). However, over a longer period (i.e., from the 2005 GRA to the 2023 GRA), on average, bank forecasts and the 50/50 show significantly larger differences from forecast than the naïve (+44 bps & +26 bps vs. +8 bps respectively).
- c) From a liability perspective, one implication of consistently underestimating (or overestimating) the interest rate forecast is that the present value of the liabilities will be higher (or lower in the case of overestimation) than would otherwise be the case.

From an asset perspective, one implication of consistently underestimating (or overestimating) the interest rate forecast is that the investment income will be lower (or higher in the case of overestimating) than would otherwise be the case. Another implication is that the valuation of the assets would have been higher (or lower in the case of overestimating) than would otherwise be the case.

**TC (MPI) 2-3**

<b>Part and Chapter:</b>	<b>TC (MPI) 1-28</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>	<b>8) Capital Management Plan</b>		
<b>Topic:</b>	<b>MCT Ratios</b>		
<b>Sub Topic:</b>			

**Preamble to IR:**

In response to the following TC question:

- a) Please explain MPI's rationale for the apparent asymmetry in rebate and rebuild provisions, in that rebates are planned based on fiscal year end actuals, and rebuilds are based on a forecast to the beginning of the rating period. Please discuss any fairness concerns, particularly in light of MPI's projected trend of growing MCT ratios.

MPI stated:

*Rebates are paid from excess capital built up from past premiums, meaning any excess should be returned to the ratepayers who contributed to the excess capital. A capital build needs to be based on a forecast because it occurs in the future. MPI recognizes that the deficiency is historical in nature, but MPI cannot go back and collect funds from past ratepayers.*

The TC question was intended to explore the implications of rebate and rebuild triggers at different points in time (at the end of fiscal year, or beginning of the rating year, respectively).

**Question:**

- a) Please elaborate on any known or perceived benefits or pitfalls to the trigger for rebate or surcharge occurring at the same point in time, whether at the end of a fiscal year, or the beginning of a rating year.
- b) When MPI states "any excess should be returned to the ratepayers who contributed to the excess capital", in what ways does MPI understand the set of customers at time T is different from the set at time T-n, or T+n, (where n is some unit of time). Over what value of n does MPI believe the difference in customer sets becomes material?

**Rationale for Question:**

To understand MPI's rationale for rebuild and rebate provisions in the CMP.

**RESPONSE:**

- a) It is not possible for the triggers for rebate or capital build to occur at the same point in time. The trigger for rebate is based on the most recent year end audited MCT, whereas the trigger for capital build is based on a 5 -year projection including any assumed excess extension transfers.
- b) As MPI is the sole provider of universal basic coverage, the population of ratepayers can be expected to be stable over time. MPI believes it is just and reasonable to return excess capital to the contributing ratepayers (accepting that there will be relatively small shifts in that population over time).

MPI does not have a materiality threshold for the value of N where difference in customer sets becomes material.

**TC (MPI) 2-4**

<b>Part and Chapter:</b>	<b>TC (MPI) 1-25 Part VII – Risk Classification</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>	<b>4) Compliance with Order 4/23 and 35/23</b>		
<b>Topic:</b>	<b>GLM Implementation Plan</b>		
<b>Sub Topic:</b>			

**Preamble to IR:**

The TC asked:

- f) Please provide details of any anticipated one-time or ongoing costs related to data acquisition and management to support the GLM model. Please categorize each of these costs as attributable only to GLM, or whether the costs are shared with other MPI initiatives. By way of example, the costs associated with collecting primary driver information, which is consistent with PUB’s direction to move away from the registered owner model.

And MPI replied:

*There are no anticipated one-time or ongoing costs, at this stage, related to data acquisition and management, solely attributable to the implementation of GLM based ratemaking.*

**Question:**

Please explain if there are costs associated with GLM that are attributable to GLM in combination with other initiatives, and to the extent possible, identify the share of the costs associated with GLM. Please provide these forecast costs, broken down by initiative, through the test period.



**Rationale for Question:**

To understand the full extent of initiatives costs associated with GLM adoption.

**RESPONSE:**

There are no anticipated additional costs associated with Generalized Linear Model (GLM) that are attributable to GLM in combination with other initiatives.

**TC (MPI) 2-5**

<b>Part and Chapter:</b>	<b>TC(MPI) 1-3 Part VII – RI Appendix 3</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>			
<b>Topic:</b>	<b>Public Major Class Accident Benefits IRI and Other</b>		
<b>Sub Topic:</b>			

**Preamble to IR:**

In TC(MPI) 1-3, TC was referring to the following tables, found on pages 27-30 of Part VII RI Appendix 3:

June 15, 2023

2024 GENERAL RATE APPLICATION  
Part VII - RI Appendix 3

**Table 7  
Accident Benefits - IRI  
Major Class 03 - Public**

Accident Year	Number of Units	Incurred Claims	Serious Incurred Claims	Other Incurred Claims	Serious Loss Devt Factor	Other Loss Devt Factor	Selected Trend	Trend Factor	Serious Losses Weight	Other Losses Weight	Adjusted Pure Premium			Pure Premium No Trend
											Serious Losses	Other Losses	Total	
09/10	10,492	2,166,094	1,272,896	893,197	1.0350	1.0350	-1.00%	0.8557	0.00%	0.00%	107.46	75.40	182.86	213.68
10/11	10,348	958,917	336,733	622,184	1.0485	1.0485	-1.00%	0.8644	0.00%	0.00%	29.49	54.50	83.99	97.17
11/12	10,928	1,578,842	711,252	867,591	1.0473	1.0473	-1.00%	0.8731	0.00%	0.00%	59.51	72.59	132.10	151.30
12/13	11,080	2,350,230	1,323,314	1,026,916	1.0407	1.0407	-1.00%	0.8819	0.00%	0.00%	109.62	85.07	194.69	220.75
13/14	11,667	2,028,562	1,210,098	818,464	1.0597	1.0597	-1.00%	0.8909	10.00%	10.00%	97.91	66.22	164.14	184.25
14/15	12,247	1,050,930	512,905	538,025	1.0587	1.0587	-1.00%	0.8998	10.00%	10.00%	39.90	41.85	81.75	90.84
15/16	12,313	2,804,936	2,379,821	425,115	1.0581	1.0581	-1.00%	0.9089	10.00%	10.00%	185.87	33.20	219.08	241.02
16/17	12,291	2,572,096	1,406,660	1,165,435	1.0576	1.0576	-1.00%	0.9181	10.00%	10.00%	111.13	92.07	203.21	221.33
17/18	12,882	2,588,337	1,993,312	595,026	1.0573	1.0573	-1.00%	0.9274	10.00%	10.00%	151.72	45.29	197.01	212.44
18/19	12,840	2,037,536	1,421,210	616,326	1.0725	1.0725	-1.00%	0.9368	10.00%	10.00%	111.20	48.23	159.43	170.19
19/20	12,934	2,564,930	1,492,536	1,072,394	1.1059	1.1059	-1.00%	0.9462	10.00%	10.00%	120.75	86.76	207.51	219.31
20/21	10,732	499,853	0	499,853	1.1785	1.1785	-1.00%	0.9558	10.00%	10.00%	0.00	52.46	52.46	54.89
21/22	11,112	508,507	0	508,507	2.8730	2.8730	-1.00%	0.9654	10.00%	10.00%	0.00	126.93	126.93	131.47
22/23	12,594	570,618	125,000	445,618	5.5037	5.5037	-1.00%	0.9752	10.00%	10.00%	53.27	189.90	243.17	249.36

Average Adjusted Pure Premium

\$ 165.47

Predicted Pure Premium :

2024/2025 Insurance Year

\$ 165.47

2023/2024 Insurance Year

\$ 167.14

The first round questions were referring to the highlighted column in the screen shot above (and similarly titled columns in the other tables). MPI's response does not appear to reference this data.

**Question:**

- a) Please explain which columns MPI's response to TC(MPI) 1-3 refers.
- b) If the initial response did not refer to the highlighted column, please respond to the initial question, referencing the highlighted column.
- c) Please provide sample calculations to derive each of the columns in the tables from pages 27 to 30.

**Rationale for Question:**

To clarify MPI's first round response.

**RESPONSE:**

- a) MPI is referring to the adjusted pure premium column (highlighted in yellow below), which includes development and trend. MPI assumed TC was referring to the pure premium for the 2024 GRA compared to the 2023 GRA.

