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Bulletin

No. A-2/01

Property & Casualty

- Auto

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Automobile insurance rate filing guidelines and technical notes

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

The Financial Services Commission of Ontario (FSCO) is releasing updated filing guidelines for submitting changes to automobile insurance rates and risk classification systems. These filing guidelines are effective immediately. Insurers may continue to submit rate filings to FSCO using the rate filing guidelines issued in November 1996 until March 31, 2001. As of April 1, 2001, all filings must follow the new filing guidelines format. Also, FSCO is releasing updated Technical Notes to assist insurers in preparing rate filings.

Background

FSCO engaged a consulting firm to review the rate filing process in Ontario. These filing guidelines have been developed based on the recommendations of the consulting firm, and an industry working group's review of the recommendations. We appreciate the assistance provided by the working group members in the development of these guidelines.

Changes to the Rate Filing System

Insurers will see a number of improvements to the filing process which include the following:

- a new filing process for changes to private passenger automobile insurance rates has been introduced. Insurers that meet the criteria set out in the Technical Notes, can file for changes to base rates, all existing differentials, discounts/surcharges, rating rules and definitions through the Respond to Market (R2M) process. Insurers can introduce rating variables, discounts or surcharges if they can demonstrate that they are used by another automobile insurer in Ontario. This new process will enable insurers to more rapidly respond to market conditions as less detailed filing information is required and FSCO's review process will be quicker;
- the criteria for the R2M process have been established by the Superintendent and are to be updated annually, effective January 1 of each year, based on the effective renewal date of the proposed changes;
- the standard information required within Appendix A for all rate filings has been streamlined;
- a simplified filing guideline package (Section 413 Filing Guidelines - Minor) has been developed for filing changes for categories of automobile insurance other than private passenger automobile. However, a company may be requested by FSCO to file rate indications with actuarial support using Section 413 Filing Guidelines - Major, where for example, the company is requesting a large rate change or is a large writer in the category of insurance;
- while manual pages that describe the current and proposed changes to rules or definitions must be provided within a filing, the manual pages setting out rates by territory, driving record, etc. only need to be submitted after the filing has been approved; and
- rates for categories of automobile insurance that are dependent on one another (e.g. motorhome rates that are dependent on private passenger automobile insurance rates) must now be submitted within a single filing.

There are now five different filing guidelines, depending upon the types of changes proposed:

- Section 410 Filing Guidelines - Expedited
- Section 410 Filing Guidelines - Respond to Market (R2M)
- Section 410 Filing Guidelines - Major
- Section 413 Filing Guidelines - Minor
- Section 413 Filing Guidelines - Major

Technical Notes

FSCO has also updated the Technical Notes that were originally issued in 1996. These Technical Notes are provided to assist insurers in preparing filings by identifying common issues that arise through the filing process and are considered to be part of the application (filing) for approval or authorization of rates and risk classification systems under sections 410(3) and 413(2) of the Insurance Act. The Technical Notes also provide an example of a filing that qualifies for the R2M process. Also included within the Technical Notes are benchmark assumptions FSCO uses in reviewing rate filings. Both the R2M criteria and benchmark assumptions will be reviewed and updated annually.

Electronic Filings

FSCO is currently developing a web-based electronic filing system for automobile insurance filings based on these revised filing guidelines. This will enable insurance companies to complete standard appendices electronically, and attach non-standard exhibits for submission to FSCO.

Contact

Should you have any inquiries regarding this bulletin, please contact your rate analyst in the Automobile Insurance Analysis Division at FSCO. Please note that this bulletin, the filing guidelines and the Technical Notes are posted on FSCO's website at: **www.fSCO.gov.on.ca** under **Insurance - Auto Insurance - Filing Guidelines for Insurance Companies**.

Dina Palozzi

Chief Executive Officer and

Superintendent of Financial Services

February 5, 2001

Attachments:

- [Section 410 Filing Guidelines - Expedited](#)
- [Section 410 Filing Guidelines - Respond to Market \(R2M\)](#)

- [Section 410 Filing Guidelines - Major](#)
- [Section 413 Filing Guidelines - Minor](#)
- [Section 413 Filing Guidelines - Major](#)
- Technical Notes

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FINANCIAL SERVICES COMMISSION OF ONTARIO

Section 410 Filing Guidelines - Expedited for Proposed Revisions to Automobile Insurance Rates and Risk Classification Systems

A. GENERAL INFORMATION

Rate and Risk Classification System Legislation

Sections 410 to 417 of the *Insurance Act* (the *Act*), R.S.O. 1990, Chap. I.8, as amended, set out the legislation pertaining to rates and risk classification systems for automobile insurance. As stated in Regulation 664, as amended, sections 410 to 417 of the *Act* apply to contracts and endorsements to contracts of automobile insurance on Ontario Automobile Policy (OAP) 1 or 2, but do not apply to contracts insuring "fleets". "Fleet" means a group of at least five vehicles that are under common ownership or management and that are used for business, commercial or public purposes.

The types of processes for approval and authorization of rates and risk classification systems are:

- ***Prior approval*** as set out in section 410; and
- ***File and use*** as set out in section 413 of the *Act*.

Under the **prior approval** process for private passenger automobile insurance, proposed changes to rates and risk classifications can be:

- subject to the **expedited** filing guidelines (refer to the *Section 410 Filing Guidelines - Expedited*) where the filing changes satisfy the criteria set out in regulation 664, Section 15.1; or
- subject to the **respond to market (R2M)** filing guidelines (refer to the *Section 410 Filing Guidelines - R2M*) where the filing changes satisfy the criteria established by the Superintendent (refer to Exhibit 1 of the *Technical Notes*); or
- subject to the **major** filing requirements (refer to the *Section 410 Filing Guidelines - Major*).

Under the **file and use** process, filings can be:

- subject to the **major** filing requirements (refer to the *Section 413 Filing Guidelines - Major*), where the filing is the initial application for the category, or the insurer satisfies the criteria established by the Superintendent (refer to Exhibit 4 of the *Technical Notes*) or where FSCO considers it appropriate in the circumstances; or
- subject to the **minor** filing requirements (refer to the *Section 413 Filing Guidelines - Minor*) in all other cases.

Filing Requirements

Section 410(3) provides that an application (filing) for approval of rates and a risk classification system shall be in a form approved by the Superintendent and shall be filed together with such information, material and

evidence as the Superintendent specifies.

These guidelines are to be used for filings made under section 410 for rates and risk classification systems that are subject to the expedited process based on the criteria outlined in regulation.

The purpose of these *Section 410 Filing Guidelines - Expedited* is to communicate to insurers the requirements of FSCO for expedited automobile insurance filings and to provide a systematic approach through which insurers may provide that information and thus facilitate the process of preparing as well as reviewing these filings.

In the case where the rating structure of a category of automobile insurance required to be filed under section 413 is dependent upon the insurer's private passenger automobile rates, complete section 8 under these guidelines. Otherwise, use the separate filing guidelines for section 413 filings.

There are also separate filing guidelines for filing changes to endorsement rates (other than OPCF 44R). Refer to the *Endorsements Filing Guidelines* package.

Required Rates and Risk Classification System Elements

In order for an application to be approved, insurers must have filed rates and risk classification systems for the following:

- 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 to \$600, \$800 or \$1,000 per week;
 - (b) increased death and funeral benefit;
 - (c) increased medical, rehabilitation, and attendant care benefit;
 - (d) increased caregiver and dependent care benefit; and
 - (e) indexation benefit.
- A \$300 deductible for physical damage coverages (collision, comprehensive, all perils and specified perils) and the direct compensation - property damage (DC-PD) coverage. This deductible level must be established for **all categories of automobile insurance** though an insured may choose to purchase a higher or lower deductible.
- A retiree's discount is mandatory on **only the private passenger automobile insurance category**. The discount must be a percentage of the basic accident benefits coverage rate for the automobile driven by the principal operator that is retired. The mandatory definition is as follows:

To qualify for the retiree's discount, the principal operator of the automobile to which the discount is assigned must:

- (a) be retired;
and
not earn or receive income from any office or employment;
and
not be engaged in any professional occupation;
and
not be operating a business;

and
not have been employed for 26 weeks or more in the last 52 weeks;

and

- (b) be age 65 or older;
or
be in receipt of a pension under the *Canada Pension Plan* or the *Quebec Pension Plan*;
or
be in receipt of a pension registered under the *Income Tax Act, Canada*.

Insurers must also comply with the following requirements for insurance on private passenger automobiles in respect of the graduated licensing system:

- Level One drivers are not to be rated.
- Level Two drivers can be rated.
- For the purpose of determining driving experience, insurers must credit drivers for the time spent at Level One to a maximum of one year, and at Level Two to a maximum of one year.
- Novice drivers entering Level Two from Level One should receive a rate reduction of 10% for all coverages where the driver's experience is used as a rating factor, provided that the driver has had no chargeable convictions or at-fault accidents at Level One. This reduction is applicable for one year.
- Fully-licensed drivers who have progressed through the graduated licensing system should receive a rate reduction of 10% for all coverages where the driver's experience is used as a rating factor, provided that the driver has had no chargeable convictions or at-fault accidents at Level Two. This reduction is applicable for one year.
- Driver training discounts and credits should continue to apply.

Filing Format

Subject to the guidelines set forth in Section C, the filing should contain the informational sections, as outlined below, and in the order outlined below.

Section	Contents
1.	Table of Contents
2.	Summary of Information (Appendix A)
3.	Certificate of the Officer/Designate (Appendix B)
4.	Base Rates Changes
5.	Discount/Surcharge Changes (not applicable to expedited filing)
6.	Rating Rule Changes (not applicable to expedited filing)
7.	Final Rates/Rate Level Change

8.	Dependent Categories (if applicable)
9.	Manual Pages
10.	Rating Examples (Appendix C)

Authorization Process

Filings should be submitted to:

Financial Services Commission of Ontario
Rates and Classifications Unit
Automobile Insurance Analysis Division
Box 85, 16th Floor
5160 Yonge Street
North York ON M2N 6L9

Upon receipt of a filing, each insurer will receive an acknowledgement letter from FSCO. The filing will then be reviewed for completeness based on these filing guidelines and the insurer will be informed of any information required to complete the filing. Until such time as a filing is complete, the time periods in the Act do not begin to run.

Once a filing is complete, FSCO will review the technical components of the filing. FSCO may request further information from the insurer.

Once an insurer has received notification of authorization from FSCO of its filing, it must:

- file one copy of its rate manual, containing the revised rates and risk classification system, with FSCO in hard copy format within 30 days (see Section 9 of the filing requirements); or
- file one copy of its rate manual, containing the revised rates and risk classification system, in an electronic format in an encapsulated postscript file within 30 days.

If an insurer fails to file its rate manual within 30 days it may be subject to prosecution under the *Insurance Act*.

Note

The Commission may receive access requests under the Freedom of Information and Protection of Privacy Act (FOIPOP Act) for any record in its custody or control. Section 17 of the FOIPOP Act recognizes that certain types of information supplied in confidence by third parties should be exempt from disclosure in the event of an access request if disclosure could result in the harms listed in Section 17. These types of information may include algorithms, base rates, differentials and any information included under Sections 4 through 7 of the filing requirements.

If you think that Section 17 of the FOIPOP Act might be applicable to a request for access to your rate filing, please list or stamp all of the pages of the filing that are confidential and give the reasons for the confidentiality. While this exercise does not guarantee that records will not be disclosed, it will be useful in assisting FSCO in responding to an access request.

B. DEFINITIONS

Affiliated Insurers

Two or more insurers are considered to be affiliated if any of the following criteria are met:

- i) one of the insurers is a subsidiary of another insurer
- ii) both are subsidiaries of the same body corporate
- iii) each of the insurers is controlled by the same person.

Allocated Loss Adjustment Expenses

All external expenses that can be directly charged to a particular claim file, whether a loss payment is made or not, including:

- i) adjuster's accounts (including all disbursements) - excluding staff adjusters;
- ii) appraisal costs (including appraisal centre costs) - excluding staff appraisal costs or costs included under (i);
- iii) legal expenses including all first party legal costs charged to a particular claim file - excluding staff legal fees or costs or fees included under (i);
- iv) all other external claims expenses.

Category of Automobile Insurance

For purposes of these filing guidelines, categories of automobile insurance include the following:

personal vehicles - private passenger automobiles
personal vehicles - motorcycles
personal vehicles - motor homes
personal vehicles - trailer and camper units
personal vehicles - off-road vehicles
personal vehicles - motorized snow vehicles
personal vehicles - historic vehicles
commercial vehicles
public vehicles - taxis and limousines
public vehicles - other than taxis and limousines.

The above category titles should be used when possible. If subdivisions of the above categories have been made, the insurer should indicate within which of the above categories the subdivisions fall.

Coverage

For the purposes of these filing guidelines, coverages include the following:

Liability - Bodily Injury
Liability - Property Damage
Accident Benefits
Uninsured Automobile
Direct Compensation - Property Damage
Specified Perils
Comprehensive

Collision or Upset
All Perils
Underinsured Motorist (OPCF 44R)

Endorsement

An endorsement (policy change form), approved by the Superintendent under section 227 of the *Act*, to a contract of automobile insurance. Standard Ontario endorsements are issued under a series of OPCF numbers. Non-standard endorsements, which must also be approved by the Superintendent, are uniquely identified by each insurer. For purposes of these filing guidelines, OPCF 44R is treated as a **coverage**, not as an endorsement.

Expedited Approval

Process of regulation in which insurers may have their risk classification systems or rates approved within thirty days after filing them with FSCO in accordance with Section 411 of the *Act*. An insurer must comply with criteria set out in regulation to be able to file under the expedited process. The expedited approval system applies to coverages, including OPCF 44R for personal vehicles - private passenger automobiles written on OAP 1, except those contracts written by the Facility Association. Contracts written on Ontario Policy Form 4, 6, 7, or 8, or contracts of automobile insurance that insure fleets or any endorsements on those contracts, are exempt from the file and use, expedited approval and prior approval systems of regulation.

Equity

Includes an insurer's capital stock, head office account, contributed surplus, earned surplus, and required reserves plus contingency and general reserves as reported in the insurer's P&C 1 or 2.

File and Use

Process of regulation in which insurers may use the risk classification systems or rates thirty days after filing them with FSCO in accordance with Section 413 of the *Act*. The file and use system applies to insurers, other than the Facility Association, for the following: endorsements (other than OPCF 44R on private passenger automobiles); categories of automobile insurance other than private passenger automobile insurance written on OAP 1; and all insurance written on OAP 2. Contracts written on Ontario Policy Form 4, 6, 7, or 8, or contracts of automobile insurance that insure fleets or any endorsements on those contracts, are exempt from the file and use, expedited approval, and prior approval systems of regulation. The Facility Association rates are not subject to file and use.

Fleet

Group of at least five vehicles that are under common ownership or management and that are used for business, commercial or public purposes.

Investment Income

All income attributable to the investment of policyholder supplied funds and shareholder supplied funds and surplus, **including** realized capital gains (and losses), net of investment expenses.

Prior Approval

Process of regulation in which insurers must have their rates and risk classification systems approved before use in accordance with Section 412 of the *Act*. The prior approval system applies to: insurance written by the Facility Association on OAP 1 or 2; coverages, including OPCF 44R, for personal vehicles - private passenger automobiles written on OAP 1. Contracts written on Ontario Policy Form 4, 6, 7, or 8, or contracts of automobile insurance that insure fleets or any endorsements on those contracts, are exempt from both the file and use and prior approval system

of regulation.

Rate	All amounts payable as premium under contracts of automobile insurance, or endorsements to such contracts, for an identified risk exposure. Rates may be expressed in terms of dollars and/or in terms of multiplicative or additive factors to be applied to a base premium amount. Rates are to include all provisions reflecting surcharges/discounts for applicable risk exposures. Rates are to be inclusive of commissions and other expense provisions used by the insurer, and are to be considered prior to the granting of policyholder dividends. Rates are subject to the provisions of sections 410 to 417 of the Act.
Rate Differentials	Multiplicative or additive factors/rates that are applied to the base rate for a particular territory to arrive at the rates for that territory, by class, limit of liability, deductible, etc.
Rating Algorithm	The manner in which base rates, rate differentials, and other surcharges/discounts are combined to arrive at the premium charged to an individual risk.
Rating Rule	A rule by which a risk is assigned to a specific rating cell or whether a discount or surcharge is applicable. Examples include rules by which territory, driver classification and vehicle rating group are assigned. Rating rules differ from underwriting rules which involve the decision to accept or decline a risk.
Return on Equity	The sum, on an after-tax basis, of underwriting and investment income divided by equity.
Return on Equity (Proposed)	The return on equity underlying the proposed rate change.
Return on Equity (Target)	The return on equity underlying the actuarially indicated rate change.
Risk Classification System	The elements used for the purpose of classifying risks in the determination of rates for a coverage or category of automobile insurance, including the variables, criteria, rules and procedures for that purpose.
Territorial Base Rate	The rate that serves as the starting point for each territory for developing all other rates by class, limit of liability, deductible, etc. It is the rate in the territory for that particular combination of class, limit of liability, deductible, etc. for which the multiplicative factors are all 1.00 and the additive factors are all zero.
Unallocated Loss Adjustment Expenses	All claims settlement and processing costs, excluding ALAE, but including staff adjusters, appraisers, advisors, lawyers, clerical support, and a portion of general expenses reasonably attributable to the claims function.
Underwriting Profit Margin	Direct premiums earned less discounted claims and adjustment expenses, less investment income earned on cash flow, less commissions and other acquisition expenses, less taxes (excluding income and real estate taxes), less general expenses (applicable to insurance operations) divided by direct premiums earned.
Underwriting Profit Margin	The underwriting profit margin underlying the proposed rate change.

(Proposed)

**Underwriting Profit Margin
(Target)**

The underwriting profit margin underlying the **actuarially indicated** rate change.

Underwriting Rules

Those rules that govern the decision by an insurer to accept or decline a risk, coverage or endorsement. Such rules are subject to the provisions of sections 237 and 238 of the *Act*. Filing of such rules must be made using the Section 238 Filing Guidelines or, for endorsements, the Endorsements Filing Guidelines issued by FSCO.

C. REQUIREMENTS FOR SECTION 410 FILINGS

SECTION 1: TABLE OF CONTENTS

This section contains a listing of the contents of Sections 2 through 10 of the filing and should be in sufficient detail to serve as a reference, by page number, for the location of specific elements of the filing. The pages of the filing, including exhibits, should be put in a binder, numbered consecutively and dated on 8.5" by 11" three-hole punched paper. In addition, each section and subsection should be labelled according to the section and subsection numbering system outlined in this document.

SECTION 2: SUMMARY OF INFORMATION

The summary section contains certain key information on the nature of the filed rate level or risk classification system changes. The form to be used is attached to this document as Appendix A.

Specific instructions to complete the Appendix are outlined below:

- In responding to Question 2, proposed effective dates are to be listed for both new and renewal business. This information is important in approving the filing. If there are any changes to the proposed effective dates you should notify us. In determining renewal dates, the notice periods set out in section 236 of the *Act* should be taken into consideration.
- In responding to Question 4, the premium weights should be disclosed in percentage terms and should be at the current rate level.
- In responding to Question 5a, prior rate level changes in the last eighteen months should be shown. The *All Coverages Combined Rate Level Change* should be based on the on-level premium weights that were applicable at the time of the rate change.
- In responding to Question 5b, the *Average Cumulative Rate Change* is to be calculated by:
 - taking the *All Coverages Combined Rate Level Change* from the response to question 4;
 - taking each *All Coverages Combined Rate Level Change* that occurred after January 1 of the year up to the proposed renewal effective date from the responses to question 5a,

and then using the following formula:

$$\left[\prod (1 + i) (1 - d) \right] - 1$$

all i, d

where: i = the proposed rate level increase or approved rate level increase(s) that occurred after January 1 of the year in which the proposed rate change is expected to be effective for renewal business; and

d = the proposed rate level decrease or approved rate level decrease(s) that occurred after January 1 of the year in which the proposed rate change is expected to be effective for renewal business.

SECTION 3: CERTIFICATE OF THE OFFICER/DESIGNATE

Each filing must be accompanied by an original signed authorized Certificate of the Officer/ Designate. A copy of the Officer/Designate form is attached as Appendix B. Authorized officers are the President, CEO, COO, CFO, or Chief Agent for Canada. Alternately the President, CEO, COO, or CFO may authorize a designate to sign the Certificate of the Officer/Designate. The Designate should be of Vice-President rank or above.

