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Bulletin

No. A-06/98

Property & Casualty

- Auto

Rate and risk classification system approval and hearing process

To the attention of all insurance companies licensed to transact automobile insurance in Ontario

With this Bulletin, the Ontario Insurance Commission (OIC) is providing clarification on the process involved in the OIC's review of insurers' filings for a modification to either their rates or risk classification systems.

This is deemed necessary in light of the issues that were raised before the Commissioner of Insurance (Commissioner) on an insurer's application for changes to its risk classification system and rates.

An insurer that wants to change its rates or risk classification system must file an appropriate application with the Commissioner. The application initiates the approval process, and the insurer is the applicant throughout this process.

Under current legislation, a hearing must be held if an insurer's application for a rate change or a change to its risk classification system is not approved. The hearing gives the insurer an opportunity to further clarify its arguments in support of its application as well as makes the application process more transparent for consumers and the general public.

OIC process following insurer's filing of application

OIC staff review the application to determine whether the proposed rates and risk classification system satisfy the statutory tests set out in the Insurance Act. If, within the designated time frames, the Commissioner agrees that those statutory tests have been met, the application will be approved.

If the Commissioner is not initially satisfied that all of the statutory tests have been met, the Commissioner will not approve the application. In these circumstances, the Insurance Act requires that a hearing be held. Although the Commissioner must make a preliminary decision on the approval of the application which triggers the calling of a hearing, the Commissioner does not make a final decision until the hearing is completed.

In advance of the actual hearing, the Commissioner decides what issues need to be examined. The applicant has the onus of proof on these issues to show that its filed application satisfies all of the statutory tests and ought to be approved.

In short, the process for approving or denying an application is as follows:

1. The applicant files its rates and risk classification system application with the Commission.
2. OIC staff review the application within the statutory time frame and make recommendations to the Commissioner.
3. The Commissioner determines whether she can approve the application using the statutory tests. She will review the application, including any other filed information.
4. If all statutory tests have been met, the application is approved.
5. If the Commissioner is not satisfied that all statutory tests have been met, a hearing will be held and the applicant is advised by letter. The Commissioner may also call a pre-hearing conference to address preliminary issues before the hearing takes place.
6. An issues list is prepared by the OIC. It is approved by the Commissioner.
7. The applicant has an opportunity to file any other relevant material in support of its application.
8. All parties have the opportunity to ask questions (in writing) on the written material of the applicant.
9. After the applicant responds to those questions, the other parties have an opportunity to submit their own written evidence.

10. The applicant and other parties have an opportunity to submit their questions to those parties who filed written evidence.
11. Once the responses have been filed, the hearing begins.
12. The applicant presents its evidence first, followed by the other parties as directed by the Commissioner. The applicant may submit reply evidence.

When all evidence is presented and submissions made, the Commissioner has the responsibility to decide whether the applicant has demonstrated that its proposed application for rates and a risk classification system satisfy the required statutory tests. The Commissioner may approve, vary, or disapprove the rates or risk classification system as is considered appropriate.

With the pending implementation of the Financial Services Commission of Ontario (FSCO), we will be reviewing all our business practices. In addition, there are changes to the rate and risk classification system approval and hearing process, as a result of the FSCO legislation. We will keep you advised of these changes.

Dina Palozzi

Commissioner

March 20, 1998

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