June 15, 2023												2024 GENERAL RATE APPLICATION Part VII - RI Appendix 3			
<b>Table 7 Accident Benefits - IRI Major Class 03 - Public</b>															
Accident Year	Number of Units	Incurred Claims	Serious Incurred Claims	Other Incurred Claims	Serious Loss Devt Factor	Other Loss Devt Factor	Selected Trend	Trend Factor	Serious Losses Weight	Other Losses Weight	Adjusted Pure Premium			Pure Premium No Trend	
											Serious Losses	Other Losses	Total		
09/10	10,492	2,166,094	1,272,896	893,197	1.0350	1.0350	-1.00%	0.8557	0.00%	0.00%	107.46	75.40	182.86	213.68	
10/11	10,348	958,917	336,733	622,184	1.0485	1.0485	-1.00%	0.8644	0.00%	0.00%	29.49	54.50	83.99	97.17	
11/12	10,928	1,578,842	711,252	867,591	1.0473	1.0473	-1.00%	0.8731	0.00%	0.00%	59.51	72.59	132.10	151.30	
12/13	11,080	2,350,230	1,323,314	1,026,916	1.0407	1.0407	-1.00%	0.8819	0.00%	0.00%	109.62	85.07	194.69	220.75	
13/14	11,667	2,028,562	1,210,098	818,464	1.0597	1.0597	-1.00%	0.8909	10.00%	10.00%	97.91	66.22	164.14	184.25	
14/15	12,247	1,050,930	512,905	538,025	1.0587	1.0587	-1.00%	0.8998	10.00%	10.00%	39.90	41.85	81.75	90.84	
15/16	12,313	2,804,936	2,379,821	425,115	1.0581	1.0581	-1.00%	0.9089	10.00%	10.00%	185.87	33.20	219.08	241.02	
16/17	12,291	2,572,096	1,406,660	1,165,435	1.0576	1.0576	-1.00%	0.9181	10.00%	10.00%	111.13	92.07	203.21	221.33	
17/18	12,882	2,588,337	1,993,312	595,026	1.0573	1.0573	-1.00%	0.9274	10.00%	10.00%	151.72	45.29	197.01	212.44	
18/19	12,840	2,037,536	1,421,210	616,326	1.0725	1.0725	-1.00%	0.9368	10.00%	10.00%	111.20	48.23	159.43	170.19	
19/20	12,934	2,564,930	1,492,536	1,072,394	1.1059	1.1059	-1.00%	0.9462	10.00%	10.00%	120.75	86.76	207.51	219.31	
20/21	10,732	499,853	0	499,853	1.1785	1.1785	-1.00%	0.9558	10.00%	10.00%	0.00	52.46	52.46	54.89	
21/22	11,112	508,507	0	508,507	2.8730	2.8730	-1.00%	0.9654	10.00%	10.00%	0.00	126.93	126.93	131.47	
22/23	12,594	570,618	125,000	445,618	5.5037	5.5037	-1.00%	0.9752	10.00%	10.00%	53.27	189.90	243.17	249.36	
Average Adjusted Pure Premium													\$	165.47	
Predicted Pure Premium :															
2024/2025 Insurance Year													\$	165.47	
2023/2024 Insurance Year													\$	167.14	

- b) The incurred claims column highlighted in the Information Request does not include the expected claims development. Claims for Injury and income replacement benefits are long-tailed in nature, meaning they take much longer to develop before being fully settled. As a result, the incurred claims from the recent years are lower compared to prior years, which are more fully developed. Further, the recent year is also understated by claims that have incurred but have not yet been reported.
- c) Please refer to Appendix 1- Public Major Class PIPP and BI, which shows how the columns are derived.

**Table 7**  
**Accident Benefits - Other (Indexed)**  
**Major Class 03 - Public**

Accident Year	Trend Years	Number of Units	Incurred Claims	Serious Incurred Claims	Other Incurred Claims	Serious Loss Devt Factor	Other Loss Devt Factor	Selected Trend	Trend Factor	Serious Losses Weight	Other Losses Weight	Adjusted Pure Premium			Pure Premium No Trend
												Serious Losses	Other Losses	Total	
	[a]	[b]	[c]	[d]	[e]	[f]	[g]	[h]	[i]	[j]	[k]	[l]	[m]	[n]	[o]
08/09	15.50	10,492	2,362,200	1,530,540	831,660	1.0584	1.0584	-2.00%	0.7311	0.00%	0.00%	112.89	61.34	174.24	238.31
09/10	14.50	10,348	903,364	217,421	685,943	1.0622	1.0622	-2.00%	0.7461	0.00%	0.00%	16.65	52.53	69.19	92.73
10/11	13.50	10,928	1,621,284	139,314	1,481,970	1.0657	1.0657	-2.00%	0.7613	0.00%	0.00%	10.34	110.02	120.36	158.10
11/12	12.50	11,080	2,116,295	935,984	1,180,311	1.0700	1.0700	-2.00%	0.7768	0.00%	0.00%	70.22	88.55	158.77	204.38
12/13	11.50	11,667	1,676,797	887,558	789,239	1.0708	1.0708	-2.00%	0.7927	10.00%	10.00%	64.57	57.42	121.99	153.90
13/14	10.50	12,247	939,934	53,131	886,803	1.0687	1.0687	-2.00%	0.8089	10.00%	10.00%	3.75	62.59	66.34	82.02
14/15	9.50	12,313	2,382,250	1,484,431	897,819	1.0674	1.0674	-2.00%	0.8254	10.00%	10.00%	106.21	64.24	170.45	206.51
15/16	8.50	12,291	1,231,751	352,187	879,563	1.0637	1.0637	-2.00%	0.8422	10.00%	10.00%	25.67	64.11	89.78	106.60
16/17	7.50	12,882	2,849,238	2,066,025	783,212	1.0634	1.0634	-2.00%	0.8594	10.00%	10.00%	146.57	55.56	202.14	235.21
17/18	6.50	12,840	1,204,330	274,553	929,777	1.0650	1.0650	-2.00%	0.8769	10.00%	10.00%	19.97	67.63	87.60	99.89
18/19	5.50	12,934	1,325,728	229,211	1,096,517	1.0546	1.0546	-2.00%	0.8948	10.00%	10.00%	16.72	80.00	96.73	108.10
19/20	4.50	10,732	518,794	0	518,794	1.0436	1.0436	-2.00%	0.9131	10.00%	10.00%	0.00	46.07	46.07	50.45
20/21	3.50	11,112	530,642	0	530,642	1.1932	1.1932	-2.00%	0.9317	10.00%	10.00%	0.00	53.09	53.09	56.98
21/22	2.50	12,594	959,557	112,781	846,776	1.6524	1.6524	-2.00%	0.9507	10.00%	10.00%	14.07	105.63	119.70	125.90

**Notes:**

[a] MPI assumes average accident date is the midpoint of each accident year trended to the average accident date of the rating year 2023/24

[b] - [d] MPI's data

[f] Appointed Actuary's Report as at March 31, 2023

[h] Selected trend, please refer to RI.5

[j] - [k] Selected historical weights

**Table 7**  
**Accident Benefits - IRI**  
**Major Class 03 - Public**

Accident Year	Trend Years	Number of Units	Incurred Claims	Serious Incurred Claims	Other Incurred Claims	Serious Loss Devt Factor	Other Loss Devt Factor	Selected Trend	Trend Factor	Serious Losses Weight	Other Losses Weight	Adjusted Pure Premium			Pure Premium No Trend
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	[a]	[b]	[c]	[d]	[e]	[f]	[g]	[h]	[i]	[j]	[k]	[l]	[m]	[n]	[o]
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15/16	8.50	12,291	2,572,096	1,406,660	1,165,435	1.0576	1.0576	-1.00%	0.9181	10.00%	10.00%	111.13	92.07	203.21	221.33
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17/18	6.50	12,840	2,037,536	1,421,210	616,326	1.0725	1.0725	-1.00%	0.9368	10.00%	10.00%	111.20	48.23	159.43	170.19
18/19	5.50	12,934	2,564,930	1,492,536	1,072,394	1.1059	1.1059	-1.00%	0.9462	10.00%	10.00%	120.75	86.76	207.51	219.31
19/20	4.50	10,732	499,853	0	499,853	1.1785	1.1785	-1.00%	0.9558	10.00%	10.00%	0.00	52.46	52.46	54.89
20/21	3.50	11,112	508,507	0	508,507	2.8730	2.8730	-1.00%	0.9654	10.00%	10.00%	0.00	126.93	126.93	131.47
21/22	2.50	12,594	570,618	125,000	445,618	5.5037	5.5037	-1.00%	0.9752	10.00%	10.00%	53.27	189.90	243.17	249.36

**Notes:**

[a] MPI assumes average accident date is the midpoint of each accident year trended to the average accident date of the rating year 2023/24

[b] - [d] MPI's data

[f] Appointed Actuary's Report as at March 31, 2023

[h] Selected trend, please refer to RI.5

[j] - [k] Selected historical weights

**Table 7**  
**Accident Benefits - Other (Non-Indexed)**  
**Major Class 03 - Public**

Accident Year	Trend Years	Number of Units	Incurred Claims	Loss Devt Factor	Selected Trend	Trend Factor	Weight	Adjusted Pure Premium	Pure Premium No Trend
	[a]	[b]	[c]	[d]	[e]	[f]	[g]	[h]	[i]
08/09	15.50	10,492	754,365	1.0055	-2.00%	0.7311	0.00%	52.86	72.30
09/10	14.50	10,348	463,531	1.0070	-2.00%	0.7461	0.00%	33.66	45.11
10/11	13.50	10,928	1,526,380	1.0085	-2.00%	0.7613	0.00%	107.24	140.86
11/12	12.50	11,080	819,693	1.0100	-2.00%	0.7768	0.00%	58.05	74.72
12/13	11.50	11,667	628,879	1.0115	-2.00%	0.7927	10.00%	43.22	54.52
13/14	10.50	12,247	476,894	1.0146	-2.00%	0.8089	10.00%	31.96	39.51
14/15	9.50	12,313	464,326	1.0187	-2.00%	0.8254	10.00%	31.70	38.41
15/16	8.50	12,291	486,440	1.0227	-2.00%	0.8422	10.00%	34.09	40.48
16/17	7.50	12,882	637,934	1.0268	-2.00%	0.8594	10.00%	43.70	50.85
17/18	6.50	12,840	674,554	1.0297	-2.00%	0.8769	10.00%	47.44	54.10
18/19	5.50	12,934	627,934	1.0308	-2.00%	0.8948	10.00%	44.78	50.04
19/20	4.50	10,732	625,885	1.0277	-2.00%	0.9131	10.00%	54.73	59.94
20/21	3.50	11,112	300,160	1.0565	-2.00%	0.9317	10.00%	26.59	28.54
21/22	2.50	12,594	565,184	1.2124	-2.00%	0.9507	10.00%	51.73	54.41