To designate an alternate, an original, signed letter of authorization must be submitted for our files. A copy of this authorization should be included with each filing where a designate will sign the certificate.

SECTION 4: BASE RATES AND DIFFERENTIAL CHANGES

4.a. Base Rates Changes

If the insurer is requesting changes to the base rates, the approach used in costing and a general narrative of the process must be outlined in detail. Under the expedited filing process, the percentage difference, for each territory used by the insurer, between the average of the existing rates for each coverage and the average of the proposed rates for that coverage is not more than 5 per cent higher or lower than the percentage difference, for all of Ontario, between the average of the existing rates for that coverage and the average of the proposed rates for that coverage (see Section 15.1(2)(4) of Regulation 664).

The required information should include: (i) a description of the proposed changes, (ii) the rationale for the proposed changes, (iii) the rate level effects of the proposed changes, and (iv) calculations that validate the rate level effect of the proposed changes based on the expected distribution of business.

4.b. Differential Changes

No changes to differentials are allowed under the expedited filing process.

SECTION 5: DISCOUNT/SURCHARGE CHANGES

No changes to discounts or surcharges are allowed under the expedited filing process.

SECTION 6: RATING RULE CHANGES

No changes to rating rules are allowed under the expedited filing process.

SECTION 7: FINAL RATES/RATE LEVEL CHANGE

Exhibits illustrating current and proposed base rates, current rating algorithm, current discounts/surcharges, and current differentials, **clearly identified as either current or proposed**, must be disclosed in this section, including any explanatory material in support of the proposed changes. **To facilitate the review process, all of 7.a. - 7.d. must be included even though the change may be only to base rate changes under this filing process.**

7.a. Algorithm

An exhibit illustrating current algorithm must be disclosed in this section. The algorithm cannot be changed

under the expedited process.

7.b. Base Rates

Exhibits illustrating current and proposed base rates must be disclosed in this section.

7.c. Differentials

An exhibit illustrating current differentials must be disclosed in this section. Differentials cannot be changed under the expedited process.

7.d. Discounts and Surcharges

An exhibit illustrating current discounts and surcharges must be disclosed in this section. Discounts and surcharges cannot be changed under the expedited process.

7.e. Calculation of Final Rates

The filing must clearly describe and show how current manual territorial base rates are transformed into proposed manual territorial base rates through the application of the proposed rate change in combination with any off-balance.

7.f. Calculation of Rate Level Change

The filing must clearly describe and show how the rate level impact of changes to base rates, in combination with any off-balance which may be applied, are used to calculate the overall rate level change on a per coverage basis. This calculation should reconcile with the Proposed Overall Rate Level Change from Appendix A, Question 4.

SECTION 8: SECTION 413 DEPENDENT CATEGORIES

For those categories of automobile insurance that are dependent on the section 410 rate filing submitted, please provide the following:

- (i) the rate level effects of the proposed changes.
- (ii) the calculations that validate the rate level effect of the proposed changes,
- (iii) a copy of the rating rule that stipulates the linkage to the category of automobile insurance, and
- (iv) rating examples must be completed for the dependent category of automobile insurance. Rating examples are attached as Appendix C to the Section 413 filing guidelines.

**SECTION 9: MANUAL PAGES CONTAINING
REVISED RATES AND RISK CLASSIFICATION SYSTEM**

A draft set of manual pages that contains the rates by territory and class, driving record, etc is optional at the time of submitting the filing.

However, a set of manual pages containing the approved rates and risk classification system **must** be submitted within 30 days after the rate filing has been authorized. The insurer should also provide a copy of the most current vehicle rate group tables if they have not already been filed with FSCO.

SECTION 10: RATING EXAMPLES

Appendix C sets out eleven rating examples. Each insurer must file with FSCO those rating examples which would be affected by the filing. It should be noted that these rating examples may not be the same examples required in future filings. Also FSCO may require additional and/or different rating examples as a consequence of the review process.

The rating examples must be completed according to the risk description specified. Each insurer must provide both current and proposed rating criteria for each of the rating examples as required. The rating territories should be those as defined in the insurer's rate manual.

Any additional information pertaining to the rating example must be disclosed with a detailed description for each affected rating example.

Specific instructions and key assumptions that should be adopted when completing these rating examples are:

- All rates are to be stated on an annual basis. If annual policies are not issued, the rates should be converted to an annual basis.
- All risks should be rated strictly according to the information provided. **DO NOT** provide preferred rates unless the criteria as stated fit the eligibility rules for a preferred class. If so, provide only the preferred rates, and state so.
- Clearly identify all applicable surcharges/discounts that apply to each of the coverages.
- Unless stated explicitly in the profile, do not assume the operator has progressed through the graduated licensing system.
- The rating territories should be those as defined in the insurer's rate manual. For the Toronto (city) territory, assume the location is Yonge and Bloor (FSA M4Y). For all other cities, assume the location to be downtown (FSA's listed on risk profiles).
- Assume the same definitions as in the Facility Association Manual of Rules and Rates for major or minor convictions or an at-fault (chargeable) accident. Also assume the accident involved collision coverage only and that the claim was greater than \$1,000.
- If the insurer does not write a particular limit or deductible level for a described profile, provide the premiums using the closest limit/deductible and note the applicable limit/deductible on the profile.
- If the insurer provides group discounts, provide the individual non-group rate plus the rates with the highest discount applied.
- For multiple operator risks, provide premiums by coverage by operator using separate sheets. In addition, the total policy premium combining all operators should be submitted.
- If, based on the insurer's underwriting rules, a risk profile described in a specified rating example is not written, that fact is to be indicated, and rates need not be provided for that example. However, the insurer must explain why the rating example is not appropriate under the circumstances.
- If a rating example does not describe a unique rate, the insurer is to provide the highest and lowest rate that could be charged on the described risk, and disclose the assumption underlying the difference.

- Include the premiums for all perils only if collision and comprehensive are not offered.

Company Name: _____

Group Name: _____

Category of Insurance: Private Passenger Automobile

SUMMARY OF INFORMATION

1. Describe the proposed changes by checking the item that apply to this filing:

- ☐ 1. Base rate change, not due to off-balancing differential or discount changes, that is uniform by territory
- or
- ☐ 2. Base rate change, not due to off-balancing differential or discount changes, that is **not** uniform by territory

2. Proposed effective date for **new** policies: _____

Proposed effective date for **renewal** policies: _____

(Insurers should take into consideration the 45 day notice period to brokers and 30 day notice period to insureds required under section 236 of the Act in determining effective dates.)

3. Indicate the distribution of risks by policy term:

3 month	_____	%
6 month	_____	%
12 month	_____	%
Other	_____	%
Total	_____	%

4. Please state the proposed rate level changes and premium weights using direct written premiums that have been adjusted to current rate level. If direct written premiums are not available, please use direct earned premiums.

Please indicate whether the changes by coverage are weighted by written or earned premiums by placing an "x" in the appropriate box, and state the source and date of data.



direct written premium



direct earned premium

**Source of
Data:**

Date of Data:

<u>Coverage</u>	<u>Proposed Rate Level Change</u>	<u>Weights</u> (rounded to 2 decimals)
Liability - Bodily Injury	%	%
Liability - Property Damage	%	%
Accident Benefits	%	%
Uninsured Automobile	%	%
Direct Compensation - Property Damage	%	%
All Compulsory Coverages	%	%
Specified Perils	%	%
Comprehensive	%	%
Collision or Upset	%	%
All Perils	%	%
OPCF 44R	%	%
All Optional Coverages	%	%
All Coverages Combined	%	100.00%

- 5a. State the dates and rate level change percentages that were effective in the last eighteen months (please round the figures to two decimals):

Effective Date for Renewal Business				
<u>Coverage</u>	<u>Prior Change</u>	<u>2nd Prior Change</u>	<u>3rd Prior Change</u>	<u>4th Prior Change</u>
Liability - Bodily Injury	%	%	%	%
Liability - Property Damage	%	%	%	%
Accident Benefits	%	%	%	%
Uninsured Automobile	%	%	%	%
Direct Compensation - Property Damage	%	%	%	%
All Compulsory Coverages	%	%	%	%
Specified Perils	%	%	%	%
Comprehensive	%	%	%	%
Collision or Upset	%	%	%	%
All Perils	%	%	%	%
OPCF 44R	%	%	%	%
All Optional Coverages	%	%	%	%
All Coverages Combined	%	%	%	%

- 5b. State the *Average Cumulative Rate Change* for all coverages. It is based on the *All Coverages Combined Proposed Rate Level Change* (as stated in the response to question 4) and the *All Coverages Combined Rate Level Change(s)* (as stated in the response to question 5a), that occurred after January 1 of the year in which the proposed rate change is expected to be effective for renewal business.

The *Average Cumulative Rate Change* for all coverages is: _____%.

- 6a. Provide the direct written premium, the direct earned premium, the number of earned vehicles, and incurred losses for the most recent **complete** accident year for this category of insurance. (Note: At least one of direct written or direct earned premiums must be provided.)

<u>Coverage</u>	Year	Direct Written Premium	Direct Earned Premium	Incurred Losses	Number of Earned Vehicles
		000's	000's	000's	
Liability - Bodily Injury		\$	\$	\$	
Liability - Property Damage		\$	\$	\$	
Accident Benefits		\$	\$	\$	
Uninsured Automobile		\$	\$	\$	
Direct Compensation - Property Damage		\$	\$	\$	
All Compulsory Coverages		\$	\$	\$	
Specified Perils		\$	\$	\$	
Comprehensive		\$	\$	\$	
Collision or Upset		\$	\$	\$	
All Perils		\$	\$	\$	
OPCF 44R		\$	\$	\$	
All Optional Coverages		\$	\$	\$	
All Coverages Combined		\$	\$	\$	

- 6b. Provide the direct written premium, the direct earned premium, the number of earned vehicles, and incurred losses for the second most recent **complete** accident year for this category of insurance. (Note: At least one of direct written or direct earned premiums must be provided.)

<u>Coverage</u>	<u>Year</u>	Direct Written Premium	Direct Earned Premium	Incurred Losses	Number of Earned Vehicles
		000's	000's	000's	
Liability - Bodily Injury		\$	\$	\$	
Liability - Property Damage		\$	\$	\$	
Accident Benefits		\$	\$	\$	
Uninsured Automobile		\$	\$	\$	
Direct Compensation - Property Damage		\$	\$	\$	
All Compulsory Coverages		\$	\$	\$	
Specified Perils		\$	\$	\$	
Comprehensive		\$	\$	\$	
Collision or Upset		\$	\$	\$	
All Perils		\$	\$	\$	
OPCF 44R		\$	\$	\$	
All Optional Coverages		\$	\$	\$	
All Coverages Combined		\$	\$	\$	

- 6.c. Provide the Return on Equity that underlies the proposed rate level change, for this category of insurance, for all coverages combined: _____ %
- 6.d. What is the maximum rate change that a risk with compulsory and any physical damage coverages would receive, taking into consideration any previous rate changes effective since January 1 of this year and excluding the impact of CLEAR, if this rate filing was approved:
_____ %
- 6.e. What is the minimum rate change that a risk with compulsory and any physical damage coverages would receive, taking into consideration any previous rate changes effective since January 1 of this year and excluding the impact of CLEAR, if this rate filing was approved:
_____ %

7. Have any other changes been made to base rates, differentials, discounts, surcharges or rating rules within the past year that would impact a consumer on renewal, other than the changes proposed in this filing? If so, please describe.

8. State other categories of automobile insurance that may be affected by the proposed rate change of this category of automobile insurance (e.g., motorhome rates that are dependent on private passenger rates), and the rate level change percentage (*as per section 8 of the filing guidelines*). All changes must be based solely on the changes associated with the dependent category. Any other changes not dependent must be submitted in a separate filing under Section 413 Filing Guidelines - Minor (or Section 413 Filing Guidelines - Major).

Dependent Category (check where applicable)	Filing included with this submission	If not included - state the expected filing date	Rate Level Change impact for each category (%)
Personal Vehicles - Motorcycles	☐ Yes ☐ No		
Personal Vehicles - Motorhomes	☐ Yes ☐ No		
Personal Vehicles - Trailers and Camper Units	☐ Yes ☐ No		
Personal Vehicles - Off-Road Vehicles	☐ Yes ☐ No		
Personal Vehicles - Motorized Snow Vehicles	☐ Yes ☐ No		
Personal Vehicles - Historic vehicles	☐ Yes ☐ No		
Commercial Vehicles	☐ Yes ☐ No		
Public Vehicles - Taxi and Limousines	☐ Yes ☐ No		
Public Vehicles - Other Than Taxi and Limousines	☐ Yes ☐ No		
	☐ Yes ☐ No		
	☐ Yes ☐ No		

☐ Yes ☐ No

9. Individual to whom questions concerning this filing may be addressed:

Name: _____

Title: _____

Company: _____

Address: _____

Phone No.: _____

Facsimile No.: _____

E-mail Address: _____

1. This rate filing is in respect of the private passenger automobile insurance category and the following dependent categories *(Please check all that apply)*:

- Not Applicable
- Personal Vehicles - Motorcycles
- Personal Vehicles - Motorhomes
- Personal Vehicles - Trailer and Camper Units
- Personal Vehicles - Off-Road Vehicles
- Personal Vehicles - Motorized Snow Vehicles
- Personal Vehicles - Historic Vehicles
- Commercial Vehicles
- Public Vehicles - Taxis and Limousines
- Public Vehicles - Other than Taxis and Limousines.

to be effective as of _____ for new business and
(Date of Implementation)

_____ for renewal business. (Date of Implementation)

2. I have knowledge of the matters that are the subject of this certificate.
3. The information and each document contained in the filing accompanying this certificate are complete and accurate.
4. The proposed rates are just and reasonable, do not impair the solvency of the Insurer, and are not excessive in relation to the financial circumstances of the Insurer.

Date, Location

Company Name: _____

CASE 1Risk Description

- ⇒ Adult, age 70, qualifies for retirees discount
- ⇒ No chargeable accidents or convictions in last 10 years
- ⇒ New business application to company

- ⇒ Licensed 50 years, class G licence
- ⇒ Pleasure use only, annual mileage under 10,000 km.
- ⇒ 1997 Chevrolet Lumina 4 door (VICC Code 5589)

Coverages

- ⇒ Liability and OPCF 44R - \$1,000,000
- ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation - Property Damage - no deductible
- ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability - BI	Liability -	AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) Current									
Proposed									
% +/- to Current Rates									

Risk DescriptionCASE 2

Company Name:

Operator # 1

- ⇒ Male, age 40 (hus.), licensed 24 years, class G licence
- ⇒ No chargeable accidents or convictions in last 6 years
- ⇒ Drive to work, 10km. one way, annual mileage<16,000 km.
- ⇒ 1998 Jeep Grand Cherokee Limited 4WD (VICC Code 7182)
- ⇒ New business application to company

Operator #2

- ⇒ Female, age 39 (wife), licensed 20 years, class G licence
- ⇒ No chargeable accidents or convictions in last 6 years
- ⇒ Drive to work, 20km. one way, ann. mileage<20,000 km.
- ⇒ 1998 Dodge Neon 4 door (VICC Code 2261)
- ⇒ New business application to company

Coverages

- ⇒ Liability and OPCF 44R - \$1,000,000
- ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation - Property Damage - no deductible
- ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability- BI	Liability-PD	AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay - (P7K)Current									
Proposed									
% +/- to Current Rates									

CASE 3

Company Name:

Risk Description

- ⇒ Male, single, age 19
- ⇒ Licensed 3 years, 1 year with class G licence, Owner and Principal Operator
- ⇒ Commute - 5 km. one way, annual mileage under 12,000 km.
- ⇒ 1997 Pontiac Grand Am GT 2 door (VICC Code 6488)
- ⇒ New business application to company

Coverages

- ⇒ Liability and OPCF 44R - \$500,000
 - ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation - Property Damage - no deductible
- ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability- BI	Liability-PD	AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

Company Name:

Risk Description

- ⇒ Single Male, age 24
- ⇒ Licensed 6 years, class G licence
- ⇒ No chargeable accidents in last 5 years
- ⇒ 2 minor convictions in last 3 years

CASE 4

- ⇒ Commute - 5 km. one way, annual mileage under 12,000 km.
- ⇒ 1994 Ford F150 Pickup 2WD (VICC Code 3629)
- ⇒ New business application to company

Coverages

- ⇒ Liability and OPCF 44R - \$200,000
- ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation - Property Damage - no deductible
- ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability - BI	Liability -PD	AB	UA	DC-PD	Collision	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

CASE 5

Coverages

Company Name:

Risk Description

⇒ Adult, age 40, principal operator, licensed 20 years, cl. G
 ⇒ No chargeable accidents or convictions in last 10 years
 ⇒ Drive to work, 8 km one way, annual mileage <16,000 km.
 ⇒ 1996 Chevrolet Corsica 4 door (VICC Code 5583)
 ⇒ New business application to company

⇒ Single male, age 18, occasional operator
 ⇒ Licensed 2 yrs1 year G1, 1 year G2,newly licensed as G
 ⇒ No chargeable accidents or convictions since licensed

⇒ Liability and OPCF 44R - \$500,000
 ⇒ Basic Accident Benefits; Uninsured Automobile
 ⇒ Direct Compensation - Property Damage - no deductible
 ⇒ Comprehensive - \$300 deductible

Territory	Liability - BI	Liability - PD	AB	UA	DC-PD	Collision	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

Company Name:

Risk DescriptionOperator 1

- ☞ Male, age 45 (husband)
- ☞ Licensed 25 years, class G licence
- ☞ No chargeable accidents or convictions in last 10 years
- ☞ Drive to work - 50 km. one way, annual mileage < 40,000 km.
- ☞ 1999 Honda Accord EX 4 door (VICC Code 0213)
- ☞ New business application to company

Operator #1a

- ☞ Single male, age 19
- ☞ Licensed 3 years with driver training: 1 year G1, 2 years G2, newly licensed as G
- ☞ 1 minor conviction at G2 level

CASE 6Operator #2

- ☞ Female, age 40 (wife)
- ☞ Licensed 20 years, class G licence
- ☞ No chargeable accidents or convictions in the last 6 years
- ☞ Pleasure use only, annual mileage < 10,000 km.
- ☞ 1996 Plymouth Voyager (VICC Code 2646)
- ☞ New business application to company

Operator #2a

- ☞ Female, age 22
- ☞ Licensed 2 years without driver training: 1 year G1, 1 year G2, newly licensed as G
- ☞ No chargeable accidents or convictions since licensed

Coverages

- ☞ Liability and OPCF 44R- \$1,000,000
- ☞ Basic Accident Benefit, Uninsured Automobile
- ☞ Direct Compensation-Property Damage - no deductible
- ☞ Collision and Comprehensive - \$300 deductible

Territory	Liability		AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
	BI	PD							
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									

Company Name: _____

Territory	Liability		AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
	BI	PD							
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

Company Name:

Risk DescriptionOperator # 1

- ⇒ Male, age 38 (husband), Licensed 20 years, class G licence
- ⇒ No chargeable accidents or convictions in last 6 years
- ⇒ Drive to work, 10km. one way, annual mileage<16,000 km.
- ⇒ New business application to company
- ⇒ 1998 Ford Taurus LX 4 door (VICC Code 3427)

CASE 7Operator #2

- ⇒ Female, age 35 (wife), Licensed 15 yrs, class G licence
- ⇒ No chargeable accidents or convictions in the last 6 years

Coverages

- ⇒ Liability and OPCF 44R - \$1,000,000
- ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation -Property Damage - no deductible
- ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability - BI	Liability -PD	AB	UA	DC-PD	Collision	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

Company Name:

CASE 8Risk Description

- ⇒ Adult, age 40
- ⇒ Licensed 20 years, class G **licence**
- ⇒ 1 chargeable accident in last 5 years
(Accident last year - 1 year accident free)
- ⇒ 1 major conviction in last 3 years
- ⇒ 1998 Toyota Camry 4 Cyl 4 door (VICC Code 0450)

- ⇒ Drive to work - 8 km., one way
- ⇒ Annual mileage < 16,000 km.
- ⇒ New business application to company

Coverages

- ⇒ Liability and OPCF 44R - \$1,000,000
- ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation - Property Damage - no deductible
- ⇒ Collision - \$500 deductible
- ⇒ Comprehensive - \$300 deductible

Territory	Liability- BI	Liability-PD	AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

CASE 9

Company Name: _____

Risk Description

⇒ Female, age 23, licensed 6 years
 ⇒ Class G licence (without driver training)
 ⇒ 1 chargeable accident in last year (0 years accident free) deductible
 ⇒ 1 minor conviction in last 3 years

⇒ Drive to work - 8 km. one way, annual mileage < 16,000 km.
 ⇒ 1999 Dodge Neon 2DR (VICC Code 2262)
 ⇒ New business application to company

Coverages

⇒ Liability and OPCF 44R - \$500,000
 ⇒ Basic Accident Benefits, Uninsured Automobile
 ⇒ Direct Compensation - Property Damage - no
 ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability- BI	Liability - PD	AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Risk Description **CASE 10**

Operator #1

⇒ Male, age 45 (husband)
 ⇒ Licensed 25 years, class G licence
 ⇒ No chargeable accidents or convictions in last 10 years
 ⇒ Drive to work - 50 km. one way, annual mileage < 40,000 km.
 ⇒ 1999 Honda Accord EX 4 door (VICC Code 0213)
 ⇒ New business application to company

Operator #1a

⇒ Single male, age 19
 ⇒ Licensed 3 years with driver training: 1 year G1, 2 years G2, newly licensed as G
 ⇒ 1 minor conviction at G2 level

Operator #2

⇒ Female, age 40 (wife)
 ⇒ Licensed 20 years, class G licence
 ⇒ No chargeable accidents or convictions in the last 6 years
 ⇒ Pleasure use only, annual mileage < 10,000 km.
 ⇒ 1996 Plymouth Voyager (VICC Code 2646)
 ⇒ New business application to company

Operator #2a

⇒ Female, age 22
 ⇒ Licensed 2 years without driver training: 1 year G1, 1 year G2, newly licensed as G
 ⇒ No chargeable accidents or convictions since licensed

Coverages

⇒ Income replacement at \$600, \$800, and \$1,000
 ⇒ Medical, Rehab, and Attendant Care
 ⇒ Caregiver and Dependant Care
 ⇒ Funeral and Death
 ⇒ Indexation

Territory	Income Replacement (IR)			Medical, Rehab & Att. Care	Caregiver and Dependant Care	Funeral and Death	Indexation			Total		
	\$600 (1a)	\$800 (1b)	\$1,000 (1c)				\$600 -IR & Other Benefits (5a)	\$800 -IR & Other Benefits (5b)	\$1,000 -IR & Other Benefits (5c)	\$600 (1a)+(2)+(3)+(4)+(5a)	\$800 (1b)+(2)+(3)+(4)+(5b)	\$1,000 (1c)+(2)+(3)+(4)+(5c)
Toronto - Current												
(M4Y) Proposed												
% +/- to Current												

Notes: In (1a), (1b), and (1c), record only the cost of income replacement, non-indexed.

