Bulletin

No. A-06/96

Property & Casualty

- Auto

Bill 59 Simplified Rate and Risk Classification Filing Guidelines

To the attention of all insurance companies licensed

to transact automobile insurance in Ontario

Bill 59, the *Automobile Insurance Rate Stability Act, 1996* received Royal Assent on June 27, 1996 and will come into force on November 1, 1996.

Actuarial costings have shown that the product established under Bill 59 should result in an overall decrease in premiums for personal vehicles. Although there will be some increase in the rates for third party bodily injury coverage, larger decreases are shown in the rates for accident benefits coverages.

Each insurer that writes non-fleet automobile insurance on OAP 1 or OPF 2 will be required to send a rate and risk classification filing for each category of automobile insurance written to the Ontario Insurance Commission (OIC) by **August 31, 1996**. Simplified filing guidelines have been developed for this purpose.

In addition, insurers have the option of filing for rate changes under a simplified filing format, where certain conditions are met, as a result of the introduction of the Bill 59 product.

Required Filing

As a result of this legislation insurers are **required** to make certain changes (listed below) to their current risk classification systems and rates and send a filing to the OIC.

The introduction of optional accident benefits as set out in the Statutory Accident Benefits Schedule (SABS). Optional benefits have been "packaged" and insurers must offer and file the rates and risk classification system for all categories of automobile insurance for the five "packaged" optional accident benefits as follows:

a. increased income replacement benefit of $600, $800, or $1,000 per week;
b. increased death and funeral benefit;
c. increased medical, rehabilitation, and attendant care benefit;
d. increased caregiver or dependent care benefit; and
e. indexation benefit.

The introduction of a standard $300 deductible for physical damage coverages (collision, comprehensive, all perils and specified perils) and the direct compensation - property damage (DC-PD) coverage. This standard deductible level must be established for **all categories of automobile insurance** that an insurer writes though an insured may choose to purchase a higher or lower deductible.

The introduction of a "retirees" discount. This discount is mandatory on **only the private passenger automobile insurance category**.

Optional Components of the Filing

Insurers, **at their option**, may also choose to re-align the rates charged for coverages. The conditions for filing under this simplified format for these changes are:

- on an all coverages combined basis the rate change cannot exceed 0%; and
- the rate change for a particular coverage must be applicable to each territory.

Insurers may also, **at their option**, provide deductible levels other than the standard $300 deductible level on DC-PD coverage and file rates for these other deductible levels for DC-PD.

Insurers may also, **at their option**, provide the "retirees" discount on categories of automobile insurance, other than private passenger automobile insurance, and file a "retirees" discount for these other categories.

If these optional changes are being made they should be included within the same filing for the applicable category of automobile insurance as the mandatory changes. The filing must be received by the OIC no later than August 31, 1996.

If changes other than the above are being proposed, the insurer must submit a full filing using the standard Section 412 or Section 413 Filing Guidelines, as appropriate. Given that the insurers must receive approval or authorization of rates for required filing elements prior to November 1, 1996, simplified filings will be given priority in their review by the OIC.

Optional Accident Benefits

Optional accident benefits are defined in the *SABS*. Once purchased, the coverage automatically extends to the named insured, the spouse and dependants of the name insured. This coverage is also extended to the dependents of the named insured's spouse, and to any drivers specified in the policy of the insured automobile. Consequently, the optional accident benefits only need to be purchased once, and not on every vehicle the named insured (or those identified above) operates. This is similar to the situation with optional accident benefits that existed under the Ontario Motorist Protection Plan (OMPP) product.

Deductible on DC-PD

The concept of a deductible on this coverage is new for personal vehicles. Insurers are expected to continue to have available a $0 deductible on personal vehicles for those insureds that request it.

"Retirees" Discount

A "retirees" discount of x% applied to the accidents benefits coverage rate must be offered on private passenger automobile insurance. This retirees discount is over and above any "seniors" type of discount that an insurer may currently provide.

The mandatory definition is as follows:

To qualify for the "retirees" discount, the principal operator of the automobile must:

a. be retired from all offices and employment; not engaged in any professional occupation; and not operating a business;

   and

b. be age 65 or older;

   or

   be in receipt of a pension under the *Canada Pension Plan or Quebec Pension Plan*;

   or

   be in receipt of a pension registered under the *Income Tax Act, Canada*.

OIC Contacts

If you have any questions about the filing requirements, please contact your rate analyst in the Rates and Classifications Branch.

Summary

1. You are required to submit simplified filings because of Bill 59 by August 31, 1996.
2. The filings must include rates and risk classification system elements for:

   a) optional accident benefits - required for all categories of automobile insurance

   b) standard deductibles of $300 on physical damage coverages and DC-PD - required for all categories of automobile insurance

   c) retirees discount - required for the private passenger automobile insurance category.
3. You have the option of making other changes to your rates, within these simplified filings, where certain conditions are met.
4. If you want to make changes that are not within the conditions for simplified filings you must use the

standard Section 412 or Section 413 Filing Guidelines. However, simplified filings will be given priority by the OIC in scheduling reviews.

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Commissioner

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