**Notes:**

[a] MPI assumes average accident date is the midpoint of each accident year trended to the average accident date of the rating year 2023/24

[b] - [c] MPI's data

[d] Appointed Actuary's Report as at March 31, 2023

[e] Selected trend, please refer to RI.5

[g] Selected historical weights

**Table 7**  
**Basic Bodily Injury**  
**Major Class 03 - Public**

Accident Year	Trend Years	Number of Units	Incurred Claims	Loss Devt Factor	Selected Trend	Trend Factor	Weight	Adjusted Pure Premium	Pure Premium No Trend
	[a]	[b]	[c]	[d]	[e]	[f]	[g]	[h]	[i]
08/09	15.50	10,492	190,801	1.0000	2.50%	1.4663	0.00%	26.67	18.19
09/10	14.50	10,348	10,176	1.0000	2.50%	1.4305	0.00%	1.41	0.98
10/11	13.50	10,928	1,151	1.0000	2.50%	1.3956	0.00%	0.15	0.11
11/12	12.50	11,080	245,333	1.0000	2.50%	1.3616	0.00%	30.15	22.14
12/13	11.50	11,667	102,756	1.0000	2.50%	1.3284	10.00%	11.70	8.81
13/14	10.50	12,247	242,158	1.0005	2.50%	1.2960	10.00%	25.64	19.78
14/15	9.50	12,313	15,121	1.0015	2.50%	1.2644	10.00%	1.56	1.23
15/16	8.50	12,291	286,666	1.0075	2.50%	1.2335	10.00%	28.99	23.50
16/17	7.50	12,882	0	1.0236	2.50%	1.2035	10.00%	0.00	0.00
17/18	6.50	12,840	128,676	1.0502	2.50%	1.1741	10.00%	12.36	10.53
18/19	5.50	12,934	113,678	1.0996	2.50%	1.1455	10.00%	11.07	9.66
19/20	4.50	10,732	180,723	1.2398	2.50%	1.1175	10.00%	23.33	20.88
20/21	3.50	11,112	50,000	1.4990	2.50%	1.0903	10.00%	7.35	6.75
21/22	2.50	12,594	25,000	1.8708	2.50%	1.0637	10.00%	3.95	3.71

**Notes:**

[a] MPI assumes average accident date is the midpoint of each accident year trended to the average accident date of the rating year 2023/24

[b] - [c] MPI's data

[d] Appointed Actuary's Report as at March 31, 2023

[e] Selected trend, please refer to RI.5

[g] Selected historical weights



**TC (MPI) 2-6**

<b>Part and Chapter:</b>	<b>TC(MPI) 1-7 Part VII – R1 Appendix 3</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>	<b>1) Projected Claims, Expenses and Vehicle Counts 11) Claims Forecasting</b>		
<b>Topic:</b>	<b>Ultimate Incurred Claims - Comprehensive</b>		
<b>Sub Topic:</b>			

**Preamble to IR:**

MPI indicated that the reason for increased ultimate incurred comprehensive claims was rising ACV and parts and labour costs.

**Question:**

- a) Please further elaborate on the trends in rising ACV, and parts and labour, identifying as appropriate any strategies MPI has or will employ to manage these costs. Please provide quantitative details.
- b) Please explain if collision ultimates have been subject to the same cost influences, and comment on timing of increased collision ultimates, compared to comprehensive.

**Rationale for Question:**

To further understand the reasons for increased ultimates and MPI's approach to managing these costs.

**RESPONSE:**a) **Trends****ACV**

In Manitoba, used vehicle values increased significantly in 2022, due to a variety of factors including supply chain and production issues that were consistent across Canada and the United States. Increases in ACVs in MPI between 2021 and 2022 are consistent with the increases seen in the Canadian industry.

MPI employs a dedicated unit of adjusters who manage 58% of total losses (all non-drivable claims) in the Province. This dedicated unit is very experienced in valuing vehicles and the market research techniques required to ensure we reach reasonable, fair settlements. MPI also utilizes a software solution common in industry to establish Manitoba values for vehicles. In addition, adjusters will perform independent market research to investigate current sale prices and work with customers to ensure proper substantiation for any change from the original valuation.

**Labour**

Labour times for replacement operations are set for MPI by Mitchell's Estimating Software which is the industry standard in western Canada. As vehicles become more complex with innovative technology and more parts, increased labour times are required to repair them properly. Labour times for specific repair operations are guided by the type of vehicle and damage. They are assessed by MPI staff in collaboration with the repair industry ensuring safe and proper repair as well as alignment with industry standards or practices. MPI has published a number of estimating standards to contain the costs for the most common discretionary operations where appropriate.

The Light Vehicle Accreditation Agreement (LVAA) establishes compensation rates for various labour types. In Manitoba, compensation for apprentices in the auto body repair industry are regulated as a function of minimum wage.

Labour rates have increased year over year faster than originally anticipated based on unexpected impacts such as abnormally high inflation and multiple increases to Manitoba's minimum wage. Compensation for apprentices in the auto body repair industry are regulated as a function of minimum wage. With increases in the Manitoba minimum wage rate in 2023, the labour rate was adjusted to offset this change and keep light vehicle repair facilities whole.

Other elements of compensation, such as allowances for refinish materials and other shop materials, are reviewed on a regular basis to ensure they are fair and cover a repair shop's expenses on those items.

### **Parts**

Costs of parts saw an increase of 30% in 2022/23 which is consistent with increases across Canada. Vehicles are more complex which has an impact on the rising costs of parts as well. Modern vehicles are built with more parts and the materials chosen by the manufacturers lead to decreasing repairability of the parts that are typically damaged during a collision. Supply chain issues continued into 2022. This resulted in less parts from all categories, e.g., new, aftermarket, and recycled, being available in the market with a corresponding increase in part prices due to continued demand.

As identified in our response to CAC (MPI) 2-8, MPI has established several claim cost control measures to ensure cost effective repairs.

Customers can obtain an estimate of the costs to repair their vehicles directly from MPI or from an eligible repair shop that is participating in MPI's direct repair (DR) program. Participating repair shops are required to sign a light vehicle accreditation agreement that not only stipulates tooling and training credentials but also sets out a schedule for maximum labour rates and other compensation and requires repair shops to use specific estimating software. Use of the estimating software provides industry standard labour times for common operations to ensure consistency in the repair costs while reducing administrative costs through streamlined communication, and flagging vehicle valuations to

ensure the final cost of repair does not exceed allowed thresholds. MPI has also established a set of estimating standards which establishes consistency between MPI estimators and repair facilities in repair operation procedures.

Additionally, the performance of all light vehicle accredited repair shops is monitored through several key performance indicators (KPIs). These KPIs assess the quality of any requests for compensation from a repair shop in terms of cost-effective repair planning (ask/approve variance – AAV) and alternate parts selection (realized parts savings – RPS). In 2022/23, the use of alternate parts provided savings from new OE parts cost of 21.3% or \$38,283,353.

For accredited repair shops, monitoring of cost-effective repairs and part selection is done using a risk-based approach with an audit process post payment. In the 2022 calendar year, MPI completed 16,515 audits of lower risk claims (26.9%) and recovered \$807,417. All claims deemed to carry a medium level of financial risk are reviewed by MPI staff prior to a shop beginning repairs and upon any request for additional compensation throughout the repair. For high-risk claims which are considered when repair costs may reach the maximum amount allowed, the repair shop, the insured, and MPI could enter into a contract price agreement. These agreements enable MPI to control the final repair costs before authorizing the repair of a vehicle.

In addition to the above, MPI has provided additional training and support to estimating staff on repair vs replace decisions for parts to help ensure cost-effective decisions are made while ensuring a proper repair. MPI collaborates with the repair industry to increase understanding of new cost-effective repair techniques such as plastic repairs and paintless dent repair for eligible claims as a cost-effective process which does not compromise on quality.

- b) Collision and Comprehensive claims are generally subject to similar cost influences such as rising ACV, increased part prices and labour costs. To see how Collision severity and Comprehensive claims severity were impacted by inflationary and other cost drivers, it would be more appropriate to review recent claim severity in *Part VI Claims Forecasting CF Appendix 3 – Loss Trend Analysis Appendices*, which

was adjusted to account for CERP deductible change as well as removal of hail claims. 2022 Collision severity increased 9.73%<sup>1</sup> and Comprehensive (excluding Hail) severity increased by a higher percentage, 11.10%<sup>2</sup>.