In (5a) record the cost of indexation of income replacement at \$600, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

In (5b) record the cost of indexation of income replacement at \$800, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

In (5c) record the cost of indexation of income replacement at \$1,000, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

CASE 11

Risk Description

Operator # 1

- ⇒ Male, age 38 (husband), Licensed 20 years, class G licence
- ⇒ No chargeable accidents or convictions in last 6 years
- ⇒ Drive to work, 10 km. one way, annual mileage < 16,000 km.
- ⇒ New business application to company
- ⇒ 1998 Ford Taurus LX 4 door (VICC Code 3427)

Operator #2

- ⇒ Female, age 35 (wife), Licensed 15 years, class G licence
- ⇒ No chargeable accidents or convictions in the last 6 years

Coverages

- ⇒ Income replacement at \$600, \$800, and \$1,000
- ⇒ Medical, Rehab, and Attendant Care
- ⇒ Caregiver and Dependant Care
- ⇒ Funeral and Death
- ⇒ Indexation

Territory	Income Replacement (IR)			Medical , Rehab & Att. Care	Caregiver and Dependant Care	Funeral and Death	Indexation			Total		
	\$600 (1a)	\$800 (1b)	\$1,000 (1c)	(2)	(3)	(4)	\$600 -IR & Other Benefits (5a)	\$800 -IR & Other Benefits (5b)	\$1,000-IR & Other Benefits (5c)	\$600 (1a)+(2)+(3)+(4)+(5a)	\$800 (1b)+(2)+(3)+(4)+(5b)	\$1,000 (1c)+(2)+(3)+(4)+(5c)
Toronto - Current												
(M4Y) Proposed												
% +/- to Current												

Notes: In (1a), (1b), and (1c), record only the cost of income replacement, non-indexed.

In (5a) record the cost of indexation of income replacement at \$600, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

In (5b) record the cost of indexation of income replacement at \$800, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

In (5c) record the cost of indexation of income replacement at \$1,000, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Risk Profiles Rating Criteria

Case	Territory	Rating Territory		Operator	Rate Class		Driving Record		Vehicle Rate Group						Discount/ Surcharge	
									AB		DC-PD & Coll		Comp/SP			
		curr	prop		curr	prop	curr	prop	curr	prop	curr	prop	curr	prop		
1	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)															
	London (N6A)			Operator												
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															
	Thunder Bay (P7K)															
2	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)			Operator #1												
	London (N6A)															
	Windsor (N8W)															
	Brockville (K6T)			Operator #2												
	Sudbury (P3E)															

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Case	Territory	Rating Territory		Operator	Rate Class		Driving Record		Vehicle Rate Group						Discount/ Surcharge	
		curr	prop		curr	prop	AB		DC-PD & Coll		Comp/SP					
							curr	prop	curr	prop	curr	prop	curr	prop	curr	prop
	Thunder Bay (P7K)															
3	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)															
	London (N6A)			Operator												
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															
	Thunder Bay (P7K)															
4	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)															
	London (N6A)			Operator												
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Case	Territory	Rating Territory		Operator	Rate Class		Driving Record		Vehicle Rate Group						Discount/ Surcharge	
									AB		DC-PD & Coll		Comp/SP			
		curr	prop		curr	prop	curr	prop	curr	prop	curr	prop	curr	prop		
	Thunder Bay (P7K)															
5	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)			Operator #1												
	London (N6A)															
	Windsor (N8W)															
	Brockville (K6T)			Operator #1a												
	Sudbury (P3E)															
	Thunder Bay (P7K)															
6	Toronto (M4Y)															
	Hamilton (L8V)			Operator #1												
	Ottawa (K1Y)			Operator #1a												
	London (N6A)															
	Windsor (N8W)			Operator #2												
	Brockville (K6T)			Operator #2a												
	Sudbury (P3E)															

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Case	Territory	Rating Territory		Operator	Rate Class		Driving Record		Vehicle Rate Group						Discount/ Surcharge	
									AB		DC-PD & Coll		Comp/SP			
		curr	prop		curr	prop	curr	prop	curr	prop	curr	prop	curr	prop		
	Thunder Bay (P7K)															
7	Toronto (M4Y)															
	Hamilton (L8V)			Operator #1												
	Ottawa (K1Y)			Operator #2												
	London (N6A)															
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															
	Thunder Bay (P7K)															
8	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)															
	London (N6A)			Operator												
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Case	Territory	Rating Territory		Operator	Rate Class		Driving Record		Vehicle Rate Group						Discount/ Surcharge	
									AB		DC-PD & Coll		Comp/SP			
		curr	prop		curr	prop	curr	prop	curr	prop	curr	prop	curr	prop		
	Thunder Bay (P7K)															
9	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)															
	London (N6A)			Operator												
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															
	Thunder Bay (P7K)															

FINANCIAL SERVICES COMMISSION OF ONTARIO

Section 410 Filing Guidelines - Respond to Market (R2M)
for Proposed Revisions to
Automobile Insurance Rates and Risk Classification Systems

A. GENERAL INFORMATION

Rate and Risk Classification System Legislation

Sections 410 to 417 of the *Insurance Act* (the *Act*), R.S.O. 1990, Chap. I.8, as amended, set out the legislation pertaining to rates and risk classification systems for automobile insurance. As stated in Regulation 664, as amended, sections 410 to 417 of the *Act* apply to contracts and endorsements to contracts of automobile insurance on Ontario Automobile Policy (OAP) 1 or 2, but do not apply to contracts insuring "fleets". "Fleet" means a group of at least five vehicles that are under common ownership or management and that are used for business, commercial or public purposes.

The types of processes for approval and authorization of rates and risk classification systems are:

- ***Prior approval*** as set out in section 410; and
- ***File and use*** as set out in section 413 of the *Act*.

Under the **prior approval** process for private passenger automobile insurance, proposed changes to rates and risk classifications can be:

- subject to the **expedited** filing guidelines (refer to the *Section 410 Filing Guidelines - Expedited*) where the filing changes satisfy the criteria set out in regulation 664, Section 15.1; or
- subject to the **respond to market (R2M)** filing guidelines (refer to the *Section 410 Filing Guidelines - R2M*) where the filing changes satisfy the criteria established by the Superintendent (refer to Exhibit 1 of the *Technical Notes*); or
- subject to the **major** filing requirements (refer to the *Section 410 Filing Guidelines - Major*).

Under the **file and use** process, filings can be:

- subject to the **major** filing requirements (refer to the *Section 413 Filing Guidelines - Major*), where the filing is the initial application for the category, or the insurer satisfies the criteria established by the Superintendent (refer to Exhibit 4 of the *Technical Notes*) or where FSCO considers it appropriate in the circumstances; or
- subject to the **minor** filing requirements (refer to the *Section 413 Filing Guidelines - Minor*) in all other cases.

Filing Requirements

Section 410(3) provides that an application (filing) for approval of rates and a risk classification system shall be in a form approved by the Superintendent and shall be filed together with such information, material and

evidence as the Superintendent specifies.

These guidelines are to be used for filings made under section 410 for rates and risk classification systems that are subject to the R2M process based on the criteria outlined in Exhibit 1 of the *Technical Notes*.

The purpose of these *Section 410 Filing Guidelines - Respond to Market (R2M)* is to communicate to insurers the requirements of FSCO for R2M automobile insurance filings and to provide a systematic approach through which insurers may provide that information and thus facilitate the process of preparing as well as reviewing these filings.

In the case where the rating structure of a category of automobile insurance required to be filed under section 413 is dependent upon the insurer's private passenger automobile rates, complete section 8 under these guidelines. Otherwise, use the separate filing guidelines for section 413 filings.

There are also separate filing guidelines for filing changes to endorsement rates (other than OPCF 44R). Refer to the *Endorsements Filing Guidelines* package.

Required Rates and Risk Classification System Elements

In order for an application to be approved, insurers must have filed rates and risk classification systems for the following:

- 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 to \$600, \$800 or \$1,000 per week;
 - (b) increased death and funeral benefit;
 - (c) increased medical, rehabilitation, and attendant care benefit;
 - (d) increased caregiver and dependent care benefit; and
 - (e) indexation benefit.
- A \$300 deductible for physical damage coverages (collision, comprehensive, all perils and specified perils) and the direct compensation - property damage (DC-PD) coverage. This deductible level must be established for **all categories of automobile insurance** though an insured may choose to purchase a higher or lower deductible.
- A retiree's discount is mandatory on **only the private passenger automobile insurance category**. The discount must be a percentage of the basic accident benefits coverage rate for the automobile driven by the principal operator that is retired. The mandatory definition is as follows:

To qualify for the retiree's discount, the principal operator of the automobile to which the discount is assigned must:

- (a) be retired;
and
not earn or receive income from any office or employment;
and
not be engaged in any professional occupation;
and
not be operating a business;

and
not have been employed for 26 weeks or more in the last 52 weeks;

and

- (b) be age 65 or older;
or
be in receipt of a pension under the *Canada Pension Plan* or the *Quebec Pension Plan*;
or
be in receipt of a pension registered under the *Income Tax Act, Canada*.

Insurers must also comply with the following requirements for insurance on private passenger automobiles in respect of the graduated licensing system:

- Level One drivers are not to be rated.
- Level Two drivers can be rated.
- For the purpose of determining driving experience, insurers must credit drivers for the time spent at Level One to a maximum of one year, and at Level Two to a maximum of one year.
- Novice drivers entering Level Two from Level One should receive a rate reduction of 10% for all coverages where the driver's experience is used as a rating factor, provided that the driver has had no chargeable convictions or at-fault accidents at Level One. This reduction is applicable for one year.
- Fully-licensed drivers who have progressed through the graduated licensing system should receive a rate reduction of 10% for all coverages where the driver's experience is used as a rating factor, provided that the driver has had no chargeable convictions or at-fault accidents at Level Two. This reduction is applicable for one year.
- Driver training discounts and credits should continue to apply.

Filing Format

Subject to the guidelines set forth in Section C, the filing should contain the informational sections, as outlined below, and in the order outlined below.

Section	Contents
1.	Table of Contents
2.	Summary of Information (Appendix A)
3.	Certificate of the Officer/Designate (Appendix B)
4.	Base Rates and Differential Changes
5.	Discount/Surcharge Changes
6.	Rating Rule Changes
7.	Final Rates/Rate Level Change

8.	Dependent Categories (if applicable)
9.	Manual Pages
10.	Rating Examples (Appendix C)

Authorization Process

Filings should be submitted to:

Financial Services Commission of Ontario
Rates and Classifications Unit
Automobile Insurance Analysis Division
Box 85, 16th Floor
5160 Yonge Street
North York ON M2N 6L9

Upon receipt of a filing, each insurer will receive an acknowledgement letter from FSCO. The filing will then be reviewed for completeness based on these filing guidelines and the insurer will be informed of any information required to complete the filing. Until such time as a filing is complete, the time periods in the Act do not begin to run.

Once a filing is complete, FSCO will review the technical components of the filing. FSCO may request further information from the insurer.

Once an insurer has received notification of authorization from FSCO of its filing, it must:

- file one copy of its rate manual, containing the revised rates and risk classification system, with FSCO in hard copy format within 30 days (see Section 9 of the filing requirements); or
- file one copy of its rate manual, containing the revised rates and risk classification system, in an electronic format in an encapsulated postscript file within 30 days.

If an insurer fails to file its rate manual within 30 days it may be subject to prosecution under the Insurance Act.

Note

The Commission may receive access requests under the Freedom of Information and Protection of Privacy Act (FOIPOP Act) for any record in its custody or control. Section 17 of the FOIPOP Act recognizes that certain types of information supplied in confidence by third parties should be exempt from disclosure in the event of an access request if disclosure could result in the harms listed in Section 17. These types of information may include algorithms, base rates, differentials and any information included under Sections 4 through 7 of the filing requirements.

If you think that Section 17 of the FOIPOP Act might be applicable to a request for access to your rate filing, please list or stamp all of the pages of the filing that are confidential and give the reasons for the confidentiality. While this exercise does not guarantee that records will not be disclosed, it will be useful in assisting FSCO in responding to an access request.

B. DEFINITIONS

Affiliated Insurers

Two or more insurers are considered to be affiliated if any of the following criteria are met:

- i) one of the insurers is a subsidiary of another insurer
- ii) both are subsidiaries of the same body corporate
- iii) each of the insurers is controlled by the same person.

Allocated Loss Adjustment Expenses

All external expenses that can be directly charged to a particular claim file, whether a loss payment is made or not, including:

- i) adjuster's accounts (including all disbursements) - excluding staff adjusters;
- ii) appraisal costs (including appraisal centre costs) - excluding staff appraisal costs or costs included under (i);
- iii) legal expenses including all first party legal costs charged to a particular claim file - excluding staff legal fees or costs or fees included under (i);
- iv) all other external claims expenses.

Category of Automobile Insurance

For purposes of these filing guidelines, categories of automobile insurance include the following:

personal vehicles - private passenger automobiles
personal vehicles - motorcycles
personal vehicles - motor homes
personal vehicles - trailer and camper units
personal vehicles - off-road vehicles
personal vehicles - motorized snow vehicles
personal vehicles - historic vehicles
commercial vehicles
public vehicles - taxis and limousines
public vehicles - other than taxis and limousines.

The above category titles should be used when possible. If subdivisions of the above categories have been made, the insurer should indicate within which of the above categories the subdivisions fall.

Coverage

For the purposes of these filing guidelines, coverages include the following:

Liability - Bodily Injury
Liability - Property Damage
Accident Benefits
Uninsured Automobile
Direct Compensation - Property Damage
Specified Perils
Comprehensive

Collision or Upset
All Perils
Underinsured Motorist (OPCF 44R)

Endorsement

An endorsement (policy change form), approved by the Superintendent under section 227 of the *Act*, to a contract of automobile insurance. Standard Ontario endorsements are issued under a series of OPCF numbers. Non-standard endorsements, which must also be approved by the Superintendent, are uniquely identified by each insurer. For purposes of these filing guidelines, OPCF 44R is treated as a **coverage**, not as an endorsement.

Expedited Approval

Process of regulation in which insurers may have their risk classification systems or rates approved within thirty days after filing them with FSCO in accordance with Section 411 of the *Act*. An insurer must comply with criteria set out in regulation to be able to file under the expedited process. The expedited approval system applies to coverages, including OPCF 44R for personal vehicles - private passenger automobiles written on OAP 1, except those contracts written by the Facility Association. Contracts written on Ontario Policy Form 4, 6, 7, or 8, or contracts of automobile insurance that insure fleets or any endorsements on those contracts, are exempt from the file and use, expedited approval and prior approval systems of regulation.

Equity

Includes an insurer's capital stock, head office account, contributed surplus, earned surplus, and required reserves plus contingency and general reserves as reported in the insurer's P&C 1 or 2.

File and Use

Process of regulation in which insurers may use the risk classification systems or rates thirty days after filing them with FSCO in accordance with Section 413 of the *Act*. The file and use system applies to insurers, other than the Facility Association, for the following: endorsements (other than OPCF 44R on private passenger automobiles); categories of automobile insurance other than private passenger automobile insurance written on OAP 1; and all insurance written on OAP 2. Contracts written on Ontario Policy Form 4, 6, 7, or 8, or contracts of automobile insurance that insure fleets or any endorsements on those contracts, are exempt from the file and use, expedited approval, and prior approval systems of regulation. The Facility Association rates are not subject to file and use.

Fleet

Group of at least five vehicles that are under common ownership or management and that are used for business, commercial or public purposes.

Investment Income

All income attributable to the investment of policyholder supplied funds and shareholder supplied funds and surplus, **including** realized capital gains (and losses), net of investment expenses.

Prior Approval

Process of regulation in which insurers must have their rates and risk classification systems approved before use in accordance with Section 412 of the *Act*. The prior approval system applies to: insurance written by the Facility Association on OAP 1 or 2; coverages, including OPCF 44R, for personal vehicles - private passenger automobiles written on OAP 1. Contracts written on Ontario Policy Form 4, 6, 7, or 8, or contracts of automobile insurance that insure fleets or any endorsements on those

contracts, are exempt from both the file and use and prior approval system of regulation.

Rate	All amounts payable as premium under contracts of automobile insurance, or endorsements to such contracts, for an identified risk exposure. Rates may be expressed in terms of dollars and/or in terms of multiplicative or additive factors to be applied to a base premium amount. Rates are to include all provisions reflecting surcharges/discounts for applicable risk exposures. Rates are to be inclusive of commissions and other expense provisions used by the insurer, and are to be considered prior to the granting of policyholder dividends. Rates are subject to the provisions of sections 410 to 417 of the Act.
Rate Differentials	Multiplicative or additive factors/rates that are applied to the base rate for a particular territory to arrive at the rates for that territory, by class, limit of liability, deductible, etc.
Rating Algorithm	The manner in which base rates, rate differentials, and other surcharges/discounts are combined to arrive at the premium charged to an individual risk.
Rating Rule	A rule by which a risk is assigned to a specific rating cell or whether a discount or surcharge is applicable. Examples include rules by which territory, driver classification and vehicle rating group are assigned. Rating rules differ from underwriting rules which involve the decision to accept or decline a risk.
Return on Equity	The sum, on an after-tax basis, of underwriting and investment income divided by equity.
Return on Equity (Proposed)	The return on equity underlying the proposed rate change.
Return on Equity (Target)	The return on equity underlying the actuarially indicated rate change.
Risk Classification System	The elements used for the purpose of classifying risks in the determination of rates for a coverage or category of automobile insurance, including the variables, criteria, rules and procedures for that purpose.
Territorial Base Rate	The rate that serves as the starting point for each territory for developing all other rates by class, limit of liability, deductible, etc. It is the rate in the territory for that particular combination of class, limit of liability, deductible, etc. for which the multiplicative factors are all 1.00 and the additive factors are all zero.
Unallocated Loss Adjustment Expenses	All claims settlement and processing costs, excluding ALAE, but including staff adjusters, appraisers, advisors, lawyers, clerical support, and a portion of general expenses reasonably attributable to the claims function.
Underwriting Profit Margin	Direct premiums earned less discounted claims and adjustment expenses, less investment income earned on cash flow, less commissions and other acquisition expenses, less taxes (excluding income and real estate taxes), less general expenses (applicable to insurance operations) divided by direct premiums earned.

