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No. A-15/96

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Automobile insurance rate filings and risk profiles

To the attention of all insurance companies licensed

to transact automobile insurance in Ontario

All insurers who write non-fleet automobile insurance on Ontario Automobile Policy (OAP) 1 or OAP 2 are required to file their rates and risk classification systems with the Ontario Insurance Commission (OIC) for approval or authorization prior to use.

Included with this Bulletin are updated filing guidelines that set out the format and information requirements for rate and risk classification filings (Attachments A, B and C). **The guidelines are effective November 1, 1996**. The updates take into consideration the experience gained since the previous consolidated set of filing guidelines were issued in 1993, and also reflect the requirement for a new expedited approval process under Section 411 of the *Insurance Act* as amended by the *Automobile Insurance Rate Stability Act, 1996* (Bill 59). Regulation 464/96, published in The Ontario Gazette October 28, 1996, is an amendment to Regulation 664 made under the *Insurance Act* and establishes the criteria for determining the application of the expedited approval process.

For your further reference, an attachment entitled *Technical Notes for Private Passenger Automobile Insurance Rate*

Filings (Attachment D), is included with this Bulletin. The notes are based on common issues that have arisen in the rate filing process and include an example of the calculations required to determine whether a filing qualifies for the expedited approval process based on the criteria set out in Regulation 664.

In addition, insurers are required to file with us updated risk profiles as outlined below. These updated risk profiles have also been included in the filing guidelines and will be a required component of any filing effective November 1, 1996.

Revised Filing Guidelines

The updated filing guidelines are in Attachments A, B and C. They are:

- *411/412 Filing Guidelines* for filing changes under the expedited or prior approval process (Attachment A);
- *Section 413 Filing Guidelines* for filing changes under the file and use process (Attachment B); and
- *Endorsements Filing Guidelines* for filing changes to endorsements rates and rules (Attachment C).

The guidelines include the following changes:

- the filing requirements for both the new expedited filing process and the prior approval process are now incorporated into one set of guidelines – the *Section 411/412 Filing Guidelines*. Where a filing qualifies for the expedited process, less information will be required. In addition, a certificate of the actuary will not be required;

- a revised format for submitting filings subject to prior approval or file and use;

- updated risk profiles for all categories of automobile insurance as set out in Appendix D to *Section 411/412 Filing Guidelines and Section 413 Filing Guidelines*;

- a revised Appendix A (summary of information) for expedited approval, prior approval, and file and use filings;

- a simpler process for filing proposed rate changes for endorsements (policy change forms). Proposed rate changes on endorsements, other than OPCF 44 on private passenger automobiles, now follow the file and use process (Section 413). A separate package, *Endorsements Filing Guidelines,* has been developed for insurers to use when filing changes to endorsement rates and rules;

- clarification that underwriting rules, other than those for endorsements, must be submitted using the *Section 238*

Filing Guidelines for Underwriting Rules. These were issued in OIC Bulletin A-11/95;

- the requirement that two (2) copies of an insurer's rate manual be filed once a rate filing has been approved or authorized.

Electronic Filing

The OIC is currently in the final stages of developing an electronic filing system for rate and risk classification filings, underwriting rule filings and form filings. We expect to be able to receive standard portions of the rate filing (rating examples and Appendix A) and other filings electronically by the first half of 1997. This will speed up receipt of the information as well as our review and processing of an approval or authorization.

Submission of Risk Profiles

All insurers subject to rate filing requirements are requested to file updated profiles based on their most current approved and authorized rates. Please file the Updated Private Passenger Automobile Insurance Profiles, Attachment E (included in this package), by **December 2, 1996**. Updated profiles for other categories of automobile insurance, Attachment F, must be filed by **December 23, 1996**.

Contacts

If you have any questions about changes to rate filing requirements and risk profiles, please call your rate analyst in the Rates and Classifications Branch at the OIC. The enclosed attachments are available in French upon request.

D. Blair Tully

Commissioner

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