MPI would like to note that in accident year 2021 there were historically high levels of snowfall which had an impact on the driving conditions resulting in a high Collision frequency of 10.3694% (see Part VI Claims Forecasting CF Appendix 3e) - Collision. This had an unfavourable impact on the accident year 2021 Collision ultimate incurred claims. Accident year 2022 had less snowfall and Collision frequency reduced to 9.6553% albeit increased mobility. This resulted in a lower year-over-year growth of 5.13%<sup>3</sup> comparing to Comprehensive for accident year 2022, as winter storm activity returned to normal levels.

For Comprehensive, accident year 2021 had the lowest hail losses in the last 15 years as indicated in Part VI Claims Forecasting Chapter Figure CF-72. This contributed to a higher year-over-year growth for accident year 2022 in ultimate incurred claims.

Lastly, ultimate losses are impacted by number and severity of claims. Historical Collision frequency exhibits a downward trend since 2009 (frequency past trend is -1.65% as selected in Part VI Claims Forecasting Chapter Figure CF-56). Historical Comprehensive frequency exhibits an increasing trend since 2009 (frequency past trend is 4.46% as selected in Part VI Claims Forecasting Chapter Figure CF-76).

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<sup>1</sup> 9.73% = 4,873 / 4,441 - 1 (Adj Ultimate Severity from Part VI Claims Forecasting CF Appendix 3e)

<sup>2</sup> 11.10% = 1,600 / 1,440 - 1 (Adj Ultimate Severity from Part VI Claims Forecasting CF Appendix 3f)

<sup>3</sup> 5.13% = 451,933,000 / 429,884,945 - 1 (Collision Ultimate Incurred Claims from Part VII Rate Indication CF Appendix 3 Table 6)

**TC (MPI) 2-7**

<b>Part and Chapter:</b>	<b>TC(MPI) 1-15</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>	<b>12) Vehicle for Hire</b>		
<b>Topic:</b>	<b>Calculation of the Rebate or Surcharge Amount - IBNR, ULAE and ALAE</b>		
<b>Sub Topic:</b>			

**Preamble to IR:**

MPI's response to the initial question appears to reference two authoritative sources: the Appointed Actuarial Review, and the actuarial valuation of the preceding fiscal year.

**Question:**

Please prepare a generic timeline, indicating the points in the rating cycle when ULAE and IBNR will be calculated, and the times at which the authoritative documents are produced and eventually filed with the PUB. Please also include key regulatory deadlines.

**Rationale for Question:**

To understand the timing with respect to preparation of the authoritative documents, and their review by the PUB, vis a vis the calculation of a TNC rebate or surcharge.

**RESPONSE:**

A generic timeline indicating the points in the rating cycle when the Appointed Actuary's Report is produced and filed, and when the unallocated loss adjustment expenses (ULAE) and incurred but not reported (IBNR) will be calculated is provided below.

**March 31:** Fiscal Year-End.

**April/May:** Actuarial valuation of policy liabilities as at March 31 is conducted.

- June:**
1. The review of policy liabilities for Basic as at March 31 is completed by the MPI Appointed Actuary.
  2. The Appointed Actuary's Report (AAR) is created and finalized, and the Board provides its endorsement during the June Audit Finance Committee Meeting.
  3. From the AAR, the selected ULAE ratio is used to determine the ULAE for the Transportation Network Company (TNC) Blanket Policy. The ULAE is used to calculate the loss ratio relevant to the TNC blanket policy rebate or surcharge.
  4. From the AAR, the proportion of IBNR to reported claims for each coverage is used to determine the provision for IBNR for the TNC blanket policy. The IBNR is used to calculate the loss ratio relevant to the TNC blanket policy rebate or surcharge.
  5. Blanket policy loss ratio is calculated.

The AAR and valuation of policy liabilities is not subject to a regulatory deadline. While the AAR is included in the General Rate Application (GRA), the AAR is typically included post-filing, as the June meeting of the Audit Finance Committee often takes place after the GRA filing date.

**TC (MPI) 2-8**

<b>Part and Chapter:</b>	<b>TC(MPI) 1-16</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>	<b>12) Vehicle for Hire</b>		
<b>Topic:</b>	<b>Calibration of the Rebate and Surcharge Scale</b>		
<b>Sub Topic:</b>	<b>Cost of Expected Losses Excess of the \$50,000 Loss Cap</b>		

**Preamble to IR:**

MPI explains the derivation of the ratio of trended expected losses for Passenger VFH (calculated at 7.72%)

**Question:**

- a) Please confirm that the 7.72% was calculated based on all Passenger VFH experience (during the relevant period), and that the ratio will be used for all TNC dispatcher rebate/surcharge calculations.
- b) Please explain if this 7.72% excess loss ratio is applied to every TNC dispatcher's rebate/surcharge calculation, regardless of whether a dispatcher has zero, or numerous claims in excess of the cap, during a policy year.
- c) Please elaborate on and specify what is meant by "ongoing basis" in the statement: "The ratio would be re-analyzed on an ongoing basis to ascertain its stability and adequacy."

**Rationale for Question:**

To fully understand the first round response.

**RESPONSE:**



- a) MPI confirms that the 7.72% was calculated based on all Passenger VFH experience during the relevant period.

However, the 7.72% is not used in the calculation of the rebate/surcharge for all TNC dispatchers, but in the calibration of the rebate and surcharge scale.

- b) The 7.72% excess loss ratio is not applied in the calculation of a TNC dispatcher's rebate or surcharge. The expected excess loss ratio is used to determine the rebate and surcharge scale, which is determined prior to the policy year.

The rebate or surcharge scale determined prior to the policy year is not impacted by whether a dispatcher has zero, or numerous claims in excess of the cap, during the following policy year.

- c) "Ongoing basis" refers to an annual review of the ratio of excess losses to capped losses.

**TC (MPI) 2-9**

<b>Part and Chapter:</b>	<b>TC (MPI) 1-17</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>	<b>12) Vehicle for Hire</b>		
<b>Topic:</b>	<b>Calibration of the Rebate and Surcharge Scale</b>		
<b>Sub Topic:</b>	<b>Cost due to Loss Transfer Between Classes</b>		

**Preamble to IR:**

MPI provided data in response to part b, and explained loss allocation for the VFH blanket policy.

**Question:**

- a) Please confirm that that data provided in Figure 1 and Figure 2 are for all insurance uses/drivers.
- b) If data is available for Passenger VFH and Taxi vehicles/operators please provide it.
- c) Please explain why MPI is adopting a percentage of fault approach for TNC blanket policies. Please elaborate on any advantages and/or disadvantages to this approach over the standard (first party) loss allocation. Please also discuss any differing incentives in the proposed percentage of fault approach.
- d) Please explain if MPI is considering a change to percentage of fault loss allocation for any other coverages, and what factors it might consider in making such a change.
- e) Please provide an explanation of how this type of loss attribution could be applied to other insurance uses, or other coverages, such as a Taxi Part Time use, or other VFH insurance uses.

- f) Please further explain, and provide sample calculations for the 12.5% average discrepancy, and explain in detail how it is incorporated into the rebate and surcharge scale.
- g) Please file the financial model of the rebate/surcharge scale.

**Rationale for Question:**

To fully understand the implications of the change to loss transfer, and the potential implications for VFH.

**RESPONSE:**

- a) Yes, MPI can confirm that the data provided across all insurance uses/drivers.
- b) Please see *Figure 1* below:

**Figure 1 Independent Liability Review for VFH 2018-2022**

Line No.	Year	Total Appeals	Original Decision Maintained	Original Liability Lowered	Original Liability Increased
1					
2	2018	11	9	2	0
3	2019	14	14	0	0
4	2020	10	6	4	0
5	2021	3	1	2	0
6	2022	10	5	5	0
8	Note: Includes all VFH across all timebands				

The requested level of detail is not available from the Rates Appeal Board.

- c) MPI is proposing a percentage of responsibility approach to determine rebates and surcharges based on individual TNC blanket policyholder experience, as a means of encouraging safe driving behaviour. As the proposed blanket policy is a dispatcher purchased policy, the approach is meant to provide an incentive for dispatchers to manage the overall safety of their affiliated vehicles. The standard first party loss allocation differs as it is used to determine the premium rates that are charged to customers and is not based on responsibility.
- d) MPI has currently not examined a change to percentage of fault loss allocation for other programs at this time.
- e) MPI has not examined how this type of allocation could be applied to other uses at this time.
- f) Using the 2021 insurance year collision losses as an example:
- The Passenger VFH 4 (PVFH 4) collision losses were \$1.969M.
  - For the same insurance year, the total collision losses for each incident involving a PVFH 4 vehicle were determined, based on the fault percentage of the PVFH 4 vehicle. For example, for an incident between a PVFH 4 and an All-Purpose vehicle, the collision losses for both vehicles are allocated to PVFH 4 based on the fault percentage of the PVFH 4 vehicle. This amount was \$1.448M
  - The resulting difference between these amounts is the discrepancy.