**Underwriting Profit Margin
(Proposed)**

The underwriting profit margin underlying the **proposed** rate change.

**Underwriting Profit Margin
(Target)**

The underwriting profit margin underlying the **actuarially indicated** rate change.

Underwriting Rules

Those rules that govern the decision by an insurer to accept or decline a risk, coverage or endorsement. Such rules are subject to the provisions of sections 237 and 238 of the *Act*. Filing of such rules must be made using the Section 238 Filing Guidelines or, for endorsements, the Endorsements Filing Guidelines issued by FSCO.

C. REQUIREMENTS FOR SECTION 410 FILINGS

SECTION 1: TABLE OF CONTENTS

This section contains a listing of the contents of Sections 2 through 10 of the filing and should be in sufficient detail to serve as a reference, by page number, for the location of specific elements of the filing. The pages of the filing, including exhibits, should be put in a binder, numbered consecutively and dated on 8.5" by 11" three-hole punched paper. In addition, each section and subsection should be labelled according to the section and subsection numbering system outlined in this document.

SECTION 2: SUMMARY OF INFORMATION

The summary section contains certain key information on the nature of the filed rate level or risk classification system changes. The form to be used is attached to this document as Appendix A.

Specific instructions to complete the Appendix are outlined below:

- In responding to Question 1, check **all** the items that are applicable to the filing. While 1.1 and 1.2 are mutually exclusive, other changes (listed in 1.3 through 1.7) may be applicable.
- In responding to Question 2, proposed effective dates are to be listed for both new and renewal business. This information is important in approving the filing. If there are any changes to the proposed effective dates you should notify us. In determining renewal dates, the notice periods set out in section 236 of the *Act* should be taken into consideration.
- In responding to Question 4, the impact of **all** proposed changes to rates or rules, including base rate changes, differential changes, discount or surcharge changes, and rating rule changes, must be disclosed under the proposed rate level change column. The impact by coverage must be calculated and disclosed.
- In responding to Question 4, the premium weights should be disclosed in percentage terms and should be at the current rate level.
- In responding to Question 5a, prior rate level changes in the last eighteen months should be shown. The *All Coverages Combined Rate Level Change* should be based on the on-level premium weights that were applicable at the time of the rate change.
- In responding to Question 5b, the *Average Cumulative Rate Change* is to be calculated by:
 - taking the *All Coverages Combined Rate Level Change* from the response to question 4;
 - taking each *All Coverages Combined Rate Level Change* that occurred after January 1 of the year up to the proposed renewal effective date from the responses to question 5a,

and then using the following formula:

$$\left[\prod_{\text{all } i, d} (1 + i) (1 - d) \right] - 1$$

where: i = the proposed rate level increase or approved rate level increase(s) that occurred after January

1 of the year in which the proposed rate change is expected to be effective for renewal business;
and

d = the proposed rate level decrease or approved rate level decrease(s) that occurred after January 1 of the year in which the proposed rate change is expected to be effective for renewal business.

SECTION 3: CERTIFICATE OF THE OFFICER/DESIGNATE

Each filing must be accompanied by an original signed authorized Certificate of the Officer/Designate. A copy of the Officer/Designate form is attached as Appendix B. Authorized officers are the President, CEO, COO, CFO, or Chief Agent for Canada. Alternately the President, CEO, COO, or CFO may authorize a designate to sign the Certificate of the Officer/Designate. The Designate should be of Vice-President rank or above.

To designate an alternate, an original signed letter of authorization must be submitted for our files. A copy of this authorization should be included with each filing where a designate will sign the certificate.

SECTION 4: BASE RATES AND DIFFERENTIAL CHANGES

4.a. Base Rates Changes

If the insurer is requesting changes to the base rates, the approach used in costing and a general narrative of the process must be outlined in detail.

The required information should include: (i) a description of the proposed changes, (ii) the rationale for the proposed changes, (iii) the rate level effects of the proposed changes, and (iv) calculations that validate the rate level effect of the proposed changes based on the expected distribution of business.

Any changes to territorial definitions must be accompanied by a map showing the current and proposed territorial boundaries.

4.b. Differential Changes

If the insurer is requesting changes to the differentials, the approach used in costing and a general narrative of the process must be outlined in detail.

The required information should include: (i) a description of the proposed changes, (ii) the rationale for the proposed changes, (iii) the rate level effects of the proposed changes, and (iv) calculations that validate the rate level effect of the proposed changes based on the expected distribution of business.

SECTION 5: DISCOUNT/SURCHARGE CHANGES

If the insurer is requesting changes in the amount or value of a discount or surcharge, or is introducing a new discount or surcharge, the approach used in costing and a general narrative of the process must be outlined in detail.

The required information should include: (i) a description of the proposed changes, (ii) the rationale for the proposed changes, (iii) the rate level effects of the proposed changes, and (iv) calculations that validate the rate level effect of the proposed changes based on the expected distribution of business.

SECTION 6: RATING RULE CHANGES

Rating rules are those rules or definitions by which a risk is assigned to a specific rating cell or whether a discount or surcharge is applicable. Examples include rules by which territory, vehicle use or driving record are assigned. Rating rules are part of an insurer's risk classification system and must be filed according to these guidelines.

Note that underwriting rules, which are those rules used to govern the decision to accept or decline a risk or a coverage, deductible level, or liability limit, must be filed using the *Section 238 Guidelines for Filing Underwriting Rules*.

Rate manual pages that describe changes to rules or definitions must be included with the filing.

The required information should include: (i) a description of the proposed changes, (ii) the rationale for the proposed changes, (iii) the rate level effects of the proposed changes, and (iv) calculations that validate the rate level effect of the proposed changes.

6.a. Rating Rule Changes for Classification Variables

Any change to a rating rule for a particular classification must be disclosed in this section. A current and a proposed distribution of the class that is affected by the rating rule change must be provided to determine the average premium change (shift) and impact on the overall rate level. All assumptions and detailed calculations must be provided to support the rate level change.

6.b. Rating Rule Changes for Discounts and Surcharges

Any change to a rating rule for a particular discount or surcharge must be disclosed in this section. Also the rating rule applicable to a newly proposed discount or surcharge must be disclosed in this section. A current and a proposed distribution of the business that is affected by the rating rule change must be provided to determine the average premium change (shift) and impact on the overall rate level. Also all assumptions and the rationale to support the use of the rating rule must be disclosed.

SECTION 7: FINAL RATES/RATE LEVEL CHANGE

Exhibits illustrating current and proposed rating algorithms, base rates, discounts/surcharges, and differentials, **clearly identified as either current or proposed**, must be disclosed in this section, including any explanatory material in support of the proposed changes. **To facilitate the review process, all of 7.a. - 7.d. must be included even though the change may be to only one of the elements.**

7.a. Algorithm

Exhibits illustrating current and proposed algorithms must be disclosed in this section.

7.b. Base Rates

Exhibits illustrating current and proposed base rates must be disclosed in this section.

7.c. Differentials

Exhibits illustrating current and proposed differentials must be disclosed in this section.

7.d. Discounts and Surcharges

Exhibits illustrating current and proposed discounts and surcharges must be disclosed in this section.

7.e. Calculation of Final Rates

The filing must clearly describe and show how current manual territorial base rates are transformed into proposed manual territorial base rates through the application of the proposed rate change in combination with any off-balance.

7.f. Calculation of Rate Level Change

The filing must clearly describe and show how the rate level impact of changes to base rates, differentials and discounts or surcharges, in combination with any off-balance which may be applied, are used to calculate the overall rate level change on a per coverage basis. This calculation should reconcile with the Proposed Overall Rate Level Change from Appendix A, Question 4.

SECTION 8: SECTION 413 DEPENDENT CATEGORIES

For those categories of automobile insurance that are dependent on the section 410 rate filing submitted, please provide the following:

- (i) the rate level effects of the proposed changes.
- (ii) the calculations that validate the rate level effect of the proposed changes,
- (iii) a copy of the rating rule that stipulates the linkage to the category of automobile insurance, and
- (iv) rating examples must be completed for the dependent category of automobile insurance. Rating examples are attached as Appendix C to the Section 413 filing guidelines.

SECTION 9: MANUAL PAGES CONTAINING REVISED RATES AND RISK CLASSIFICATION SYSTEM

A draft set of manual pages containing proposed rating rule changes or definition changes **must be provided** with the filing. A draft set of manual pages that contains the rates by territory and class, driving record, etc. is optional at the time of submitting the filing.

However, a set of manual pages containing the approved rates and risk classification system **must** be submitted within 30 days after the rate filing has been authorized. The insurer should also provide a copy of the most current vehicle rate group tables if they have not already been filed with FSCO.

SECTION 10: RATING EXAMPLES

Appendix C sets out eleven rating examples. Each insurer must file with FSCO those rating examples which would be affected by the filing. It should be noted that these rating examples may not be the same examples required in future filings. Also FSCO may require additional and/or different rating examples as a consequence of the review process.

The rating examples must be completed according to the risk description specified. Each insurer must provide both current and proposed rating criteria for each of the rating examples as required. The rating territories should be those as defined in the insurer's rate manual.

Any additional information pertaining to the rating example must be disclosed with a detailed description for

each affected rating example.

Specific instructions and key assumptions that should be adopted when completing these rating examples are:

- All rates are to be stated on an annual basis. If annual policies are not issued, the rates should be converted to an annual basis.
- All risks should be rated strictly according to the information provided. **DO NOT** provide preferred rates unless the criteria as stated fit the eligibility rules for a preferred class. If so, provide only the preferred rates, and state so.
- Clearly identify all applicable surcharges/discounts that apply to each of the coverages.
- Unless stated explicitly in the profile, do not assume the operator has progressed through the graduated licensing system.
- The rating territories should be those as defined in the insurer's rate manual. For the Toronto (city) territory, assume the location is Yonge and Bloor (FSA M4Y). For all other cities, assume the location to be downtown (FSA's listed on risk profiles).
- Assume the same definitions as in the Facility Association Manual of Rules and Rates for major or minor convictions or an at-fault (chargeable) accident. Also assume the accident involved collision coverage only and that the claim was greater than \$1,000.
- If the insurer does not write a particular limit or deductible level for a described profile, provide the premiums using the closest limit/deductible and note the applicable limit/deductible on the profile.
- If the insurer provides group discounts, provide the individual non-group rate plus the rates with the highest discount applied.
- For multiple operator risks, provide premiums by coverage by operator using separate sheets. In addition, the total policy premium combining all operators should be submitted.
- If, based on the insurer's underwriting rules, a risk profile described in a specified rating example is not written, that fact is to be indicated, and rates need not be provided for that example. However, the insurer must explain why the rating example is not appropriate under the circumstances.
- If a rating example does not describe a unique rate, the insurer is to provide the highest and lowest rate that could be charged on the described risk, and disclose the assumption underlying the difference.
- Include the premiums for all perils **only if** collision and comprehensive are not offered.

Company Name: _____

Group Name: _____

Category of Insurance: Private Passenger Automobile

SUMMARY OF INFORMATION

1. Describe the proposed changes by checking all the items that apply to this filing:

- ☐ 1. Base rate change, not due to off-balancing differential or discount changes, that is uniform by territory
- ☐ 2. Base rate change, not due to off-balancing differential or discount changes, that is **not** uniform by territory
- ☐ 3. Change to classification, limit of liability, deductible or other rate differentials
- ☐ 4. Change to rating rules
- ☐ 5. Changes to the amount of, or adding or deleting, discounts or surcharges
- ☐ 6. Algorithm change
- ☐ 7. Other (*specify*)
- _____
- _____

2. Proposed effective date for **new** policies: _____

Proposed effective date for **renewal** policies: _____

(Insurers should take into consideration the 45 day notice period to brokers and 30 day notice period to insureds required under section 236 of the Act in determining effective dates.)

3. Indicate the distribution of risks by policy term:

3 month	_____	%
6 month	_____	%
12 month	_____	%
Other	_____	%
Total	_____	%

4. Please state the proposed rate level changes and premium weights using direct written premiums that have been adjusted to current rate level. If direct written premiums are not available, please use direct earned premiums.

Please indicate whether the changes by coverage are weighted by written or earned premiums by placing an "x" in the appropriate box, and state the source and date of data.

☐

direct written premium

☐

direct earned premium

**Source of
Data:**

Date of Data:

<u>Coverage</u>	<u>Proposed Rate Level Change</u>	<u>Weights</u> (rounded to 2 decimals)
Liability - Bodily Injury	%	%
Liability - Property Damage	%	%
Accident Benefits	%	%
Uninsured Automobile	%	%
Direct Compensation - Property Damage	%	%
All Compulsory Coverages	%	%
Specified Perils	%	%
Comprehensive	%	%
Collision or Upset	%	%
All Perils	%	%
OPCF 44R	%	%
All Optional Coverages	%	%
All Coverages Combined	%	100.00%

- 5a. State the dates and rate level change percentages that were effective in the last eighteen months (please round the figures to two decimals):

Effective Date for Renewal Business				
<u>Coverage</u>	<u>Prior Change</u>	<u>2nd Prior Change</u>	<u>3rd Prior Change</u>	<u>4th Prior Change</u>
Liability - Bodily Injury	%	%	%	%
Liability - Property Damage	%	%	%	%
Accident Benefits	%	%	%	%
Uninsured Automobile	%	%	%	%
Direct Compensation - Property Damage	%	%	%	%
All Compulsory Coverages	%	%	%	%
Specified Perils	%	%	%	%
Comprehensive	%	%	%	%
Collision or Upset	%	%	%	%
All Perils	%	%	%	%
OPCF 44R	%	%	%	%
All Optional Coverages	%	%	%	%
All Coverages Combined	%	%	%	%

- 5b. State the *Average Cumulative Rate Change* for all coverages. It is based on the *All Coverages Combined Proposed Rate Level Change* (as stated in the response to question 4) and the *All Coverages Combined Rate Level Change(s)* (as stated in the response to question 5a), that occurred after January 1 of the year in which the proposed rate change is expected to be effective for renewal business.

The *Average Cumulative Rate Change* for all coverages is: _____%.

- 6a. Provide the direct written premium, the direct earned premium, the number of earned vehicles, and incurred losses for the most recent **complete** accident year for this category of insurance. (Note: At least one of direct written or direct earned premiums must be provided.)

<u>Coverage</u>	Year	Direct Written Premium	Direct Earned Premium	Incurred Losses	Number of Earned Vehicles
		000's	000's	000's	
Liability - Bodily Injury		\$	\$	\$	
Liability - Property Damage		\$	\$	\$	
Accident Benefits		\$	\$	\$	
Uninsured Automobile		\$	\$	\$	
Direct Compensation - Property Damage		\$	\$	\$	
All Compulsory Coverages		\$	\$	\$	
Specified Perils		\$	\$	\$	
Comprehensive		\$	\$	\$	
Collision or Upset		\$	\$	\$	
All Perils		\$	\$	\$	
OPCF 44R		\$	\$	\$	
All Optional Coverages		\$	\$	\$	
All Coverages Combined		\$	\$	\$	

- 6b. Provide the direct written premium, the direct earned premium, the number of earned vehicles, and incurred losses for the second most recent **complete** accident year for this category of insurance. (Note: At least one of direct written or direct earned premiums must be provided.)

<u>Coverage</u>	<u>Year</u>	Direct Written Premium	Direct Earned Premium	Incurred Losses	Number of Earned Vehicles
		000's	000's	000's	
Liability - Bodily Injury		\$	\$	\$	
Liability - Property Damage		\$	\$	\$	
Accident Benefits		\$	\$	\$	
Uninsured Automobile		\$	\$	\$	
Direct Compensation - Property Damage		\$	\$	\$	
All Compulsory Coverages		\$	\$	\$	
Specified Perils		\$	\$	\$	
Comprehensive		\$	\$	\$	
Collision or Upset		\$	\$	\$	
All Perils		\$	\$	\$	
OPCF 44R		\$	\$	\$	
All Optional Coverages		\$	\$	\$	
All Coverages Combined		\$	\$	\$	

- 6.c. Provide the Return on Equity that underlies the proposed rate level change, for this category of insurance, for all coverages combined: _____ %
- 6.d. What is the maximum rate change that a risk with compulsory and any physical damage coverages would receive, taking into consideration any previous rate changes effective since January 1 of this year and excluding the impact of CLEAR, if this rate filing was approved:
_____ %
- 6.e. What is the minimum rate change that a risk with compulsory and any physical damage coverages would receive, taking into consideration any previous rate changes effective since January 1 of this year and excluding the impact of CLEAR, if this rate filing was approved:
_____ %

7. Have any other changes been made to base rates, differentials, discounts, surcharges or rating rules within the past year that would impact a consumer on renewal, other than the changes proposed in this filing? If so, please describe.

8. State other categories of automobile insurance that may be affected by the proposed rate change of this category of automobile insurance (e.g., motorhome rates that are dependent on private passenger rates), and the rate level change percentage (*as per section 8 of the filing guidelines*). All changes must be based solely on the changes associated with the dependent category. Any other changes not dependent must be submitted in a separate filing under Section 413 Filing Guidelines - Minor (or Section 413 Filing Guidelines - Major).

Dependent Category (check where applicable)	Filing included with this submission	If not included - state the expected filing date	Rate Level Change impact for each category (%)
Personal Vehicles - Motorcycles	☐ Yes ☐ No		
Personal Vehicles - Motorhomes	☐ Yes ☐ No		
Personal Vehicles - Trailers and Camper Units	☐ Yes ☐ No		
Personal Vehicles - Off-Road Vehicles	☐ Yes ☐ No		
Personal Vehicles - Motorized Snow Vehicles	☐ Yes ☐ No		
Personal Vehicles - Historic Vehicles	☐ Yes ☐ No		
Commercial Vehicles	☐ Yes ☐ No		
Public Vehicles - Taxi and Limousines	☐ Yes ☐ No		
Public Vehicles - Other Than Taxi and Limousines	☐ Yes ☐ No		
	☐ Yes ☐ No		
	☐ Yes ☐ No		
	☐ Yes ☐ No		

9. Individual to whom questions concerning this filing may be addressed:

Name:	
Title:	
Company:	
Address:	
Phone No.:	
Facsimile No.:	
E-mail Address:	

1. This rate filing is in respect of the private passenger automobile insurance category and the following dependent categories *(Please check all that apply)*:

- Not Applicable
- Personal Vehicles - Motorcycles
- Personal Vehicles - Motorhomes
- Personal Vehicles - Trailer and Camper Units
- Personal Vehicles - Off-Road Vehicles
- Personal Vehicles - Motorized Snow Vehicles
- Personal Vehicles - Historic Vehicles
- Commercial Vehicles
- Public Vehicles - Taxis and Limousines
- Public Vehicles - Other than Taxis and Limousines.

to be effective as of _____ for new business and
(Date of Implementation)

_____ for renewal business. (Date of Implementation)

2. I have knowledge of the matters that are the subject of this certificate.
3. The information and each document contained in the filing accompanying this certificate are complete and accurate.
4. The proposed rates are just and reasonable, do not impair the solvency of the Insurer, and are not excessive in relation to the financial circumstances of the Insurer.

Date, Location

Company Name: _____

CASE 1Risk Description

- ⇒ Adult, age 70, qualifies for retirees discount
- ⇒ No chargeable accidents or convictions in last 10 years
- ⇒ New business application to company

- ⇒ Licensed 50 years, class G licence
- ⇒ Pleasure use only, annual mileage under 10,000 km.
- ⇒ 1997 Chevrolet Lumina 4 door (VICC Code 5589)

Coverages

- ⇒ Liability and OPCF 44R - \$1,000,000
- ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation - Property Damage - no deductible
- ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability - BI	Liability -	AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) Current									
Proposed									
% +/- to Current Rates									

Risk DescriptionCASE 2

Company Name:

Operator # 1

- ⇒ Male, age 40 (hus.), licensed 24 years, class G licence
- ⇒ No chargeable accidents or convictions in last 6 years
- ⇒ Drive to work, 10km. one way, annual mileage<16,000 km.
- ⇒ 1998 Jeep Grand Cherokee Limited 4WD (VICC Code 7182)
- ⇒ New business application to company

Operator #2

- ⇒ Female, age 39 (wife), licensed 20 years, class G licence
- ⇒ No chargeable accidents or convictions in last 6 years
- ⇒ Drive to work, 20km. one way, ann. mileage<20,000 km.
- ⇒ 1998 Dodge Neon 4 door (VICC Code 2261)
- ⇒ New business application to company

Coverages

- ⇒ Liability and OPCF 44R - \$1,000,000
- ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation - Property Damage - no deductible
- ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability- BI	Liability-PD	AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay - (P7K)Current									
Proposed									
% +/- to Current Rates									

CASE 3

Company Name:

Risk Description

- ⇒ Male, single, age 19
- ⇒ Licensed 3 years, 1 year with class G licence, Owner and Principal Operator
- ⇒ Commute - 5 km. one way, annual mileage under 12,000 km.
- ⇒ 1997 Pontiac Grand Am GT 2 door (VICC Code 6488)
- ⇒ New business application to company

Coverages

- ⇒ Liability and OPCF 44R - \$500,000
 - ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation - Property Damage - no deductible
- ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability- BI	Liability-PD	AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

Company Name:

Risk Description

- ⇒ Single Male, age 24
- ⇒ Licensed 6 years, class G licence
- ⇒ No chargeable accidents in last 5 years
- ⇒ 2 minor convictions in last 3 years

CASE 4

- ⇒ Commute - 5 km. one way, annual mileage under 12,000 km.
- ⇒ 1994 Ford F150 Pickup 2WD (VICC Code 3629)
- ⇒ New business application to company

Coverages

- ⇒ Liability and OPCF 44R - \$200,000
- ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation - Property Damage - no deductible
- ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability - BI	Liability -PD	AB	UA	DC-PD	Collision	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

CASE 5

Coverages

Company Name:

Risk Description

⇒ Adult, age 40, principal operator, licensed 20 years, cl. G
 ⇒ No chargeable accidents or convictions in last 10 years
 ⇒ Drive to work, 8 km one way, annual mileage <16,000 km.
 ⇒ 1996 Chevrolet Corsica 4 door (VICC Code 5583)
 ⇒ New business application to company

⇒ Single male, age 18, occasional operator
 ⇒ Licensed 2 yrs1 year G1, 1 year G2,newly licensed as G
 ⇒ No chargeable accidents or convictions since licensed

⇒ Liability and OPCF 44R - \$500,000
 ⇒ Basic Accident Benefits; Uninsured Automobile
 ⇒ Direct Compensation - Property Damage - no deductible
 ⇒ Comprehensive - \$300 deductible

Territory	Liability - BI	Liability - PD	AB	UA	DC-PD	Collision	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

Company Name:

Risk DescriptionOperator 1

- ☞ Male, age 45 (husband)
- ☞ Licensed 25 years, class G licence
- ☞ No chargeable accidents or convictions in last 10 years
- ☞ Drive to work - 50 km. one way, annual mileage < 40,000 km.
- ☞ 1999 Honda Accord EX 4 door (VICC Code 0213)
- ☞ New business application to company

Operator #1a

- ☞ Single male, age 19
- ☞ Licensed 3 years with driver training: 1 year G1, 2 years G2, newly licensed as G
- ☞ 1 minor conviction at G2 level

CASE 6Operator #2

- ☞ Female, age 40 (wife)
- ☞ Licensed 20 years, class G licence
- ☞ No chargeable accidents or convictions in the last 6 years
- ☞ Pleasure use only, annual mileage < 10,000 km.
- ☞ 1996 Plymouth Voyager (VICC Code 2646)
- ☞ New business application to company

Operator #2a

- ☞ Female, age 22
- ☞ Licensed 2 years without driver training: 1 year G1, 1 year G2, newly licensed as G
- ☞ No chargeable accidents or convictions since licensed

Coverages

- ☞ Liability and OPCF 44R- \$1,000,000
- ☞ Basic Accident Benefit, Uninsured Automobile
- ☞ Direct Compensation-Property Damage - no deductible
- ☞ Collision and Comprehensive - \$300 deductible

Territory	Liability		AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
	BI	PD							
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									

Company Name: _____

Territory	Liability		AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
	BI	PD							
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

Company Name:

Risk DescriptionOperator # 1

- ⇒ Male, age 38 (husband), Licensed 20 years, class G licence
- ⇒ No chargeable accidents or convictions in last 6 years
- ⇒ Drive to work, 10km. one way, annual mileage<16,000 km.
- ⇒ New business application to company
- ⇒ 1998 Ford Taurus LX 4 door (VICC Code 3427)

CASE 7Operator #2

- ⇒ Female, age 35 (wife), Licensed 15 yrs, class G licence
- ⇒ No chargeable accidents or convictions in the last 6 years

Coverages

- ⇒ Liability and OPCF 44R - \$1,000,000
- ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation -Property Damage - no deductible
- ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability - BI	Liability -PD	AB	UA	DC-PD	Collision	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

Company Name:

CASE 8

Risk Description

Coverages

⌚ Adult, age 40

⌚ Licensed 20 years, class G licence

⌚ 1 chargeable accident in last 5 years
(Accident last year - 1 year accident free)

⌚ 1 major conviction in last 3 years

⌚ 1998 Toyota Camry 4 Cyl 4 door (VICC Code 0450)

⌚ Drive to work - 8 km., one way

⌚ Annual mileage < 16,000 km.

⌚ New business application to company

⌚ Liability and OPCF 44R - \$1,000,000

⌚ Basic Accident Benefits, Uninsured Automobile

⌚ Direct Compensation - Property Damage - no deductible

⌚ Collision - \$500 deductible

⌚ Comprehensive - \$300 deductible

Territory	Liability- BI	Liability-PD	AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

Company Name:

Risk Description

- ⇒ Female, age 23, licensed 6 years
- ⇒ Class G licence (without driver training)
- ⇒ 1 chargeable accident in last year (0 years accident free) deductible
- ⇒ 1 minor conviction in last 3 years

- ⇒ Drive to work - 8 km. one way, annual mileage < 16,000 km.
- ⇒ 1999 Dodge Neon 2DR (VICC Code 2262)
- ⇒ New business application to company

Coverages

- ⇒ Liability and OPCF 44R - \$500,000
- ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation - Property Damage - no
- ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability- BI	Liability - PD	AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

CASE 10

Risk Description

Operator #1

⇒ Male, age 45 (husband)
 ⇒ Licensed 25 years, class G licence
 ⇒ No chargeable accidents or convictions in last 10 years
 ⇒ Drive to work - 50 km. one way, annual mileage < 40,000 km.
 ⇒ 1999 Honda Accord EX 4 door (VICC Code 0213)
 ⇒ New business application to company

Operator #1a

⇒ Single male, age 19
 ⇒ Licensed 3 years with driver training: 1 year G1, 2 years G2, newly licensed as G
 ⇒ 1 minor conviction at G2 level

Operator #2

⇒ Female, age 40 (wife)
 ⇒ Licensed 20 years, class G licence
 ⇒ No chargeable accidents or convictions in the last 6 years
 ⇒ Pleasure use only, annual mileage < 10,000 km.
 ⇒ 1996 Plymouth Voyager (VICC Code 2646)
 ⇒ New business application to company

Operator #2a

⇒ Female, age 22
 ⇒ Licensed 2 years without driver training: 1 year G1, 1 year G2, newly licensed as G
 ⇒ No chargeable accidents or convictions since licensed

Coverages

⇒ Income replacement at \$600, \$800, and \$1,000
 ⇒ Medical, Rehab, and Attendant Care
 ⇒ Caregiver and Dependant Care
 ⇒ Funeral and Death
 ⇒ Indexation

Territory	Income Replacement (IR)			Medical , Rehab & Att. Care	Caregiver and Dependant Care	Funeral and Death	Indexation			Total		
	\$600 (1a)	\$800 (1b)	\$1,000 (1c)				\$600 -IR & Other Benefits (5a)	\$800 -IR & Other Benefits (5b)	\$1,000 - IR & Other Benefits (5c)	\$600 (1a)+(2)+(3)+(4)+(5a)	\$800 (1b)+(2)+(3)+(4)+(5b)	\$1,000 (1c)+(2)+(3)+(4)+(5c)
Toronto - Current												
(M4Y) Proposed												
% +/- to Current												

Notes: In (1a), (1b), and (1c), record only the cost of income replacement, non-indexed.

In (5a) record the cost of indexation of income replacement at \$600, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

In (5b) record the cost of indexation of income replacement at \$800, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

In (5c) record the cost of indexation of income replacement at \$1,000, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

CASE 11

Risk Description

Operator # 1

⇒ Male, age 38 (husband), Licensed 20 years, class G licence
 ⇒ No chargeable accidents or convictions in last 6 years
 ⇒ Drive to work, 10 km. one way, annual mileage < 16,000 km.
 ⇒ New business application to company
 ⇒ 1998 Ford Taurus LX 4 door (VICC Code 3427)

Operator #2

⇒ Female, age 35 (wife), Licensed 15 years, class G licence
 ⇒ No chargeable accidents or convictions in the last 6 years

Coverages

⇒ Income replacement at \$600, \$800, and \$1,000
 ⇒ Medical, Rehab, and Attendant Care
 ⇒ Caregiver and Dependant Care
 ⇒ Funeral and Death
 ⇒ Indexation

Territory	Income Replacement (IR)			Medical , Rehab & Att. Care	Caregiver and Dependant Care	Funeral and Death	Indexation			Total		
	\$600 (1a)	\$800 (1b)	\$1,000 (1c)	(2)	(3)	(4)	\$600 -IR & Other Benefits (5a)	\$800 -IR & Other Benefits (5b)	\$1,000-IR & Other Benefits (5c)	\$600 (1a)+(2)+(3)+(4)+(5a)	\$800 (1b)+(2)+(3)+(4)+(5b)	\$1,000 (1c)+(2)+(3)+(4)+(5c)
Toronto - Current												
(M4Y) Proposed												
% +/- to Current												

Notes: In (1a), (1b), and (1c), record only the cost of income replacement, non-indexed.

In (5a) record the cost of indexation of income replacement at \$600, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

In (5b) record the cost of indexation of income replacement at \$800, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

In (5c) record the cost of indexation of income replacement at \$1,000, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Risk Profiles Rating Criteria

Case	Territory	Rating Territory		Operator	Rate Class		Driving Record		Vehicle Rate Group						Discount/ Surcharge	
									AB		DC-PD & Coll		Comp/SP			
		curr	prop		curr	prop	curr	prop	curr	prop	curr	prop	curr	prop		
1	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)															
	London (N6A)			Operator												
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															
	Thunder Bay (P7K)															
2	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)			Operator #1												
	London (N6A)															
	Windsor (N8W)															
	Brockville (K6T)			Operator #2												
	Sudbury (P3E)															

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Case	Territory	Rating Territory		Operator	Rate Class		Driving Record		Vehicle Rate Group						Discount/ Surcharge	
		curr	prop		curr	prop	curr	prop	AB		DC-PD & Coll		Comp/SP			
									curr	prop	curr	prop	curr	prop	curr	prop
	Thunder Bay (P7K)															
3	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)															
	London (N6A)			Operator												
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															
	Thunder Bay (P7K)															
4	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)															
	London (N6A)			Operator												
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Case	Territory	Rating Territory		Operator	Rate Class		Driving Record		Vehicle Rate Group						Discount/ Surcharge	
									AB		DC-PD & Coll		Comp/SP			
		curr	prop		curr	prop	curr	prop	curr	prop	curr	prop	curr	prop		
	Thunder Bay (P7K)															
5	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)			Operator #1												
	London (N6A)															
	Windsor (N8W)															
	Brockville (K6T)			Operator #1a												
	Sudbury (P3E)															
	Thunder Bay (P7K)															
6	Toronto (M4Y)															
	Hamilton (L8V)			Operator #1												
	Ottawa (K1Y)			Operator #1a												
	London (N6A)															
	Windsor (N8W)			Operator #2												
	Brockville (K6T)			Operator #2a												
	Sudbury (P3E)															

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Case	Territory	Rating Territory		Operator	Rate Class		Driving Record		Vehicle Rate Group						Discount/ Surcharge	
									AB		DC-PD & Coll		Comp/SP			
		curr	prop		curr	prop	curr	prop	curr	prop	curr	prop	curr	prop		
	Thunder Bay (P7K)															
7	Toronto (M4Y)															
	Hamilton (L8V)			Operator #1												
	Ottawa (K1Y)			Operator #2												
	London (N6A)															
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															
	Thunder Bay (P7K)															
8	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)															
	London (N6A)			Operator												
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Case	Territory	Rating Territory		Operator	Rate Class		Driving Record		Vehicle Rate Group						Discount/ Surcharge	
									AB		DC-PD & Coll		Comp/SP			
		curr	prop		curr	prop	curr	prop	curr	prop	curr	prop	curr	prop		
	Thunder Bay (P7K)															
9	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)															
	London (N6A)			Operator												
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															
	Thunder Bay (P7K)															

FINANCIAL SERVICES COMMISSION OF ONTARIO

Section 410 Filing Guidelines - Major for Proposed Revisions to Automobile Insurance Rates and Risk Classification Systems

A. GENERAL INFORMATION

Rate and Risk Classification System Legislation

Sections 410 to 417 of the *Insurance Act* (the *Act*), R.S.O. 1990, Chap. I.8, as amended, set out the legislation pertaining to rates and risk classification systems for automobile insurance. As stated in Regulation 664, as amended, sections 410 to 417 of the *Act* apply to contracts and endorsements to contracts of automobile insurance on Ontario Automobile Policy (OAP) 1 or 2, but do not apply to contracts insuring "fleets". "Fleet" means a group of at least five vehicles that are under common ownership or management and that are used for business, commercial or public purposes.

The types of processes for approval and authorization of rates and risk classification systems are:

- **Prior approval** as set out in section 410; and
- **File and use** as set out in section 413 of the *Act*.

Under the **prior approval** process for private passenger automobile insurance, proposed changes to rates and risk classifications can be:

- subject to the **expedited** filing guidelines (refer to the *Section 410 Filing Guidelines - Expedited*) where the filing changes satisfy the criteria set out in regulation 664, Section 15.1; or
- subject to the **respond to market (R2M)** filing guidelines (refer to the *Section 410 Filing Guidelines - R2M*) where the filing changes satisfy the criteria established by the Superintendent (refer to Exhibit 1 of the *Technical Notes*); or
- subject to the **major** filing requirements (refer to the *Section 410 Filing Guidelines - Major*).

Under the **file and use** process, filings can be:

- subject to the **major** filing requirements (refer to the *Section 413 Filing Guidelines - Major*), where the filing is the initial application for the category, or the insurer satisfies the criteria established by the Superintendent (refer to Exhibit 4 of the *Technical Notes*) or where FSCO considers it appropriate in the circumstances; or
- subject to the **minor** filing requirements (refer to the *Section 413 Filing Guidelines - Minor*) in all other cases.

Filing Requirements

Section 410(3) provides that an application (filing) for approval of rates and a risk classification system shall be in a form approved by the Superintendent and shall be filed together with such information, material and

evidence as the Superintendent specifies.

These guidelines are to be used for filings made under section 410 for rates and risk classification systems that are subject to prior approval processes under section 412 of the *Act*. A separate filing must be submitted for each category of insurance subject to approval under section 412. There are separate filing guidelines where the **only** change that is being proposed is the introduction of the CLEAR rating system for vehicles.

The purpose of these *Section 410 Filing Guidelines - Major* is to communicate to insurers the requirements of FSCO for prior approval automobile insurance filings that do not qualify for an expedited or a R2M process and to provide a systematic approach through which insurers may provide that information and thus facilitate the process of preparing as well as reviewing these filings.

In the case where the rating structure of a category of automobile insurance required to be filed under section 413 is dependent upon the insurer's private passenger automobile rates, the information for the dependant category can be submitted with the private passenger automobile insurance filing (refer to section 8 of these filing guidelines). Otherwise, use the separate guidelines for section 413 filings (major or minor).

There are also separate filing guidelines for filing changes to endorsement rates (other than OPCF 44R). Refer to the *Endorsements Filing Guidelines* package.

Required Rates and Risk Classification System Elements

In order for an application to be approved, insurers must have filed rates and risk classification systems for the following:

- 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 to \$600, \$800 or \$1,000 per week;
 - (b) increased death and funeral benefit;
 - (c) increased medical, rehabilitation, and attendant care benefit;
 - (d) increased caregiver and dependent care benefit; and
 - (e) indexation benefit.
- A \$300 deductible for physical damage coverages (collision, comprehensive, all perils and specified perils) and the direct compensation - property damage (DC-PD) coverage. This deductible level must be established for **all categories of automobile insurance** though an insured may choose to purchase a higher or lower deductible.
- A retiree's discount is mandatory on **only the private passenger automobile insurance category**. The discount must be a percentage of the basic accident benefits coverage rate for the automobile driven by the principal operator that is retired. The mandatory definition is as follows:

To qualify for the retiree's discount, the principal operator of the automobile to which the discount is assigned must:

 - (a) be retired;
 - and

not earn or receive income from any office or employment;
and
not be engaged in any professional occupation;
and
not be operating a business;
and
not have been employed for 26 weeks or more in the last 52 weeks;

and

- (b) be age 65 or older;
or
be in receipt of a pension under the *Canada Pension Plan* or the *Quebec Pension Plan*;
or
be in receipt of a pension registered under the *Income Tax Act, Canada*.

Insurers must also comply with the following requirements for insurance on private passenger automobiles in respect of the graduated licensing system:

- Level One drivers are not to be rated.
- Level Two drivers can be rated.
- For the purpose of determining driving experience, insurers must credit drivers for the time spent at Level One to a maximum of one year, and at Level Two to a maximum of one year.
- Novice drivers entering Level Two from Level One should receive a rate reduction of 10% for all coverages where the driver's experience is used as a rating factor, provided that the driver has had no chargeable convictions or at-fault accidents at Level One. This reduction is applicable for one year.
- Fully-licensed drivers who have progressed through the graduated licensing system should receive a rate reduction of 10% for all coverages where the driver's experience is used as a rating factor, provided that the driver has had no chargeable convictions or at-fault accidents at Level Two. This reduction is applicable for one year.
- Driver training discounts and credits should continue to apply.

Filing Format

Subject to the guidelines set forth in Section C, the filing should contain the informational sections, as outlined below, and in the order outlined below.

Section	Contents
1.	Table of Contents
2.	Summary of Information (Appendix A)
3.a.	Certificate of the Officer/Designate (Appendix B1)
3.b.	Certificate of the Actuary (Appendix B2)

4.	Actuarial Support
5.	Discount/Surcharge Changes
6.	Rating Rule Changes
7.	Final Rates
8.	Dependent Categories (if applicable)
9.	Manual Pages
10.	Rating Examples (Appendix C)

Approval Process

Filings should be submitted to:

Financial Services Commission of Ontario
Rates and Classifications Unit
Automobile Insurance Analysis Division
Box 85, 16th Floor
5160 Yonge Street
North York ON M2N 6L9

Upon receipt of a filing, each insurer will receive an acknowledgement letter from FSCO. The filing will then be reviewed for completeness based on these filing guidelines and the insurer will be informed of any information required to complete the filing. Until such time as a filing is complete, the time periods in the Act do not begin to run.

Once a filing is complete, FSCO will review the technical components of the filing. FSCO may request further information from the insurer.

Once an insurer has received notification of authorization from FSCO of its filing, it must:

- file one copy of its rate manual, containing the revised rates and risk classification system, with FSCO in hard copy format within 30 days (see Section 9 of the filing requirements); or
- file one copy of its rate manual, containing the revised rates and risk classification system, in an electronic format in an encapsulated postscript file within 30 days.

If an insurer fails to file its rate manual within 30 days it may be subject to prosecution under the *Insurance Act*.

Note

The Commission may receive access requests under the Freedom of Information and Protection of Privacy Act (FOIPOP Act) for any record in its custody or control. Section 17 of the FOIPOP Act recognizes that certain types of information supplied in confidence by third parties should be exempt from disclosure in the event of an access request if disclosure could result in the harms listed in Section 17. These types of information may include algorithms, base rates, differentials and any information included under Sections 4 through 7 of the filing requirements.

If you think that Section 17 of the FOIPOP Act might be applicable to a request for access to your rate filing, please list or stamp all of the pages of the filing that are confidential and give the reasons for the confidentiality. While this exercise does not guarantee that records will not be disclosed, it will be useful in assisting FSCO in responding to an access request.

B. DEFINITIONS

Affiliated Insurers

Two or more insurers are considered to be affiliated if any of the following criteria are met:

- i) one of the insurers is a subsidiary of another insurer
- ii) both are subsidiaries of the same body corporate
- iii) each of the insurers is controlled by the same person.