This amount is calculated for all coverages for each insurance year and divided by the earned premium for the year. The average of these ratios is 12.5%.

The discrepancy arises as losses will continue to be allocated to overall TNC experience on a first party basis, while the rebate or surcharge is based on total incident losses allocated by percentage of fault to encourage safe driving behaviour among TNC dispatchers and TNC affiliated vehicles.

To ensure that premium after adjustment via the rebate or surcharge is adequate to support the first party claims allocated to the overall TNC experience, the

12.5% discrepancy is included as an expense or loss item in the financial model. This effectively decreases the rebate, or increases the surcharge, for a respective loss ratio. Please see *Appendix 1 – Rebate and Surcharge Calibration* for more detail.

g) Please see *Appendix 1 – Rebate and Surcharge Calibration* for the financial model.

**Appendix 1  
Rebate and Surcharge Calibration**

**Inputs**

Variable Expense (% Net Premium)	[a]	3%
Fixed Expense (% Initial Premium)	[b]	11.5%
Loss Discrepancy (% Initial Premium)	[c]	12.5%
ULAE (% Capped Ultimate Loss)	[d]	17%
Excess Loss (% Capped Ultimate Loss)	[e]	7.72%

Capped Ultimate Loss and ALAE Ratio	Capped Ultimate Loss and ULAE Ratio	Proposed Refund/Surcharge %	Initial Premium	Capped Ultimate Loss	ULAE	Expected Excess Losses	Fixed Expenses	Loss Discrepancy	Variable Expense	Total	Initial Premium	Premium Adjustment	Adjusted Premium	Profit (\$)	Profit (%)	Full Adjustment	Selected Adjustment	
[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[4]	[12]	[13]	[14]	[15]	[16]	[3]	
25.6%	30.0%	-40.0%	1,000.00	256.10	43.90	19.77	115.10	124.94	18.00	577.81	1,000.00	-	400.00	600.00	22.19	3.70%	-42.22%	-40.0%
26.5%	31.0%	-40.0%	1,000.00	264.64	45.36	20.43	115.10	124.94	18.00	588.47	1,000.00	-	400.00	600.00	11.53	1.92%	-41.15%	-40.0%
27.3%	32.0%	-40.0%	1,000.00	273.18	46.82	21.09	115.10	124.94	18.00	599.13	1,000.00	-	400.00	600.00	0.87	0.15%	-40.09%	-40.0%
28.2%	33.0%	-40.0%	1,000.00	281.71	48.29	21.75	115.10	124.94	18.00	609.79	1,000.00	-	400.00	600.00	- 9.79	-1.63%	-39.02%	-40.0%
29.0%	34.0%	-40.0%	1,000.00	290.25	49.75	22.41	115.10	124.94	18.00	620.45	1,000.00	-	400.00	600.00	- 20.45	-3.41%	-37.96%	-40.0%
29.9%	35.0%	-40.0%	1,000.00	298.79	51.21	23.07	115.10	124.94	18.00	631.11	1,000.00	-	400.00	600.00	- 31.11	-5.18%	-36.89%	-40.0%
30.7%	36.0%	-38.0%	1,000.00	307.32	52.68	23.73	115.10	124.94	18.60	642.37	1,000.00	-	380.00	620.00	- 22.37	-3.61%	-35.76%	-38.0%
31.6%	37.0%	-37.0%	1,000.00	315.86	54.14	24.38	115.10	124.94	18.90	653.32	1,000.00	-	370.00	630.00	- 23.32	-3.70%	-34.67%	-37.0%
32.4%	38.0%	-36.0%	1,000.00	324.40	55.60	25.04	115.10	124.94	19.20	664.28	1,000.00	-	360.00	640.00	- 24.28	-3.79%	-33.57%	-36.0%
33.3%	39.0%	-35.0%	1,000.00	332.93	57.07	25.70	115.10	124.94	19.50	675.24	1,000.00	-	350.00	650.00	- 25.24	-3.88%	-32.48%	-35.0%
34.1%	40.0%	-33.0%	1,000.00	341.47	58.53	26.36	115.10	124.94	20.10	686.50	1,000.00	-	330.00	670.00	- 16.50	-2.46%	-31.35%	-33.0%
35.0%	41.0%	-32.0%	1,000.00	350.01	59.99	27.02	115.10	124.94	20.40	697.46	1,000.00	-	320.00	680.00	- 17.46	-2.57%	-30.25%	-32.0%
35.9%	42.0%	-31.0%	1,000.00	358.55	61.45	27.68	115.10	124.94	20.70	708.42	1,000.00	-	310.00	690.00	- 18.42	-2.67%	-29.16%	-31.0%
36.7%	43.0%	-30.0%	1,000.00	367.08	62.92	28.34	115.10	124.94	21.00	719.38	1,000.00	-	300.00	700.00	- 19.38	-2.77%	-28.06%	-30.0%
37.6%	44.0%	-28.0%	1,000.00	375.62	64.38	29.00	115.10	124.94	21.60	730.64	1,000.00	-	280.00	720.00	- 10.64	-1.48%	-26.94%	-28.0%
38.4%	45.0%	-27.0%	1,000.00	384.16	65.84	29.66	115.10	124.94	21.90	741.60	1,000.00	-	270.00	730.00	- 11.60	-1.59%	-25.84%	-27.0%
39.3%	46.0%	-26.0%	1,000.00	392.69	67.31	30.32	115.10	124.94	22.20	752.56	1,000.00	-	260.00	740.00	- 12.56	-1.70%	-24.74%	-26.0%
40.1%	47.0%	-25.0%	1,000.00	401.23	68.77	30.97	115.10	124.94	22.50	763.52	1,000.00	-	250.00	750.00	- 13.52	-1.80%	-23.65%	-25.0%
41.0%	48.0%	-23.0%	1,000.00	409.77	70.23	31.63	115.10	124.94	23.10	774.77	1,000.00	-	230.00	770.00	- 4.77	-0.62%	-22.52%	-23.0%
41.8%	49.0%	-22.0%	1,000.00	418.30	71.70	32.29	115.10	124.94	23.40	785.73	1,000.00	-	220.00	780.00	- 5.73	-0.74%	-21.43%	-22.0%
42.7%	50.0%	-21.0%	1,000.00	426.84	73.16	32.95	115.10	124.94	23.70	796.69	1,000.00	-	210.00	790.00	- 6.69	-0.85%	-20.33%	-21.0%
43.5%	51.0%	-20.0%	1,000.00	435.38	74.62	33.61	115.10	124.94	24.00	807.65	1,000.00	-	200.00	800.00	- 7.65	-0.96%	-19.23%	-20.0%
44.4%	52.0%	-18.0%	1,000.00	443.91	76.09	34.27	115.10	124.94	24.60	818.91	1,000.00	-	180.00	820.00	- 1.09	0.13%	-18.11%	-18.0%
45.2%	53.0%	-17.0%	1,000.00	452.45	77.55	34.93	115.10	124.94	24.90	829.87	1,000.00	-	170.00	830.00	- 0.13	0.02%	-17.01%	-17.0%
46.1%	54.0%	-16.0%	1,000.00	460.99	79.01	35.59	115.10	124.94	25.20	840.83	1,000.00	-	160.00	840.00	- 0.83	-0.10%	-15.92%	-16.0%
47.0%	55.0%	-15.0%	1,000.00	469.52	80.48	36.25	115.10	124.94	25.50	851.79	1,000.00	-	150.00	850.00	- 1.79	-0.21%	-14.82%	-15.0%
47.8%	56.0%	-13.0%	1,000.00	478.06	81.94	36.91	115.10	124.94	26.10	863.05	1,000.00	-	130.00	870.00	- 6.95	0.80%	-13.70%	-13.0%
48.7%	57.0%	-12.0%	1,000.00	486.60	83.40	37.57	115.10	124.94	26.40	874.01	1,000.00	-	120.00	880.00	- 5.99	0.68%	-12.60%	-12.0%
49.5%	58.0%	-11.0%	1,000.00	495.13	84.87	38.22	115.10	124.94	26.70	884.96	1,000.00	-	110.00	890.00	- 5.04	0.57%	-11.50%	-11.0%
50.4%	59.0%	-9.0%	1,000.00	503.67	86.33	38.88	115.10	124.94	27.30	896.22	1,000.00	-	90.00	910.00	- 13.78	1.51%	-10.38%	-9.0%
51.2%	60.0%	-8.0%	1,000.00	512.21	87.79	39.54	115.10	124.94	27.60	907.18	1,000.00	-	80.00	920.00	- 12.82	1.39%	-9.28%	-8.0%
52.1%	61.0%	-7.0%	1,000.00	520.74	89.26	40.20	115.10	124.94	27.90	918.14	1,000.00	-	70.00	930.00	- 11.86	1.28%	-8.19%	-7.0%
52.9%	62.0%	-6.0%	1,000.00	529.28	90.72	40.86	115.10	124.94	28.20	929.10	1,000.00	-	60.00	940.00	- 10.90	1.16%	-7.09%	-6.0%
53.8%	63.0%	-4.0%	1,000.00	537.82	92.18	41.52	115.10	124.94	28.80	940.36	1,000.00	-	40.00	960.00	- 19.64	2.05%	-5.96%	-4.0%
54.6%	64.0%	-3.0%	1,000.00	546.35	93.65	42.18	115.10	124.94	29.10	951.32	1,000.00	-	30.00	970.00	- 18.68	1.93%	-4.87%	-3.0%
55.5%	65.0%	-2.0%	1,000.00	554.89	95.11	42.84	115.10	124.94	29.40	962.28	1,000.00	-	20.00	980.00	- 17.72	1.81%	-3.77%	-2.0%
56.3%	66.0%	-1.0%	1,000.00	563.43	96.57	43.50	115.10	124.94	29.70	973.24	1,000.00	-	10.00	990.00	- 16.76	1.69%	-2.68%	-1.0%
57.2%	67.0%	0.0%	1,000.00	571.97	98.03	44.16	115.10	124.94	30.00	984.20	1,000.00	-	-	1,000.00	- 15.80	1.58%	-1.58%	0.0%
58.1%	68.0%	1.0%	1,000.00	580.50	99.50	44.81	115.10	124.94	30.30	995.15	1,000.00	-	10.00	1,010.00	- 14.85	1.47%	-0.48%	1.0%
58.9%	69.0%	2.0%	1,000.00	589.04	100.96	45.47	115.10	124.94	30.60	1,006.11	1,000.00	-	20.00	1,020.00	- 13.89	1.36%	0.61%	2.0%
59.8%	70.0%	3.0%	1,000.00	597.58	102.42	46.13	115.10	124.94	30.90	1,017.07	1,000.00	-	30.00	1,030.00	- 12.93	1.26%	1.71%	3.0%
60.6%	71.0%	4.0%	1,000.00	606.11	103.89	46.79	115.10	124.94	31.20	1,028.03	1,000.00	-	40.00	1,040.00	- 11.97	1.15%	2.80%	4.0%
61.5%	72.0%	5.0%	1,000.00	614.65	105.35	47.45	115.10	124.94	31.50	1,038.99	1,000.00	-	50.00	1,050.00	- 11.01	1.05%	3.90%	5.0%
62.3%	73.0%	6.0%	1,000.00	623.19	106.81	48.11	115.10	124.94	31.80	1,049.95	1,000.00	-	60.00	1,060.00	- 10.05	0.95%	5.00%	6.0%
63.2%	74.0%	7.0%	1,000.00	631.72	108.28	48.77	115.10	124.94	32.10	1,060.91	1,000.00	-	70.00	1,070.00	- 9.09	0.85%	6.09%	7.0%
64.0%	75.0%	8.0%	1,000.00	640.26	109.74	49.43	115.10	124.94	32.40	1,071.87	1,000.00	-	80.00	1,080.00	- 8.13	0.75%	7.19%	8.0%
64.9%	76.0%	9.0%	1,000.00	648.80	111.20	50.09	115.10	124.94	32.70	1,082.83	1,000.00	-	90.00	1,090.00	- 7.17	0.66%	8.28%	9.0%
65.7%	77.0%	10.0%	1,000.00	657.33	112.67	50.75	115.10	124.94	33.00	1,093.79	1,000.00	-	100.00	1,100.00	- 6.21	0.56%	9.38%	10.0%
66.6%	78.0%	11.0%	1,000.00	665.87	114.13	51.41	115.10	124.94	33.30	1,104.75	1,000.00	-	110.00	1,110.00	- 5.25	0.47%	10.47%	11.0%
67.4%	79.0%	12.0%	1,000.00	674.41	115.59	52.06	115.10	124.94	33.60	1,115.70	1,000.00	-	120.00	1,120.00	- 4.30	0.38%	11.57%	12.0%
68.3%	80.0%	13.0%	1,000.00	682.94	117.06	52.72	115.10	124.94	33.90	1,126.66	1,000.00	-	130.00	1,130.00	- 3.34	0.30%	12.67%	13.0%
69.1%	81.0%	14.0%	1,000.00	691.48	118.52	53.38	115.10	124.94	34.20	1,137.62	1,000.00	-	140.00	1,140.00	- 2.38	0.21%	13.76%	14.0%
70.0%	82.0%	15.0%	1,000.00	700.02	119.98	54.04	115.10	124.94	34.50	1,148.58	1,000.00	-	150.00	1,150.00	- 1.42	0.12%	14.86%	15.0%
70.9%	83.0%	16.0%	1,000.00	708.55	121.45	54.70	115.10	124.94	34.80	1,159.54	1,000.00	-	160.00	1,160.00	- 0.46	0.04%	15.95%	16.0%
71.7%	84.0%	17.0%	1,000.00	717.09	122.91	55.36	115.10	124.94	35.10	1,170.50	1,000.00	-	170.00	1,170.00	- 0.50	-0.04%	17.05%	17.0%
72.6%	85.0%	18.0%	1,000.00	725.63	124.37	56.02	115.10	124.94	35.40	1,181.46	1,000.00	-	180.00	1,180.00	- 1.46	-0.12%	18.15%	18.0%