Allocated Loss Adjustment Expenses

All external expenses that can be directly charged to a particular claim file, whether a loss payment is made or not, including:

- i) adjuster's accounts (including all disbursements) - excluding staff adjusters;
- ii) appraisal costs (including appraisal centre costs) - excluding staff appraisal costs or costs included under (i);
- iii) legal expenses including all first party legal costs charged to a particular claim file - excluding staff legal fees or costs or fees included under (i);
- iv) all other external claims expenses.

Category of Automobile Insurance

For purposes of these filing guidelines, categories of automobile insurance include the following:

personal vehicles - private passenger automobiles
personal vehicles - motorcycles
personal vehicles - motor homes
personal vehicles - trailer and camper units
personal vehicles - off-road vehicles
personal vehicles - motorized snow vehicles
personal vehicles - historic vehicles
commercial vehicles
public vehicles - taxis and limousines
public vehicles - other than taxis and limousines.

The above category titles should be used when possible. If subdivisions of the above categories have been made, the insurer should indicate within which of the above categories the subdivisions fall.

Coverage

For the purposes of these filing guidelines, coverages include the following:

Liability - Bodily Injury
Liability - Property Damage
Accident Benefits
Uninsured Automobile
Direct Compensation - Property Damage
Specified Perils
Comprehensive

Collision or Upset
All Perils
Underinsured Motorist (OPCF 44R)

Endorsement

An endorsement (policy change form), approved by the Superintendent under section 227 of the *Act*, to a contract of automobile insurance. Standard Ontario endorsements are issued under a series of OPCF numbers. Non-standard endorsements, which must also be approved by the Superintendent, are uniquely identified by each insurer. For purposes of these filing guidelines, OPCF 44R is treated as a **coverage**, not as an endorsement.

Expedited Approval

Process of regulation in which insurers may have their risk classification systems or rates approved within thirty days after filing them with FSCO in accordance with Section 411 of the *Act*. An insurer must comply with criteria set out in regulation to be able to file under the expedited process. The expedited approval system applies to coverages, including OPCF 44R, for personal vehicles - private passenger automobiles written on OAP 1, except those contracts written by the Facility Association. Contracts written on Ontario Policy Form 4, 6, 7, or 8, or contracts of automobile insurance that insure fleets or any endorsements on those contracts, are exempt from the file and use, expedited approval and prior approval systems of regulation.

Equity

Includes an insurer's capital stock, head office account, contributed surplus, earned surplus, and required reserves plus contingency and general reserves as reported in the insurer's P&C 1 or 2.

File and Use

Process of regulation in which insurers may use the risk classification systems or rates thirty days after filing them with FSCO in accordance with Section 413 of the *Act*. The file and use system applies to insurers, other than the Facility Association, for the following: endorsements (other than OPCF 44R on private passenger automobiles); categories of automobile insurance other than private passenger automobile insurance; and all insurance written on OAP 2. Contracts written on Ontario Policy Form 4, 6, 7, or 8, or contracts of automobile insurance that insure fleets or any endorsements on those contracts, are exempt from the file and use, expedited approval, and prior approval systems of regulation. The Facility Association rates are not subject to file and use.

Fleet

Group of at least five vehicles that are under common ownership or management and that are used for business, commercial or public purposes.

Investment Income

All income attributable to the investment of policyholder supplied funds and shareholder supplied funds and surplus, **including** realized capital gains (and losses), net of investment expenses.

Prior Approval

Process of regulation in which insurers must have their rates and risk classification systems approved before use in accordance with Section 412 of the *Act*. The prior approval system applies to: insurance written by the Facility Association on OAP 1 or 2; coverages, including OPCF 44R, for personal vehicles - private passenger automobiles written on OAP 1. Contracts written on Ontario Policy Form 4, 6, 7, or 8, or contracts of automobile insurance that insure fleets or any endorsements on those contracts, are exempt from both the file and use and prior approval system

of regulation.

Rate	All amounts payable as premium under contracts of automobile insurance, or endorsements to such contracts, for an identified risk exposure. Rates may be expressed in terms of dollars and/or in terms of multiplicative or additive factors to be applied to a base premium amount. Rates are to include all provisions reflecting surcharges/discounts for applicable risk exposures. Rates are to be inclusive of commissions and other expense provisions used by the insurer, and are to be considered prior to the granting of policyholder dividends. Rates are subject to the provisions of sections 410 to 417 of the Act.
Rate Differentials	Multiplicative or additive factors/rates that are applied to the base rate for a particular territory to arrive at the rates for that territory, by class, limit of liability, deductible, etc.
Rating Algorithm	The manner in which base rates, rate differentials, and other surcharges/discounts are combined to arrive at the premium charged to an individual risk.
Rating Rule	A rule by which a risk is assigned to a specific rating cell or whether a discount or surcharge is applicable. Examples include rules by which territory, driver classification and vehicle rating group are assigned. Rating rules differ from underwriting rules which involve the decision to accept or decline a risk.
Return on Equity	The sum, on an after-tax basis, of underwriting and investment income divided by equity.
Return on Equity (Proposed)	The return on equity underlying the proposed rate change.
Return on Equity (Target)	The return on equity underlying the actuarially indicated rate change.
Risk Classification System	The elements used for the purpose of classifying risks in the determination of rates for a coverage or category of automobile insurance, including the variables, criteria, rules and procedures for that purpose.
Territorial Base Rate	The rate that serves as the starting point for each territory for developing all other rates by class, limit of liability, deductible, etc. It is the rate in the territory for that particular combination of class, limit of liability, deductible, etc. for which the multiplicative factors are all 1.00 and the additive factors are all zero.
Unallocated Loss Adjustment Expenses	All claims settlement and processing costs, excluding ALAE, but including staff adjusters, appraisers, advisors, lawyers, clerical support, and a portion of general expenses reasonably attributable to the claims function.
Underwriting Profit Margin	Direct premiums earned less discounted claims and adjustment expenses, less investment income earned on cash flow, less commissions and other acquisition expenses, less taxes (excluding income and real estate taxes), less general expenses (applicable to insurance operations) divided by direct premiums earned.
Underwriting Profit Margin	The underwriting profit margin underlying the proposed rate change.

(Proposed)

**Underwriting Profit Margin
(Target)**

The underwriting profit margin underlying the **actuarially indicated** rate change.

Underwriting Rules

Those rules that govern the decision by an insurer to accept or decline a risk, coverage or endorsement. Such rules are subject to the provisions of sections 237 and 238 of the *Act*. Filing of such rules must be made using the Section 238 Filing Guidelines or, for endorsements, the Endorsements Filing Guidelines issued by FSCO.

C. GUIDELINES FOR SECTION 410 - MAJOR FILING

SECTION 1: TABLE OF CONTENTS

This section contains a listing of the contents of Sections 2 through 10 of the filing and should be in sufficient detail to serve as a reference, by page number, for the location of specific elements of the filing. The pages of the filing, including exhibits, should be put in a binder, numbered consecutively and dated on 8.5" by 11" three-hole punched paper. In addition, each section and subsection should be labelled according to the section and subsection numbering system outlined in this document.

SECTION 2: SUMMARY OF INFORMATION

The summary section contains certain key information on the nature of the filed rate level or risk classification system changes. The form to be used is attached to this document as Appendix A. All data used in the Actuarial Support section (Section 4) should reconcile to the information presented in Appendix A.

Specific instructions to complete the Appendix are outlined below:

- In responding to Question 1, check **all** the items that are applicable to the filing. While 1.1 and 1.2 are mutually exclusive, other changes (listed in 1.3 through 1.7) may be applicable.
- In responding to Question 2, proposed effective dates are to be listed for both new and renewal business. This information is important in reviewing trend assumptions and also in approving the filing. If there are any changes to the proposed effective dates you should notify us. In determining renewal dates, the notice periods set out in section 236 of the *Act* should be taken into consideration.
- In responding to Question 4, the indicated rate level change for each coverage, and on an all coverages combined basis, must be disclosed under the following circumstances:
 - where changes to base rates are being proposed, except if such changes to base rates result solely from off-balancing differential or discount changes; or
 - where changes to differentials are being proposed if such changes result in an overall rate level change.
- In responding to Question 4, the impact of **all** proposed changes to rates or rules, including base rate changes, differential changes, discount or surcharge changes, and rating rule changes, must be disclosed under the proposed rate level change column. The impact by coverage must be calculated and disclosed.
- In responding to Question 4, the premium weights should be disclosed in percentage terms and should be at the current rate level.
- In responding to Question 5a, prior rate level changes should be shown. The *All Coverages Combined Rate Level Change* should be based on the on-level premium weights that were applicable at the time of the rate change.

In responding to Question 5b, the *Average Cumulative Rate Change* is to be calculated by:

- taking the *All Coverages Combined Rate Level Change* from the response to question 4;
- taking each *All Coverages Combined Rate Level Change* that occurred after January 1 of the year up to the proposed renewal effective date from the responses to question 5a,

and then using the following formula:

$$\left[\prod (1 + i) (1 - d) \right] - 1$$

all i, d

where: i = the proposed rate level increase or approved rate level increase(s) that occurred after January 1 of the year in which the proposed rate change is expected to be effective for renewal business; and

d = the proposed rate level decrease or approved rate level decrease(s) that occurred after January 1 of the year in which the proposed rate change is expected to be effective for renewal business.

- In responding to question 9, please refer to the definition of underwriting profit margin in these guidelines.
- In responding to questions on dislocation (Questions 12a through 12c), the insurer should take into account any capping procedure that has been identified in the response to Question 11.

SECTION 3: CERTIFICATES OF THE ACTUARY AND OF THE OFFICER/DESIGNATE

3.a. Certificate of the Officer/Designate

Each filing must be accompanied by an original signed authorized Certificate of the Officer/Designate. A copy of the Officer/Designate form is attached as Appendix B1. Authorized officers are the President, CEO, COO, CFO, or Chief Agent for Canada. Alternately the President, CEO, COO, or CFO may authorize a designate to sign the Certificate of the Officer/Designate. The Designate should be of Vice-President rank or above.

To designate an alternate, an original signed letter of authorization must be submitted for our files. A copy of this authorization should be included with each filing where a designate will sign the certificate.

3.b. Certificate of the Actuary

Filings that result in a rate level change, or filings for a category of automobile insurance previously not written by an insurer, must be accompanied by an original certificate of a Fellow of the Canadian Institute of Actuaries. A copy of the required form is attached as Appendix B2.

SECTION 4: ACTUARIAL SUPPORT

The insurer must provide detailed support for any rate level change. Actuarial support should contain the data and narrative description of all ratemaking steps for each of the specific rate changes being proposed. At a minimum, detail should be provided for liability - bodily injury, liability - property damage, accident benefits (by sub-coverage), uninsured automobile, direct compensation - property damage, collision, comprehensive, all perils, specified perils and OPCF 44R, **even if a rate level change is not proposed for each of these coverages**. Each subsection, outlined below, should contain the necessary documentation for all of the individual coverages (e.g., the section on loss trend should contain loss trend documentation for liability, accident benefits, collision, etc.). In general, documentation should be in sufficient detail to enable the reviewer to trace the resulting rates from the raw data experience and other support data. FSCO does not require insurers to use a specific ratemaking methodology. However, insurers are required to provide adequate actuarial documentation and support for the rate levels subject to

prior approval.

All support provided in this section should reconcile to the Summary of Information (Appendix A).

If the filing proposes a change in rate level without any change to territorial, classification, limit of liability, deductible, or other rate differentials, then sections (4.a.) - (4.j.) must be completed. If the filing proposes to change territorial, classification, limit of liability, deductible, or other rate differentials without generating any overall rate level change, then only sections (4.k.) - (4.n.), as applicable, need to be completed. If the filing proposes a change in rate level plus a change in territorial, classification, limit of liability, deductible, or other rate differentials, then sections (4.a.) - (4.j.) **and** sections (4.k.) - (4.n.), as applicable, must be completed.

The support for an overall rate level change should be comprised of the following subsections, **in the order set out below**. Each section or subsection should be labelled according to the numbering scheme provided and contain all data, data definitions and sources, and any narrative necessary to explain or clarify the various ratemaking steps.

Overall Rate Level Indication:

- 4.a. Overall Description of the Ratemaking Methodology and Summary
- 4.b. Losses
 - 1. Loss Development
 - 2. Loss Trend
 - 3. Treatment of Large Losses
 - 4. Catastrophe (or Excess Claim) Procedure
 - 5. Other Adjustments
- 4.c. Allocated Loss Adjustment Expenses (ALAE)
 - 1. ALAE Development
 - 2. ALAE Trend
 - 3. Catastrophe Procedure
 - 4. Other Adjustments
- 4.d. Unallocated Loss Adjustment Expenses (ULAE)
- 4.e. Premium
 - 1. On-level Adjustments
 - 2. Premium Trend
 - 3. Other Adjustments
- 4.f. Other Expenses
 - 1. Exposure Variable Expenses
 - 2. Premium Variable Expenses
- 4.g. Profit Provisions
- 4.h. Credibility

- 4.i. Other Adjustments
- 4.j. Summary Rate Level Indications

Rate Differential Indications:

- 4.k. Territorial Indications
 - 1. Indicated Differentials
 - 2. Off-balance
- 4.l. Implementation of CLEAR System Differentials
 - 1. Overall Description for Implementing CLEAR
 - 2. Off-balance
- 4.m. Classification/Limit of Liability/Deductible or Other Rate Differential Indications
 - 1. Indicated Differentials
 - 2. Off-balance
- 4.n. Rating Based on Group Membership
 - 1. Indicated Discounts or Rates
 - 2. Off-balance

4.a. Overall Description of the Ratemaking Methodology and Summary

An insurer may use either a pure premium or a loss ratio ratemaking approach. This section should indicate the type of approach used and generally outline the process in a summary narrative. A general description of the data should also be included. Specific and detailed information on the data should be included in the appropriate subsections using that data. For example, liability loss data should state whether it is for all limits combined or if it is for a specific (basic) limit.

The filing should include the most recent complete year of data that is available. Should the filing rely on industry experience, we would expect any filing received after industry data is released to include the most recent industry data (i.e. assuming that industry data for the 2000 accident year is released on May 1, 2001, any filing made after that date should include 2000 accident year data).

4.b. Losses

If losses are considered together with ALAE, that should be noted in this section and all references to "loss" in this subsection should be considered as referring to "losses and allocated loss adjustment expenses." In this event, subsection (4.c.) can be omitted.

The type of loss data should be described in this subsection (i.e., accident year or policy year). Where another basis is used, justification must be provided. The experience period and the respective valuation dates should also be noted. The source of the data should be clearly noted (e.g., company internal data, company data as reported by IBC). Direct losses (i.e. prior to any reinsurance transactions) should be the basis for ratemaking and should **not** be reduced by the insurer's cession to the Risk Sharing Pool. Direct losses should **not** include losses incurred on the Facility Association Residual Market risk business. Similarly, where industry-wide statistics are used, Facility Association Residual Market Risks results

should be excluded. For Accident Benefits, losses should be at the sub-coverage level as defined by the Automobile Statistical Plan.

4.b.1. Loss Development

The data must be developed to an ultimate level through the use of an appropriate loss development procedure.

The specific loss development approach used in the filing should be outlined and the details of the calculations should be disclosed in this subsection. All judgments associated with the process of loss development should be disclosed in detail and supported (e.g., the selection of loss development factors).

Loss development should be based on the insurer's own data to the extent possible. At a minimum, the history of unadjusted company loss development data valued at 12 month intervals should be provided (so-called "triangles" of loss valuations at various stages of development). In very few cases should it be necessary to rely on outside data. Should the insurer find it necessary to rely on outside data or a different source of internal data (such as affiliated company data), the filing must identify the source of the data and provide an explanation of its applicability. All data used in the process of loss development must be exhibited and labelled (e.g., are the losses paid or case incurred, what are the dates of valuation).

If credibility procedures are used in loss development, the selection of the credibility criterion should be disclosed, the application of the credibility standard should be presented, and the complement of credibility should be disclosed and supported.

The general approach to loss development can be expected to remain reasonably constant over the years for an insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.b.2. Loss Trend

The specific loss trend approach used should be outlined and the details of the calculations should be disclosed in this subsection. All judgments associated with the process of loss trend should be disclosed in detail and supported.

Loss trend should make use of the insurer's own data for each category of insurance and coverage to the extent possible. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance. All data used in the process of estimating annual loss trend must be exhibited, at least in summary form, and labelled (e.g., are losses paid or incurred, developed or undeveloped).

If credibility procedures are used in estimating loss trend, the selection of the credibility criterion should be disclosed, the application of the credibility standard should be presented, and the complement of credibility should be disclosed and supported.

The length of the trend period will depend on the term of coverage offered by the insurer, the proposed effective date, and the valuation date of the loss data. Each of these items must be disclosed. If trend is divided into past trend and future trend components, each component must be fully disclosed and supported in the detail described above.

The general approach to estimating loss trend can be expected to remain reasonably constant over the years for an insurer. Any changes in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.b.3. Treatment of Large Losses

The filing should clearly indicate how large losses in the experience period have been handled. If losses have been capped, the number of such losses and the effects of the caps must be demonstrated. The insurer should ensure that large losses do not cause significant instability in the rates from one period to the next.

4.b.4. Catastrophe (or Excess Claim) Procedure

Comprehensive, specified perils, and all perils coverages are subject to losses arising from natural catastrophes. If a procedure is used to estimate the impact of such losses, that procedure should be included in this subsection.

The specific catastrophe procedure used should be outlined and the details of the calculations should be disclosed and supported. All judgments associated with the process of calculating the catastrophe provision should be disclosed in detail and supported.

The catastrophe procedure should make use of the insurer's own data to the extent possible, augmented where necessary by other relevant data. All data used in calculating a provision for catastrophe losses must be exhibited and labelled.

The general approach to estimating catastrophe losses can be expected to remain reasonably constant over the years for an insurer. Any changes in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.b.5. Other Adjustments

Any other adjustments to the loss data should be disclosed, documented, and supported in this subsection.

Data must be exhibited and labelled, procedures must be outlined, and changes from the prior rate filing must be noted.

4.c. Allocated Loss Adjustment Expenses (ALAE)

If ALAE are considered separately from losses, provide the same detailed information as for the losses in subsection (4.b.).

4.d. Unallocated Loss Adjustment Expenses (ULAE)

The specific ULAE approach used should be outlined and details of the calculations should be disclosed and supported. All judgments associated with the estimation of ULAE should be disclosed in detail and supported.

The estimate of ULAE should make use of the insurer's own data for each category of insurance and coverage to the extent possible. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance. All data used in the process of estimating ULAE must be exhibited and labelled (e.g., are the ULAE paid or incurred, calendar year or accident year).

The general approach to estimating ULAE can be expected to remain reasonably constant over the years for the insurer. Any change from the prior rate filing in either the approach or the underlying data should be disclosed and supported.

4.e. Premium

The premium data should be described in this subsection. The experience period and the source of the premium data must also be disclosed. Direct premiums (i.e., prior to any reinsurance transactions) should be the basis for ratemaking and should not be reduced by the insurer's cessions to the Risk Sharing Pool. Direct premiums should not include premiums for the Facility Association Residual Market risk business.

4.e.1. On-level Adjustments

If an insurer uses a loss ratio approach to ratemaking, earned premium must be adjusted to the level of the present rates through the use of an appropriate on-level procedure. Both the unadjusted and the adjusted premiums should be displayed.

If on-level adjustments are made by means of a factor approach (e.g., parallelogram), the calculations should be disclosed. If on-level adjustments are made by means of calculating premiums at present rates through computer re-rating of policies (i.e. extension of exposures), a description of the process should be provided with a comparison of the results to the results obtained using the parallelogram method. Any significant difference should be explained.

The insurer's history of rate changes for each coverage for the prior five years should be included in this section.

4.e.2. Premium Trend

Premium trend should be considered for coverages with inflation-sensitive exposure bases or for coverages where a changing mix of exposures may result in a corresponding change in premium income to the insurer. The changing mix of exposures with respect to the makes and models of cars for physical damage coverages is an example of a change in mix of exposures which could produce premium trend. (Under **CLEAR** [Canadian Loss Experience Automobile Rating], premium trend is already accounted for in the development of the rate groups.)

The specific premium trend approach used in the filing should be outlined and details of the calculations should be disclosed and supported. All judgments associated with the process of premium trend should be disclosed in detail and supported.

Premium trend should make use of the insurer's own data to the extent possible. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance. All data used in the process of estimating premium trend must be exhibited and labelled.