73.4%	86.0%	19.0%	1,000.00	734.16	125.84	56.68	115.10	124.94	35.70	1,192.42	1,000.00	190.00	1,190.00	2.42	-0.20%	19.24%	19.0%
74.3%	87.0%	20.0%	1,000.00	742.70	127.30	57.34	115.10	124.94	36.00	1,203.38	1,000.00	200.00	1,200.00	3.38	-0.28%	20.34%	20.0%
75.1%	88.0%	21.0%	1,000.00	751.24	128.76	58.00	115.10	124.94	36.30	1,214.34	1,000.00	210.00	1,210.00	4.34	-0.36%	21.43%	21.0%
76.0%	89.0%	22.0%	1,000.00	759.77	130.23	58.65	115.10	124.94	36.60	1,225.29	1,000.00	220.00	1,220.00	5.29	-0.43%	22.53%	22.0%
76.8%	90.0%	23.0%	1,000.00	768.31	131.69	59.31	115.10	124.94	36.90	1,236.25	1,000.00	230.00	1,230.00	6.25	-0.51%	23.63%	23.0%
77.7%	91.0%	24.0%	1,000.00	776.85	133.15	59.97	115.10	124.94	37.20	1,247.21	1,000.00	240.00	1,240.00	7.21	-0.58%	24.72%	24.0%
78.5%	92.0%	25.0%	1,000.00	785.39	134.61	60.63	115.10	124.94	37.50	1,258.17	1,000.00	250.00	1,250.00	8.17	-0.65%	25.82%	25.0%
79.4%	93.0%	26.0%	1,000.00	793.92	136.08	61.29	115.10	124.94	37.80	1,269.13	1,000.00	260.00	1,260.00	9.13	-0.72%	26.91%	26.0%
80.2%	94.0%	27.0%	1,000.00	802.46	137.54	61.95	115.10	124.94	38.10	1,280.09	1,000.00	270.00	1,270.00	10.09	-0.79%	28.01%	27.0%
81.1%	95.0%	28.0%	1,000.00	811.00	139.00	62.61	115.10	124.94	38.40	1,291.05	1,000.00	280.00	1,280.00	11.05	-0.86%	29.10%	28.0%
82.0%	96.0%	30.0%	1,000.00	819.53	140.47	63.27	115.10	124.94	39.00	1,302.31	1,000.00	300.00	1,300.00	2.31	-0.18%	30.23%	30.0%
82.8%	97.0%	31.0%	1,000.00	828.07	141.93	63.93	115.10	124.94	39.30	1,313.27	1,000.00	310.00	1,310.00	3.27	-0.25%	31.33%	31.0%
83.7%	98.0%	32.0%	1,000.00	836.61	143.39	64.59	115.10	124.94	39.60	1,324.23	1,000.00	320.00	1,320.00	4.23	-0.32%	32.42%	32.0%
84.5%	99.0%	33.0%	1,000.00	845.14	144.86	65.25	115.10	124.94	39.90	1,335.19	1,000.00	330.00	1,330.00	5.19	-0.39%	33.52%	33.0%
85.4%	100.0%	34.0%	1,000.00	853.68	146.32	65.90	115.10	124.94	40.20	1,346.14	1,000.00	340.00	1,340.00	6.14	-0.46%	34.61%	34.0%
86.2%	101.0%	35.0%	1,000.00	862.22	147.78	66.56	115.10	124.94	40.50	1,357.10	1,000.00	350.00	1,350.00	7.10	-0.53%	35.71%	35.0%
87.1%	102.0%	36.0%	1,000.00	870.75	149.25	67.22	115.10	124.94	40.80	1,368.06	1,000.00	360.00	1,360.00	8.06	-0.59%	36.81%	36.0%
87.9%	103.0%	37.0%	1,000.00	879.29	150.71	67.88	115.10	124.94	41.10	1,379.02	1,000.00	370.00	1,370.00	9.02	-0.66%	37.90%	37.0%
88.8%	104.0%	38.0%	1,000.00	887.83	152.17	68.54	115.10	124.94	41.40	1,389.98	1,000.00	380.00	1,380.00	9.98	-0.72%	39.00%	38.0%
89.6%	105.0%	39.0%	1,000.00	896.36	153.64	69.20	115.10	124.94	41.70	1,400.94	1,000.00	390.00	1,390.00	10.94	-0.79%	40.09%	39.0%
90.5%	106.0%	40.0%	1,000.00	904.90	155.10	69.86	115.10	124.94	42.00	1,411.90	1,000.00	400.00	1,400.00	11.90	-0.85%	41.19%	40.0%
91.3%	107.0%	41.0%	1,000.00	913.44	156.56	70.52	115.10	124.94	42.30	1,422.86	1,000.00	410.00	1,410.00	12.86	-0.91%	42.29%	41.0%
92.2%	108.0%	42.0%	1,000.00	921.97	158.03	71.18	115.10	124.94	42.60	1,433.82	1,000.00	420.00	1,420.00	13.82	-0.97%	43.38%	42.0%
93.1%	109.0%	43.0%	1,000.00	930.51	159.49	71.84	115.10	124.94	42.90	1,444.78	1,000.00	430.00	1,430.00	14.78	-1.03%	44.48%	43.0%
93.9%	110.0%	44.0%	1,000.00	939.05	160.95	72.49	115.10	124.94	43.20	1,455.73	1,000.00	440.00	1,440.00	15.73	-1.09%	45.57%	44.0%
94.8%	111.0%	45.0%	1,000.00	947.58	162.42	73.15	115.10	124.94	43.50	1,466.69	1,000.00	450.00	1,450.00	16.69	-1.15%	46.67%	45.0%
95.6%	112.0%	46.0%	1,000.00	956.12	163.88	73.81	115.10	124.94	43.80	1,477.65	1,000.00	460.00	1,460.00	17.65	-1.21%	47.77%	46.0%
96.5%	113.0%	47.0%	1,000.00	964.66	165.34	74.47	115.10	124.94	44.10	1,488.61	1,000.00	470.00	1,470.00	18.61	-1.27%	48.86%	47.0%
97.3%	114.0%	48.0%	1,000.00	973.19	166.81	75.13	115.10	124.94	44.40	1,499.57	1,000.00	480.00	1,480.00	19.57	-1.32%	49.96%	48.0%
98.2%	115.0%	49.0%	1,000.00	981.73	168.27	75.79	115.10	124.94	44.70	1,510.53	1,000.00	490.00	1,490.00	20.53	-1.38%	51.05%	49.0%
99.0%	116.0%	50.0%	1,000.00	990.27	169.73	76.45	115.10	124.94	45.00	1,521.49	1,000.00	500.00	1,500.00	21.49	-1.43%	52.15%	50.0%
99.9%	117.0%	51.0%	1,000.00	998.80	171.20	77.11	115.10	124.94	45.30	1,532.45	1,000.00	510.00	1,510.00	22.45	-1.49%	53.24%	51.0%
100.7%	118.0%	52.0%	1,000.00	1,007.34	172.66	77.77	115.10	124.94	45.60	1,543.41	1,000.00	520.00	1,520.00	23.41	-1.54%	54.34%	52.0%
101.6%	119.0%	53.0%	1,000.00	1,015.88	174.12	78.43	115.10	124.94	45.90	1,554.37	1,000.00	530.00	1,530.00	24.37	-1.59%	55.44%	53.0%
102.4%	120.0%	54.0%	1,000.00	1,024.42	175.58	79.08	115.10	124.94	46.20	1,565.32	1,000.00	540.00	1,540.00	25.32	-1.64%	56.53%	54.0%
103.3%	121.0%	55.0%	1,000.00	1,032.95	177.05	79.74	115.10	124.94	46.50	1,576.28	1,000.00	550.00	1,550.00	26.28	-1.70%	57.63%	55.0%
104.1%	122.0%	56.0%	1,000.00	1,041.49	178.51	80.40	115.10	124.94	46.80	1,587.24	1,000.00	560.00	1,560.00	27.24	-1.75%	58.72%	56.0%
105.0%	123.0%	57.0%	1,000.00	1,050.03	179.97	81.06	115.10	124.94	47.10	1,598.20	1,000.00	570.00	1,570.00	28.20	-1.80%	59.82%	57.0%
105.9%	124.0%	58.0%	1,000.00	1,058.56	181.44	81.72	115.10	124.94	47.40	1,609.16	1,000.00	580.00	1,580.00	29.16	-1.85%	60.92%	58.0%
106.7%	125.0%	60.0%	1,000.00	1,067.10	182.90	82.38	115.10	124.94	48.00	1,620.42	1,000.00	600.00	1,600.00	20.42	-1.28%	62.04%	60.0%
107.6%	126.0%	60.0%	1,000.00	1,075.64	184.36	83.04	115.10	124.94	48.00	1,631.08	1,000.00	600.00	1,600.00	31.08	-1.94%	63.11%	60.0%
108.4%	127.0%	60.0%	1,000.00	1,084.17	185.83	83.70	115.10	124.94	48.00	1,641.74	1,000.00	600.00	1,600.00	41.74	-2.61%	64.17%	60.0%
109.3%	128.0%	60.0%	1,000.00	1,092.71	187.29	84.36	115.10	124.94	48.00	1,652.40	1,000.00	600.00	1,600.00	52.40	-3.27%	65.24%	60.0%
110.1%	129.0%	60.0%	1,000.00	1,101.25	188.75	85.02	115.10	124.94	48.00	1,663.06	1,000.00	600.00	1,600.00	63.06	-3.94%	66.31%	60.0%
111.0%	130.0%	60.0%	1,000.00	1,109.78	190.22	85.68	115.10	124.94	48.00	1,673.72	1,000.00	600.00	1,600.00	73.72	-4.61%	67.37%	60.0%