The general approach to estimating premium trend can be expected to remain reasonably constant over the years for the insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed, explained, and supported.

4.e.3. Other Adjustments

Any other adjustments to the premium data should be disclosed, documented, and supported in this subsection.

Data must be exhibited and labelled, procedures must be outlined, and changes from the prior rate filing must be noted.

4.f. Other Expenses

Other expenses (i.e., non-claims related expenses) should be divided between exposure variable (fixed) and premium variable (variable) expenses in a manner that is consistent with the way the insurer conducts its business, the manner in which expenses are incurred, and the type of unit insured. The details of this segregation of expenses should be disclosed and documented.

Where an insurer is proposing to vary rates based on the type of distribution system, separate expense statistics must be maintained and filed in support of the rates.

For the latest year, the allocation of expenses to the category of insurance filed should also be reported.

There should be no expense provision established in respect of the Facility Association Residual Market, unless there is a known subsidy in its operation. Risk Sharing Pool should be treated as direct business and therefore should be reflected in the direct loss and premium data.

No additional expense should be provided for by servicing carriers in respect of servicing Facility Association business, as such costs should be reflected in the rates charged by the Facility Association.

4.f.1. Exposure Variable Expenses (Fixed)

Some expenses can be expected to vary in relationship to the number of units insured (exposures) rather than in relationship to the premium volume.

The specific approach to estimating exposure variable expenses used in the filing should be outlined and details of the calculations should be disclosed. All judgments associated with the process of estimating exposure variable expenses should be disclosed in detail and supported.

Exposure variable expenses should make use of the insurer's own data. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance. All data used in the process of estimating exposure variable expenses must be exhibited and labelled.

Exposure variable expenses are subject to trend. The elements of trend discussed in subsection (4.b.2.) apply to this subsection as well.

The general approach to estimating exposure variable expenses can be expected to remain reasonably constant over the years for the insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.f.2. Premium Variable Expenses (Variable)

Some expenses can be expected to vary in relationship to the premium volume rather than in relationship to the number of units insured.

The specific approach to estimating premium variable expenses used in the filing should be outlined and details of the calculations should be disclosed. All judgments associated with the process of estimating

premium variable expenses should be disclosed in detail and supported.

Premium variable expenses should make use of the insurer's own data. Should the insurer find it necessary to rely on outside data or a different source of internal data to estimate these expenses, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance. All data used in the process of estimating premium variable expenses must be exhibited and labelled.

The general approach to estimating premium variable expenses can be expected to remain reasonably constant over the years for the insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.g. Profit Provisions

The target return on equity should be set forth in this subsection. The resulting target underwriting profit margin to be used in the ratemaking process should be derived from the target rate of return on equity. The filing should show this derivation in sufficient detail to permit the reviewer to follow the entire process.

The specific approach to determining the target rate of return on equity underlying the rates in the filing should be outlined and the details of the calculations should be disclosed and supported. All judgments associated with the process of calculating the profit provision, should be disclosed and supported.

In estimating the expected investment income attributed to policyholder supplied funds and equity, the insurer should take into consideration new money rates and the insurer's historical investment returns.

All data used in the process of selecting the target return on equity and the resulting target underwriting profit margin must be exhibited and labelled. At a minimum, the pay-out pattern (for each coverage and sub-coverage) expected to apply to the losses and expenses should be disclosed and supported.

If the proposed rates are different from those which are actuarially indicated based on the target rate of return on equity, the insurer must provide an estimate of the expected return on equity and the expected underwriting profit margin underlying the proposed rates.

The general approach to calculating the profit provisions can be expected to remain reasonably constant over the years for the insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.h. Credibility

The Ontario experience of the insurer may not be of sufficient volume to produce stable overall province-wide rate level indications that are actuarially credible. In such cases, credibility procedures can be useful as a means of augmenting the insurer's Ontario data.

The standard for 100% credibility and the formula for calculating partial credibility should be disclosed and supported.

The data source used as the ballast to which the complement of credibility applies should be disclosed and supported.

The approach to credibility can be expected to remain reasonably constant over the years for the insurer. Any changes from the prior rate filing in the credibility standard or procedure should be disclosed and supported.

4.i. Other Adjustments

Any other adjustments made to the data which affect expected premium or losses must be quantified and their effect on the rates must be disclosed and supported in this section.

4.j. Summary Rate Level Indications

Summary sheets must be provided showing how the data combines with the adjustments and provisions outlined in subsections (4.b.) - (4.i.). The insurer may use forms that are relevant to its particular situation. If more than one year of loss and/or premium data is used in the ratemaking process, the weight that each of the years receives must be disclosed. If these weights are different from the insurer's prior filing, the change must be disclosed, explained, and supported.

4.k. Territorial Indications

4.k.1. Indicated Differentials

If the insurer is requesting rate level changes which differ by territory, the ratemaking process must be outlined in detail.

Territorial indications should be calculated by making use of the insurer's own data. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance. All data used in the process of developing territorial indications must be exhibited and labelled.

A comparison of current, indicated, and proposed territorial differentials must be provided for each coverage for which rates are changing by territory. Included in this should be the written premium distribution and the exposure distribution by coverage, by territory.

If credibility procedures are used, they must be disclosed and supported in the same detail as outlined in subsection (4.h.).

The general approach to calculating territorial differentials can be expected to remain reasonably constant over the years for the insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.k.2. Off-balance

The aggregate premium may be increased or decreased through the introduction of new territorial rates or rate differentials or by changes to existing ones. The filing must account for these changes through the use of off-balance procedures or by accounting for the premium change in its rate level. [In the event that the change in territorial differentials is not off-balanced and instead a rate level change is generated, subsections (4.a.) - (4.j.) must also be completed.

All data used in the process of calculating the off-balance must be exhibited and labelled. The calculation of the off-balance amount must be shown. All judgments associated with the process of calculating the off-balance should be disclosed and supported.

Off-balance calculations should make use of the insurer's own distribution of business. Should the insurer

find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance.

The general approach to calculating the off-balance can be expected to remain reasonably constant over the years for the insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.k.3. Definitions

Any changes to territorial definitions must be accompanied by a map showing current and proposed territorial boundaries.

4.l. **Implementation of CLEAR System Differentials**

The procedures used for replacing the insurer's current rate group methodology and implementing the **CLEAR** system should be fully described in this section. The technical information required should be comprised of the following subsections, **in the order set out below**.

4.l.1. Overall Description for Implementing CLEAR

This section should indicate the company's approach for implementing CLEAR. The rate group table that is being used and capping procedures, if any, should be described in this section. A list of vehicles, by make, model and model year, that have been capped, should also be provided.

4.l.2. Off-balance

The aggregate premium may be increased or decreased through the introduction of CLEAR. The filing must account for these through the use of off-balance procedures or by accounting for the premium change in its rate level. In the event that the change is not off-balanced, and instead a rate level change is generated, subsections (4.a.) - (4.j.) must also be completed.

All data used in the process of calculating the off-balance must be exhibited and labelled. The calculation of the off-balance amount must be shown. All judgments associated with the process of calculating the off-balance should be disclosed and supported.

Off-balance calculations should make use of the insurer's own distribution of business. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance.

4.m. **Classification/Limit of Liability/Deductible or Other Rate Differential Indications**

4.m.1. Indicated Differentials

If the insurer is requesting changes in classification differentials, limit of liability differentials, deductible differentials, or other rate differentials, the ratemaking process must be outlined in detail.

Classification, limit of liability, deductible, and other rate differential indications should make use of the insurer's own data. Should the insurer find it necessary to rely on outside data or a different source of company data, the filing must identify the source of the data and provide an explanation of its applicability

in the instant circumstance. All data used in the process of developing classification, limit of liability, deductible, or other rate differential indications must be exhibited and labelled.

A comparison of current, indicated, and proposed differentials must be provided for each coverage for which classification, limit of liability, deductible, or other rate differentials are changing. Included in this should be the written premium distribution and the exposure distribution by classification, limit of liability, deductible, or other rate differential.

If credibility procedures are used, they must be disclosed in the same detail as outlined in subsection (4.h.).

The general approach to calculating rate differentials can be expected to remain reasonably constant over the years for the insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.m.2. Off-balance

The aggregate premium may be increased or decreased through the introduction of new classification, limit of liability, deductible, or other rate differentials or by changes to existing ones. The filing must account for these changes through the use of off-balance procedures or by accounting for the premium change in its rate level. In the event that the change in classification, limit of liability, deductible, or other rate differentials is not off-balanced and instead a rate level change is generated, subsections (4.a.) -(4.j.) must also be completed.

All data used in the process of calculating the off-balance must be exhibited and labelled. The calculation of each off-balance must be shown. All judgments associated with the process of calculating the off-balance should be disclosed and supported.

Off-balance calculations should be based on the insurer's own distributions of business by classification, limit of liability, deductible, or other rate differential. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance.

The general approach to calculating the off-balance can be expected to remain reasonably constant over the years for the insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.n. **Rating Based on Group Membership**

This section **must** be completed by any insurer that is introducing or proposing changes to its rates and risk classification system based on group membership.

There are restrictions on when group membership can be used in a risk classification system. Under Regulation 664, as amended, no element of a risk classification system shall use membership in an **organized** group unless the group is:

- (a) a group of employees, or retired employees, of the same employer; or
- (b) a group of persons that is,
 - 1. a labour union,

2. a professional or occupational organization,
3. an alumni association, or
4. a not-for-profit organization of persons that has been in existence for at least two years, except an organization that is formed solely for the purpose of purchasing or providing goods or services.

Only members of such groups referred to above, and their spouses and children under certain conditions, are eligible for a preferential rate under a risk classification system based on group membership. Also, under O. Reg. 664, insurers are prohibited from using the existence of medical, surgical, dental, hospitalization, income continuation benefit or sick leave plans in their risk classification systems.

4.n.1. Indicated Discounts or Rates

The ratemaking process must be outlined in detail where an insurer proposes:

- a discount or schedule of rates based on membership in a group; or
- discounts or a schedule of rates that vary among groups.

A discount or a schedule of rates based on group membership could be based on lower loss costs based on favourable experience, or risk management programs, or identifiable characteristics of a group that would result in lower loss exposure.

Insurers should maintain separate premium and loss statistics to support a discount or schedule of rates based on group membership. The basis of the discount or rates should be defined in sufficient detail so that naming individual organizations is not necessary. Insurers are **not** expected to develop a unique discount or schedule of rates for a specific group unless such a group is of sufficient size that its own experience supports such a discount or schedule of rates. Support for discounts and rates must be actuarially credible and therefore only in the instance of large groups would a unique discount or schedule of rates be appropriate. In the case where more than one discount is proposed, (e.g., variation of discounts based on types of groups), a list of groups and discounts applicable is required to be submitted with the filing, as well as on a periodic basis.

The insurer's own loss data should be used to the extent possible. If the insurer finds it necessary to rely on outside data or a different source of company data, the insurer must identify the source of the data and provide an explanation of its applicability. All data used in the process of developing the indicated discounts or rates based on group membership should be exhibited and labelled.

A comparison of current, indicated and proposed discounts or rates must be provided for each coverage when a change is proposed. Included in this should be the written premium distribution and the exposure distribution by discounts or schedule of rates.

If credibility procedures are used, they must be disclosed in the same detail as outlined in subsection (4.h.).

The general approach to calculating discounts or rates based on group membership can be expected to remain reasonably constant over the years. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.n.2. Off-balance

The aggregate premium may be increased or decreased through the introduction of new discounts or rates, or by changes to existing ones. The filing must account for these changes through the use of off-balance procedures or by accounting for the premium change in its rate level. In the event that the change in discount or rate is not off-balanced and instead a rate level change is generated, subsections (4.a.) - (4.j.) must also be completed.

All data used in the process of calculating the off-balance must be exhibited and labelled. The calculation of each off-balance must be shown. All judgments associated with the process of calculating the off-balance should be disclosed and supported.

Off-balance calculations should be based on the insurer's own distribution of business for group discounts or schedule of rates. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the circumstances.

The general approach to calculating the off-balance can be expected to remain reasonably constant over the years. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

SECTION 5: DISCOUNT/SURCHARGE CHANGES

If the insurer is requesting changes in the amount or value of a discount (except a group discount which is to be disclosed in section 4.n) or surcharge, or is introducing a new discount (except a group discount which is to be disclosed in section 4.n) or surcharge, the approach used in costing and a general narrative of the process must be outlined in detail.

The derivation of the discount or surcharge should make use of the insurer's own data. The justification for the discount may be due to lower expenses due to lower acquisition costs or lower administrative costs or lower loss costs. The filing should clearly indicate the basis for the discount or surcharge. The insurer must have appropriate information to support the discount or surcharge. Should the insurer find it necessary to rely on outside data or a different source of company data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance. All data used in the process of developing the discount or surcharge must be exhibited and labelled.

A comparison of current, indicated and proposed discounts or surcharges must be provided for each coverage for which discounts or surcharges are changing. Included in this should be the written premium distribution and the exposure distribution for the discounts or surcharges.

A current and a proposed distribution of the insurer's book of business that is affected by the discount or surcharge change must be provided to determine the average premium change (shift). All assumptions and detailed calculations must be provided to support the rate level change.

SECTION 6: RATING RULE CHANGES

Rating rules are those rules or definitions by which a risk is assigned to a specific rating cell or whether a discount or surcharge is applicable. Examples include rules by which territory, vehicle use or driving record are assigned. Rating rules are part of an insurer's risk classification system and must be filed according to these guidelines.

Note that underwriting rules, which are those rules used to govern the decision to accept or decline a risk or a coverage, deductible level, or liability limit, must be filed using the *Section 238 Guidelines for Filing Underwriting Rules*.

Rate manual pages that describe changes to rules or definitions must be included with the filing.

The required information should include: (i) a description of the proposed changes, (ii) the rationale for the proposed changes, (iii) the rate level effects of the proposed changes, and (iv) calculations that validate the rate level effect of the proposed changes based on the expected distribution of business.

6.a. Rating Rule Changes for Classification Variables

Any change to a rating rule for a particular classification must be disclosed in this section. A current and a proposed distribution of the class that is affected by the rating rule change must be provided to determine the average premium change (shift) and impact on the overall rate level. All assumptions and detailed calculations must be provided to support the rate level change.

6.b. Rating Rule Changes for Discounts and Surcharges

Any change to a rating rule for a particular discount or surcharge must be disclosed in this section. Also the rating rule applicable to a newly proposed discount or surcharge must be disclosed in this section. A current and a proposed distribution of the business that is affected by the rating rule change must be provided to determine the average premium change (shift) and impact on the overall rate level. Also all assumptions and the rationale to support the use of the rating rule must be disclosed.

SECTION 7: FINAL RATES/RATE LEVEL CHANGE

Exhibits illustrating current and proposed rating algorithms, base rates, discounts/surcharges, and differentials, **clearly identified as either current or proposed**, must be disclosed in this section, including any explanatory material in support of the proposed changes. **To facilitate the review process, all of 7.a. - 7.d. must be included even though the change may be to only one of the elements.**

7.a. Algorithm

Exhibits illustrating current and proposed algorithms must be disclosed in this section.

7.b. Base Rates

Exhibits illustrating current and proposed base rates must be disclosed in this section.

7.c. Differentials

Exhibits illustrating current and proposed differentials must be disclosed in this section.

7.d. Discounts and Surcharges

Exhibits illustrating current and proposed discounts and surcharges must be disclosed in this section.

7.e. Calculation of Final Rates

The filing must clearly describe and show how current manual territorial base rates are transformed into proposed manual territorial base rates through the application of the proposed rate change in combination with any off-balance.

7.f. Calculation of Rate Level Change

The filing must clearly describe and show how the rate level impact of changes to base rates, differentials and discounts or surcharges, in combination with any off-balance which may be applied, are used to calculate the overall rate level change on a per coverage basis. This calculation should reconcile with the Proposed Overall Rate Level Change from Appendix A, Question 4.

7.g. Dislocation and Capping

Insurers should take into account the impact that proposed rate changes will have on consumers. Information on rate dislocation is required in Appendix A. Capping should be considered in minimizing rate dislocation. Any capping procedure should be fully described in this section.

In the case when the insurer is proposing to implement the **CLEAR** system, either for physical damage or accident benefits, or both, FSCO expects any significant dislocation arising from the proposed changes to be managed through a capping procedure, so changes will be phased in over a period of time. The insurer **must** also provide a detailed description of how the capping procedures will be applied for implementing **CLEAR**.

SECTION 8: SECTION 413 DEPENDENT CATEGORIES

For those categories of automobile insurance that are dependent on the section 410 rate filing submitted, please provide the following:

- (i) the rate level effects of the proposed changes.
 - (ii) the calculations that validate the rate level effect of the proposed changes,
 - (iii) a copy of the rating rule that stipulates the linkage to the category of automobile insurance. and
 - (iv) Section 10 - rating examples must be completed for the dependent category of automobile insurance.
- Rating examples are attached as Appendix C to the Section 413 filing guidelines.

SECTION 9: MANUAL PAGES CONTAINING REVISED RATES AND RISK CLASSIFICATION SYSTEM

A draft set of manual pages containing proposed rating rule changes or definition changes **must be provided** with the filing. A draft set of manual pages that contains the rates by territory and class, driving record, etc is optional at the time of submitting the filing.

However, a final set of manual pages containing the approved rates and risk classification system **must** be submitted within 30 days after the rate filing has been approved. The insurer should also provide a copy of the most current vehicle rate group tables if they have not already been filed with FSCO.

SECTION 10: RATING EXAMPLES

Appendix C sets out eleven rating examples covering the categories of automobile insurance subject to Section 410. Each insurer must file with FSCO those rating examples which would be affected by the filing. It should be noted that these rating examples may not be the same examples required in future filings. Also FSCO may require additional and/or different rating examples as a consequence of the review process.

The rating examples must be completed according to the risk description specified. Each insurer must provide both current and proposed rating criteria for each of the rating examples as required. The rating

territories should be those as defined in the insurer's rate manual.

Any additional information pertaining to the rating example must be disclosed with a detailed description for each affected rating example.

Specific instructions and key assumptions that should be adopted when completing these rating examples are:

- All rates are to be stated on an annual basis. If annual policies are not issued, the rates should be converted to an annual basis.
- All risks should be rated strictly according to the information provided. **DO NOT** provide preferred rates unless the criteria as stated fit the eligibility rules for a preferred class. If so, provide only the preferred rates, and state so.
- Clearly identify all applicable surcharges/discounts that apply to each of the coverages.
- Unless stated explicitly in the profile, do not assume the operator has progressed through the graduated licensing system.
- The rating territories should be those as defined in the insurer's rate manual. For the Toronto (city) territory, assume the location is Yonge and Bloor (FSA M4Y). For all other cities, assume the location to be downtown (FSAs listed on risk profiles).
- Assume the same definitions as in the Facility Association Manual of Rules and Rates for major or minor convictions or an at-fault (chargeable) accident. Also assume the accident involved collision coverage only and that the claim was greater than \$1,000.
- If the insurer does not write a particular limit or deductible level for a described profile, provide the premiums using the closest limit/deductible and note the applicable limit/deductible on the profile.
- If the insurer provides group discounts, provide the individual non-group rate plus the rates with the highest discount applied.
- For multiple operator risks, provide premiums by coverage by operator using separate sheets. In addition, the total policy premium combining all operators should be submitted.
- If, based on the insurer's underwriting rules, a risk profile described in a specified rating example is not written, that fact is to be indicated, and rates need not be provided for that example. However, the insurer must explain why the rating example is not appropriate under the circumstances.
- If a rating example does not describe a unique rate, the insurer is to provide the highest and lowest rate that could be charged on the described risk, and disclose the assumption underlying the difference.
- Include the premiums for all perils **only if** collision and comprehensive are not offered.

Company Name: _____

Group Name: _____

Category of Insurance: _____

SUMMARY OF INFORMATION

1. Describe the proposed changes by checking all the items that apply to this filing:

- ☐ 1. Base rate change, not due to off-balancing differential or discount changes, that is uniform by territory
- ☐ 2. Base rate change, not due to off-balancing differential or discount changes, that is **not** uniform by territory
- ☐ 3. Change to classification, limit of liability, deductible or other rate differentials
- ☐ 4. Change to rating rules
- ☐ 5. Changes to the amount of, or adding or deleting, discounts or surcharges
- ☐ 6. Algorithm change
- ☐ 7. Other (*specify*)
- _____
- _____

2. Proposed effective date for **new** policies: _____

Proposed effective date for **renewal** policies: _____

(Insurers should take into consideration the 45 day notice period to brokers and 30 day notice period to insureds required under section 236 of the Act in determining effective dates.)