Notes:

- [1] = [2] / [d]
- [2] = Capped Ultimate Loss Ratio including ALAE and ULAE used to determine the Rebate or Surcharge
- [3] = Rebate or Surcharge %
- [4] = Premium
  
- [5] = [1] x [4]
- [6] = [d] x [5]
- [7] = [e] x [5]
- [8] = [b] x [4]
- [9] = [c] x [4]
- [10] = [a] x [13]
- [11] = [5] + [6] + [7] + [8] + [9] + [10]
- [12] = [3] x [4]
- [13] = [4] + [12]
- [14] = [13] - [11]
- [15] = [14] / [13]
  
- [16] = [11] / [4] - 1

**TC (MPI) 2-10**

<b>Part and Chapter:</b>	<b>TC (MPI) 1-18</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>	<b>12) Vehicle for Hire</b>		
<b>Topic:</b>	<b>Proposed VFH Insurance Model</b>		
<b>Sub Topic:</b>			

**Preamble to IR:****Question:**

- a) Please explain why Pleasure use will not be permitted as an underlying insurance use with the blanket policy.
- b) Please confirm that MPI came to understand that the initial business model of Passenger VFH was not as initially envisioned at the outset of the VFH framework in 2018. That is, Passenger VFH drivers were not casually picking up fares as part of their own commute, but rather have been and are operating (generally) as full time commercial transportation providers.
- c) Please explain what other uses MPI expects TNC operators might select, apart from All Purpose. For example, a TNC operator also working as a food delivery vehicle.
- d) Please explain if an All Purpose underlying insurance use would be appropriate for a vehicle that is intended to be available for commercial service on a 24/7 basis, whether they be a Passenger VFH TNC operator, or say, a taxicab?
- e) If MPI made Pleasure use available as an underlying insurance use for the blanket policy, would it expect a strong majority of operators to adopt this use?



- f) Does MPI currently have a plan in place, or any expectations about when/how it will review the underlying insurance uses and make adjustments to the proposed per km rate.

**Rationale for Question:**

To test and understand the proposed TNC blanket policy and MPI's round one response.

**RESPONSE:**

- a) Vehicles insured as Pleasure use are not permitted to be used in connection with a business, trade or occupation. As a result, MPI made the decision to exclude Pleasure from being used in conjunction with the proposed Transportation Network Company (TNC) blanket policy.
- b) MPI cannot confirm that passenger VFH are operating (generally) as full time commercial transportation providers. MPI can confirm that the majority of Passenger VFH customers have purchased all 4 times bands allowing for flexibility.
- c) MPI does not have data to provide information relative to other uses that may participate in the TNC blanket policy.
- d) The development of the proposed blanket policy was designed for TNCs and TNC affiliated vehicles. Provided TNC dispatchers can meet the minimum criteria outlined in *Part VIII Vehicle for Hire Chapter VFH.5 - TNC Blanket Policy*, MPI believes all-purpose to be an appropriate underlying insurance use during non-rideshare operation.

MPI cannot comment on the appropriateness of all-purpose relative to taxis and/or other uses as that examination has not been conducted.

- e) MPI made the decision to not permit Pleasure use. As a result, it has not contemplated what operators would do if Pleasure was permitted.

- f) MPI plans to review the adequacy of the per km rate on an annual basis through the General Rate Application process.

**TC (MPI) 2-11**

<b>Part and Chapter:</b>	<b>TC(MPI) 1-22 Part VIII Risk Classification</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>	<b>13) DSR</b>		
<b>Topic:</b>	<b>DSR Vehicle Premium Discounts</b>		
<b>Sub Topic:</b>			

**Preamble to IR:**

In response to part (b), MPI states:

**MPI is applying for a 48% for DSR level +18 as the actuarially indicated discount.** As per the PUB order, the current GRA moves 1/4<sup>th</sup> of the way towards the actuarially indicated discount. Since DSR 18 does not currently exist, the difference lies in the way the current DSR 18 discount has been assumed, which then moves 1/4<sup>th</sup> the way towards the actuarially discount in GRA 2024.

The table provided by TC assumes a 40% discount for DSR 18, same as DSR 16 and DSR 17 currently. However, **MPI assumed a higher discount for DSR 18 than DSR 17.** MPI assumed that the DSR discount for DSR 18 is higher than DSR 17 in the same proportion as the full actuarially indicated discount between DSR 18 and DSR 17.

Furthermore, MPI uses the same approach for its transition plan for all DSR levels that currently do not exist, i.e., DSR 18-20.

**[emphasis added]**

**Question:**

Referencing the bold text in the preamble:

- a) Please confirm that 48% is the Applied-for discount, and the indicated discount is 65.8%.
- b) Please provide the “assumed higher discount for DSR 18, than DSR 17”, and provide the sample calculation of how MPI arrived at 48%

**Rationale for Question:**

To clarify the first round response.

**RESPONSE:**

- a) Confirmed.
- b) The assumed higher discount for DSR 18 is based on the indicated discount for DSR 18 relative to DSR 17.

Please see below for the sample calculation of how MPI arrived at the Applied-for discount of 48%:

$$\text{Rounded Discount for DSR 18} = \frac{\text{Indicated Discount for DSR 18}}{\text{Indicated Discount for DS 17}} \times \text{Rounded Discount for DSR 17}$$

$$\text{Rounded Discount for DSR 18} = \frac{66\%}{62\%} \times 45\% = 48\%$$

**TC (MPI) 2-12**

<b>Part and Chapter:</b>	<b>TC (MPI) 1-23</b> <b>TC (MPI) 1-24</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>	<b>4) Compliance with Order 4/23 and 35/23</b>		
<b>Topic:</b>	<b>Fleet Program</b>		
<b>Sub Topic:</b>			

**Preamble to IR:**

MPI has indicated that the Fleet Program is under review, and stated "At this stage, before a comprehensive analysis and review, MPI cannot provide information related to anticipated solutions and directional impact relative to deficiencies."

**Question:**

- a) Please confirm that the fleet program review is currently underway, and if MPI can elaborate on any early results of the Fleet Program review?
- b) Does MPI anticipate material changes to the fleet program as a result of its review?

**Rationale for Question:**

To establish context for the proposed fleet program changes in the current application.

**RESPONSE:**

- a) As stated in its response to Information Request TC (MPI) 1-24, MPI can confirm that it intends to conduct a comprehensive review of the fleet program starting in the 2025 GRA. As the review is in the preliminary stages MPI cannot provide any early results.

- b) As MPI is in the preliminary stages of the review, it cannot comment on the magnitude of changes that can be anticipated as a result of the Fleet Program review.

**TC (MPI) 2-13**

<b>Part and Chapter:</b>	<b>TC(MPI) 1-4 Part VII Ratemaking RC Appendix 11</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>	<b>1) Projected Claims 12) Vehicle for Hire</b>		
<b>Topic:</b>	<b>TNC Blanket Policy</b>		
<b>Sub Topic:</b>			

**Preamble to IR:**

Given the information contained in RC Appendix 4, Table 13 which shows a credibility percentage of 10% assigned to Passenger VFH, the TC understands that the answer to TC (MPI) 1-4 may be in error, and the credibility percentage given to Passenger VFH experience was not 100%, but 10%. Assuming the TC’s understanding is correct, please answer the following:

**Question:**

Under the proposed TNC blanket policy, Passenger VFH experience will be fully recognized in 36 months after the policy’s expiry. Under the current methodology, how long would it take for Passenger VFH experience to be fully accounted for?

For clarity, assume a TNC operated at the current Passenger VFH 5 year incurred loss ratio of 99%. According to the proposed blanket policy, they will be surcharged 32% after 36 months. Assuming the TNC operates with this loss ratio each year, how long would it take under the current model to have rates increase by a total of 32%, where all other insurance uses require no change each year?

**Rationale for Question:**

To understand the proposed changes to credibility in the blanket policy.

**RESPONSE:**

MPI would like to clarify the Preamble of TC (MPI) 2- 13. The rate indication described in Part VII – RC Appendix 11 – 3.1.2 Rate Indication is distinct from the process of determining relativities described in RC.4 Relativities – Territorial and Insurance Use.

The assignment of a 100% credibility percentage was specifically for the Passenger Vehicle-for-Hire (PVFH) rate indication, and was based on a claim count standard of 1,082 claims. This methodology is consistent with the classical credibility approach outlined in Chapter 12 of "Basic Ratemaking" by Werner and Modlin<sup>1</sup>.

Finally, as stated in part A of the response to TC (MPI) 1-11, the final assessment for a policy year rebate or surcharge is intended to occur 24 months after the first assessment, or 27 months after policy expiry.

Under the current methodology, MPI determines a prospective premium using data from the 5 most recent insurance years and a standard for credibility described in RC.4 Relativities to mitigate against large year-to-year fluctuations. Premiums are set based on projected losses.

If the loss experience is more adverse than expected, the per km rates are likely to increase over time. However, given the impact of capping, large loss loading and the use of credibility MPI cannot definitively specify the exact %age increase in the per km rate or length of time required for which the rates could continue to increase under the current model.

Under the proposed TNC blanket policy, a retrospective premium is determined. A rebate or surcharge is determined independently for each policy year, resulting in an adjusted net premium for the specific policy year. Consequently, the risk of year-to-year fluctuation is borne by the TNC blanket policyholder. Prior year premiums are adjusted based on actual loss experience, leading to a profit neutral position.

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<sup>1</sup> Refer to [https://www.casact.org/sites/default/files/2021-03/5\\_Werner\\_Modlin.pdf](https://www.casact.org/sites/default/files/2021-03/5_Werner_Modlin.pdf) for Werner and Modlin's "Basic Ratemaking" text.



**TC (MPI) 2-14**

<b>Part and Chapter:</b>	<b>Part VI DR Appendix 1</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No:</b>	<b>1) Projected Claims 12) Vehicle for Hire</b>		
<b>Topic:</b>			
<b>Sub Topic:</b>			

**Preamble to IR:**

Part VII – DR Appendix 1 shows the experience adjustment for each insurance use.

**Question:**

- a) Please confirm for Territory 1 Passenger VFH 1-4 (Passenger Vehicle) has adjustments of 4.06%.
- b) Please confirm for Territory 2 Passenger VFH 2-4 (Passenger Vehicle) has adjustments of 13.92%.
- c) Please confirm for Territory 1 Taxicab VFH 2-4 has adjustments of 12.05%.
- d) Please confirm for Territory 2 Taxicab VFH 1, 3, 4 has adjustments of 12.39%.
- e) Please confirm the incurred loss ratio (incurred loss divided by earned premium) in 2022 for Passenger VFH in Territory 1 is 97.3%.
- f) Please confirm the incurred loss ratio in 2022 for Passenger VFH in Territory 2 is 37.9%.
- g) Please confirm the incurred loss ratio in 2022 for Taxicab VFH in Territory 1 is 63.2%.

- h) Please confirm the incurred loss ratio in 2022 for Taxicab VFH in Territory 2 is 76.7%.
- i) Why is Passenger VFH 2-4 in Territory 2 receiving a higher experience rating adjustment than Passenger VFH 2-4 in Territory 1 when their 2022 loss ratio was much lower?
- j) Why is Taxicab VFH in Territory 1 receiving a higher experience rating adjustment than Passenger VFH in Territory 2 when their 2022 loss ratio was much lower?

**Rationale for Question:**

To understand the appropriateness/reasonableness of the experience adjustments used.

**RESPONSE:**

- a) Confirmed.
- b) Confirmed.
- c) Confirmed.
- d) Confirmed.
- e) Confirmed.
- f) Confirmed.
- g) Confirmed.
- h) Confirmed.

- i) The primary reason why Territory 2's experience adjustment is higher than Territory 1 is because of the combined relativity used in determining the indicated rate by insurance use and territory. The relativity for Territories are determined based on the experience of all insurance uses in Major Class 1. Please refer to Part VII Appendix 4 New Relativity Calculation for the insurance use and territory relativities. Please refer to *Appendix 1 – Experience Adjustment Calculations* for a detailed calculation on how the experience adjustments are determined.

In addition, MPI does not calculate the rate indication solely on one year of experience. MPI's ratemaking methodology is forward looking and uses a pure premium methodology to determine the indicated rate change for each major class.

- j) MPI assumes TC is comparing Taxicab VFH in Territory 1 to Passenger VFH in Territory 1.

The reason why Taxicab VFH in Territory 1 is receiving a higher experience adjustment is primarily due to the change in allocation of Fleet rebates which is included in the Major Class Average, Please refer to *Appendix 1 – Experience Adjustment Calculations* for a detailed calculation on how the experience adjustments are determined, which is electronically attached to the eBook..