3. Indicate the distribution of risks by policy term:

3 month	_____	%
6 month	_____	%
12 month	_____	%
Other	_____	%
Total	_____	%

4. Please state the indicated rate level changes and proposed rate level changes and premium weights using direct written premiums that have been adjusted to current rate level. If direct written premiums are not available, please use direct earned premiums.

Please indicate whether the changes by coverage are weighted by written or earned premiums by placing an "x" in the appropriate box, and state the source and date of data.



direct written premium



direct earned premium

Source of
Data:

Date of Data:

<u>Coverage</u>	<u>Indicated Rate Level Change</u>	<u>Proposed Rate Level Change</u>	<u>Weights</u> (rounded to 2 decimals)
Liability - Bodily Injury	%	%	%
Liability - Property Damage	%	%	%
Accident Benefits	%	%	%
Uninsured Automobile	%	%	%
Direct Compensation - Property Damage	%	%	%
All Compulsory Coverages	%	%	%
Specified Perils	%	%	%
Comprehensive	%	%	%
Collision or Upset	%	%	%
All Perils	%	%	%
OPCF 44R	%	%	%
All Optional Coverages	%	%	%
All Coverages Combined	%	%	100.00%

- 5a. State the dates and rate level change percentages that were effective in the last eighteen months (please round the figures to two decimals):

Effective Date for Renewal Business				
	<u>Prior Change</u>	<u>2nd Prior Change</u>	<u>3rd Prior Change</u>	<u>4th Prior Change</u>
<u>Coverage</u>				
Liability - Bodily Injury	%	%	%	%
Liability - Property Damage	%	%	%	%
Accident Benefits	%	%	%	%
Uninsured Automobile	%	%	%	%
Direct Compensation - Property Damage	%	%	%	%
All Compulsory Coverages	%	%	%	%
Specified Perils	%	%	%	%
Comprehensive	%	%	%	%
Collision or Upset	%	%	%	%
All Perils	%	%	%	%
OPCF 44R	%	%	%	%
All Optional Coverages	%	%	%	%
All Coverages Combined	%	%	%	%

- 5b. State the *Average Cumulative Rate Change* for all coverages. It is based on the *All Coverages Combined Proposed Rate Level Change* (as stated in the response to question 4) and the *All Coverages Combined Rate Level Change(s)* (as stated in the response to question 5a), that occurred after January 1 of the year in which the proposed rate change is expected to be effective for renewal business.

The *Average Cumulative Rate Change* for all coverages is: _____%.

- 6a. Provide the direct written premium, the direct earned premium, the number of earned vehicles, and incurred losses for the most recent **complete** accident year for this category of insurance. (Note: At least one of direct written or direct earned premiums must be provided.)

<u>Coverage</u>	<u>Year</u>	Direct Written Premium	Direct Earned Premium	Ultimate Incurred Losses	Number of Earned Vehicles
		000's	000's	000's	
Liability - Bodily Injury		\$	\$	\$	
Liability - Property Damage		\$	\$	\$	
Accident Benefits		\$	\$	\$	
Uninsured Automobile		\$	\$	\$	
Direct Compensation - Property Damage		\$	\$	\$	
All Compulsory Coverages		\$	\$	\$	
Specified Perils		\$	\$	\$	
Comprehensive		\$	\$	\$	
Collision or Upset		\$	\$	\$	
All Perils		\$	\$	\$	
OPCF 44R		\$	\$	\$	
All Optional Coverages		\$	\$	\$	
All Coverages Combined		\$	\$	\$	

- 6b. Provide the direct written premium, the direct earned premium, the number of earned vehicles, and incurred losses for the second most recent **complete** accident year for this category of insurance. (Note: At least one of direct written or direct earned premiums must be provided.)

<u>Coverage</u>	<u>Year</u>	Direct Written Premium	Direct Earned Premium	Ultimate Incurred Losses	Number of Earned Vehicles
		000's	000's	000's	
Liability - Bodily Injury		\$	\$	\$	
Liability - Property Damage		\$	\$	\$	
Accident Benefits		\$	\$	\$	
Uninsured Automobile		\$	\$	\$	
Direct Compensation - Property Damage		\$	\$	\$	
All Compulsory Coverages		\$	\$	\$	
Specified Perils		\$	\$	\$	
Comprehensive		\$	\$	\$	
Collision or Upset		\$	\$	\$	
All Perils		\$	\$	\$	
OPCF 44R		\$	\$	\$	
All Optional Coverages		\$	\$	\$	
All Coverages Combined		\$	\$	\$	

- 7a. What is the annual loss trend percentage used in calculating the indicated rate level change for the proposed effective period?

	Past	Future
Liability - Bodily Injury	_____%	_____%
Liability - Property Damage	_____%	_____%
Accident Benefits		
Medical	_____%	_____%
Rehabilitation	_____%	_____%
Disability Income	_____%	_____%
Other	_____%	_____%
Accident Benefits Total	_____%	_____%
Uninsured Automobile	_____%	_____%
Direct Compensation - Property Damage	_____%	_____%
Specified Perils	_____%	_____%
Comprehensive	_____%	_____%
Collision or Upset	_____%	_____%
All Perils	_____%	_____%
OPCF 44R	_____%	_____%

- 7b. What date has been used to distinguish between past and future trend : _____

Provide the date to which the past trend is applied: _____

Provide the date to which the future trend is applied: _____

8. Provide the expense provision used in determining the rate level indications (excluding loss adjustment expenses):

	% of Premium	\$ per Vehicle
(a) Variable expenses	_____ %	
(b) Fixed expenses	_____ %	\$ _____
(c) Total Expenses: (a + b)	_____ %	

- 9a. Provide the return on equity and underwriting profit margin that underlies the target and proposed rate level changes for this category of insurance for all coverages combined:

	Return on Equity	Underwriting Profit Margin
Target:	_____ %	_____ %
Proposed:	_____ %	_____ %

- 9b. What is the company's overall premium/equity ratio, investment return, and expense ratio (as a percentage of written premiums) as reported on P&C 1 or 2 for the last two years?

<u>Year</u>	<u>Premium to Equity Ratio</u>	<u>Investment Return</u>	<u>Expense Ratio</u>
	_____ : 1	_____ %	_____ %
	_____ : 1	_____ %	_____ %

- 10a. Provide the premium to equity ratio used in determining the indicated rate level:

current filing: _____

prior filing: _____

- 10b. In determining the indicated rate level, on a pre-tax basis, state the investment return on equity and on cashflow that have been used.

Investment return on equity _____% Investment return on cash flow _____%

11. If the insurer is proposing to cap the increase a consumer would face at renewal, at what percentage will it be capped? How will this be accomplished?

**If the largest rate increase is more than 15%, provide answers to questions 12a, 12b and 12c.
Otherwise, skip to question 13.**

- 12a. Provide an estimate of the number and percentage of exposures that fall within the following ranges for risks with **compulsory coverages only** not taking into account any previous rate changes that would affect renewal business:

Range of Rate Change	Exposures Affected		Range of Rate Change	Exposures Affected	
Decrease of more than 20%	#	%	Increase of 0.1% to 10%	#	%
Decrease of 10.1% to 20%	#	%	Increase of 10.1% to 20%	#	%
Decrease of 0.1% to 10%	#	%	Increase of more than 20%	#	%
No change	#	%	Total	#	100 %

- 12b. Provide an estimate of the number and percentage of exposures that fall within the following ranges for risks with **compulsory and any physical damage coverages** not taking into account any previous rate changes that would affect renewal business:

Range of Rate Change	Exposures Affected		Range of Rate Change	Exposures Affected	
Decrease of more than 20%	#	%	Increase of 0.1% to 10%	#	%
Decrease of 10.1% to 20%	#	%	Increase of 10.1% to 20%	#	%
Decrease of 0.1% to 10%	#	%	Increase of more than 20%	#	%
No change	#	%	Total	#	100 %

- 12c. State the type of data used, the date and source of data, and the method used to estimate the answers to questions 12a and 12b.

13. Have any other changes been made to base rates, differentials, discounts, surcharges or rating rules within the past year that would impact a consumer on renewal, other than the changes proposed in this filing? If so, please describe.

14. State other categories of automobile insurance that may be affected by this proposed rate change (e.g., public vehicle rates that are dependent on private passenger vehicle rates), and the rate level change percentage (*as per section 8 of the filing guidelines*). All changes must be based solely on the changes associated with the dependent category. Any other changes not dependent must be submitted in a separate filing under Section 413 Filing guidelines - Minor (or Section 413 Filing Guidelines - Major).

Dependent Category (check where applicable)	Filing included with this submission	If not included - state the expected filing date	Rate Level Change impact for each category (%)
Personal Vehicles - Motorcycles	☐ Yes ☐ No		
Personal Vehicles - Motorhomes	☐ Yes ☐ No		
Personal Vehicles - Trailers and Camper Units	☐ Yes ☐ No		
Personal Vehicles - Off-Road Vehicles	☐ Yes ☐ No		
Personal Vehicles - Historic Vehicles	☐ Yes ☐ No		
Commercial Vehicles	☐ Yes ☐ No		
Public Vehicles - Taxi and Limousines	☐ Yes ☐ No		
Public Vehicles - Other Than Taxi and Limousines	☐ Yes ☐ No		
	☐ Yes ☐ No		
	☐ Yes ☐ No		
	☐ Yes ☐ No		
	☐ Yes ☐ No		

15. Individual to whom questions concerning this filing may be addressed:

Name: _____

Title: _____

Company: _____

Address: _____

Phone No.: _____

Facsimile No.: _____

E-mail Address: _____

1. This rate filing is in respect of the private passenger category of automobile insurance and the following dependent categories *(Please check all that apply)*:

- Not Applicable
- Personal Vehicles - Motorcycles
- Personal Vehicles - Motorhomes
- Personal Vehicles - Trailer and Camper Units
- Personal Vehicles - Off-Road Vehicles
- Personal Vehicles - Motorized Snow Vehicles
- Personal Vehicles - Historic Vehicles
- Commercial Vehicles
- Public Vehicles - Taxis and Limousines
- Public Vehicles - Other than Taxis and Limousines

to be effective as of _____ for new business and
(Date of Implementation)

_____ for renewal business. (Date
of Implementation)

2. I have knowledge of the matters that are the subject of this certificate.
3. The information and each document contained in the filing accompanying this certificate are complete and accurate.
4. The proposed rates are just and reasonable, do not impair the solvency of the Insurer, and are not excessive in relation to the financial circumstances of the Insurer.

Date, Location

CERTIFICATE OF THE ACTUARY

I, _____, a Fellow of the Canadian Institute of Actuaries,
(Name of Actuary)

have been authorized to prepare a rate filing on behalf of _____
(Official Name of Company)

_____, (the "Insurer") CERTIFY THAT:

1. This rate filing is in respect of the private passenger automobile insurance category of automobile insurance and the following dependent categories: *(Please check all that apply)*

- ☐ Not Applicable
- ☐ Personal Vehicles - Motorcycles
- ☐ Personal Vehicles - Motorhomes
- ☐ Personal Vehicles - Trailer and Camper Units
- ☐ Personal Vehicles - Off-Road Vehicles
- ☐ Personal Vehicles - Motorized Snow Vehicles
- ☐ Personal Vehicles - Historic Vehicles
- ☐ Commercial Vehicles
- ☐ Public Vehicles - Taxis and Limousines
- ☐ Public Vehicles - Other than Taxis and Limousines.

to be effective as of _____ for new business and
(Date of Implementation)

_____ for renewal business. *(Date of Implementation)*

2. I have reviewed the data underlying this rate filing for reasonableness and consistency, and I believe the data is reliable and sufficient for the determination of the indicated rate changes.
3. The indicated rate changes have been calculated in accordance with Accepted Actuarial Practice.

In my opinion, the risk classification system is just and reasonable, reasonably predictive of risk and distinguishes fairly between the classes.

Signature of Actuary

Date, Location

Company Name: _____

CASE 1Risk Description

- ⇒ Adult, age 70, qualifies for retirees discount
- ⇒ No chargeable accidents or convictions in last 10 years
- ⇒ New business application to company

- ⇒ Licensed 50 years, class G licence
- ⇒ Pleasure use only, annual mileage under 10,000 km.
- ⇒ 1997 Chevrolet Lumina 4 door (VICC Code 5589)

Coverages

- ⇒ Liability and OPCF 44R - \$1,000,000
- ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation - Property Damage - no deductible
- ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability - BI	Liability -	AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) Current									
Proposed									
% +/- to Current Rates									

Risk DescriptionCASE 2

Company Name:

Operator # 1

- ⇒ Male, age 40 (hus.), licensed 24 years, class G licence
- ⇒ No chargeable accidents or convictions in last 6 years
- ⇒ Drive to work, 10km. one way, annual mileage<16,000 km.
- ⇒ 1998 Jeep Grand Cherokee Limited 4WD (VICC Code 7182)
- ⇒ New business application to company

Operator #2

- ⇒ Female, age 39 (wife), licensed 20 years, class G licence
- ⇒ No chargeable accidents or convictions in last 6 years
- ⇒ Drive to work, 20km. one way, ann. mileage<20,000 km.
- ⇒ 1998 Dodge Neon 4 door (VICC Code 2261)
- ⇒ New business application to company

Coverages

- ⇒ Liability and OPCF 44R - \$1,000,000
- ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation - Property Damage - no deductible
- ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability- BI	Liability-PD	AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay - (P7K)Current									
Proposed									
% +/- to Current Rates									

CASE 3

Company Name:

Risk Description

- ⇒ Male, single, age 19
- ⇒ Licensed 3 years, 1 year with class G licence, Owner and Principal Operator
- ⇒ Commute - 5 km. one way, annual mileage under 12,000 km.
- ⇒ 1997 Pontiac Grand Am GT 2 door (VICC Code 6488)
- ⇒ New business application to company

Coverages

- ⇒ Liability and OPCF 44R - \$500,000
 - ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation - Property Damage - no deductible
- ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability- BI	Liability-PD	AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

Company Name:

Risk Description

- ⇒ Single Male, age 24
- ⇒ Licensed 6 years, class G licence
- ⇒ No chargeable accidents in last 5 years
- ⇒ 2 minor convictions in last 3 years

CASE 4

- ⇒ Commute - 5 km. one way, annual mileage under 12,000 km.
- ⇒ 1994 Ford F150 Pickup 2WD (VICC Code 3629)
- ⇒ New business application to company

Coverages

- ⇒ Liability and OPCF 44R - \$200,000
- ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation - Property Damage - no deductible
- ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability - BI	Liability -PD	AB	UA	DC-PD	Collision	Comp	OPCF 44R	Total
Toronto - (M4Y)Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V)Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y)Current									
Proposed									
% +/- to Current Rates									
London - (N6A)Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W)Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V)Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E)Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K)C									
Proposed									
% +/- to Current Rates									

CASE 5

Coverages

Company Name:

Risk Description

⇒ Adult, age 40, principal operator, licensed 20 years, cl. G
 ⇒ No chargeable accidents or convictions in last 10 years
 ⇒ Drive to work, 8 km one way, annual mileage <16,000 km.
 ⇒ 1996 Chevrolet Corsica 4 door (VICC Code 5583)
 ⇒ New business application to company

⇒ Single male, age 18, occasional operator
 ⇒ Licensed 2 yrs1 year G1, 1 year G2,newly licensed as G
 ⇒ No chargeable accidents or convictions since licensed

⇒ Liability and OPCF 44R - \$500,000
 ⇒ Basic Accident Benefits; Uninsured Automobile
 ⇒ Direct Compensation - Property Damage - no deductible
 ⇒ Comprehensive - \$300 deductible

Territory	Liability - BI	Liability - PD	AB	UA	DC-PD	Collision	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

Company Name:

Risk DescriptionOperator 1

- ☞ Male, age 45 (husband)
- ☞ Licensed 25 years, class G licence
- ☞ No chargeable accidents or convictions in last 10 years
- ☞ Drive to work - 50 km. one way, annual mileage < 40,000 km.
- ☞ 1999 Honda Accord EX 4 door (VICC Code 0213)
- ☞ New business application to company

Operator #1a

- ☞ Single male, age 19
- ☞ Licensed 3 years with driver training: 1 year G1, 2 years G2, newly licensed as G
- ☞ 1 minor conviction at G2 level

CASE 6Operator #2

- ☞ Female, age 40 (wife)
- ☞ Licensed 20 years, class G licence
- ☞ No chargeable accidents or convictions in the last 6 years
- ☞ Pleasure use only, annual mileage < 10,000 km.
- ☞ 1996 Plymouth Voyager (VICC Code 2646)
- ☞ New business application to company

Operator #2a

- ☞ Female, age 22
- ☞ Licensed 2 years without driver training: 1 year G1, 1 year G2, newly licensed as G
- ☞ No chargeable accidents or convictions since licensed

Coverages

- ☞ Liability and OPCF 44R- \$1,000,000
- ☞ Basic Accident Benefit, Uninsured Automobile
- ☞ Direct Compensation-Property Damage - no deductible
- ☞ Collision and Comprehensive - \$300 deductible

Territory	Liability		AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
	BI	PD							
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									

Company Name: _____

Territory	Liability		AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
	BI	PD							
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

Company Name:

Risk DescriptionOperator # 1

- ⇒ Male, age 38 (husband), Licensed 20 years, class G licence
- ⇒ No chargeable accidents or convictions in last 6 years
- ⇒ Drive to work, 10km. one way, annual mileage<16,000 km.
- ⇒ New business application to company
- ⇒ 1998 Ford Taurus LX 4 door (VICC Code 3427)

CASE 7Operator #2

- ⇒ Female, age 35 (wife), Licensed 15 yrs, class G licence
- ⇒ No chargeable accidents or convictions in the last 6 years

Coverages

- ⇒ Liability and OPCF 44R - \$1,000,000
- ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation -Property Damage - no deductible
- ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability - BI	Liability -PD	AB	UA	DC-PD	Collision	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

Company Name:

CASE 8**Risk Description**

- ⇒ Adult, age 40
- ⇒ Licensed 20 years, class G **licence**
- ⇒ 1 chargeable accident in last 5 years
(Accident last year - 1 year accident free)
- ⇒ 1 major conviction in last 3 years
- ⇒ 1998 Toyota Camry 4 Cyl 4 door (VICC Code 0450)

- ⇒ Drive to work - 8 km., one way
- ⇒ Annual mileage < 16,000 km.
- ⇒ New business application to company

Coverages

- ⇒ Liability and OPCF 44R - \$1,000,000
- ⇒ Basic Accident Benefits, Uninsured Automobile
- ⇒ Direct Compensation - Property Damage - no deductible
- ⇒ Collision - \$500 deductible
- ⇒ Comprehensive - \$300 deductible

Territory	Liability- BI	Liability-PD	AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

CASE 9

Company Name: _____

Risk Description

⇒ Female, age 23, licensed 6 years
 ⇒ Class G licence (without driver training)
 ⇒ 1 chargeable accident in last year (0 years accident free) deductible
 ⇒ 1 minor conviction in last 3 years

⇒ Drive to work - 8 km. one way, annual mileage < 16,000 km.
 ⇒ 1999 Dodge Neon 2DR (VICC Code 2262)
 ⇒ New business application to company

Coverages

⇒ Liability and OPCF 44R - \$500,000
 ⇒ Basic Accident Benefits, Uninsured Automobile
 ⇒ Direct Compensation - Property Damage - no
 ⇒ Collision and Comprehensive - \$300 deductible

Territory	Liability- BI	Liability - PD	AB	UA	DC-PD	Coll	Comp	OPCF 44R	Total
Toronto - (M4Y) Current									
Proposed									
% +/- to Current Rates									
Hamilton - (L8V) Current									
Proposed									
% +/- to Current Rates									
Ottawa - (K1Y) Current									
Proposed									
% +/- to Current Rates									
London - (N6A) Current									
Proposed									
% +/- to Current Rates									
Windsor - (N8W) Current									
Proposed									
% +/- to Current Rates									
Brockville - (K6V) Current									
Proposed									
% +/- to Current Rates									
Sudbury - (P3E) Current									
Proposed									
% +/- to Current Rates									
Thunder Bay-(P7K) C									
Proposed									
% +/- to Current Rates									

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Risk Description

Operator #1

- ⇒ Male, age 45 (husband)
- ⇒ Licensed 25 years, class G licence
- ⇒ No chargeable accidents or convictions in last 10 years
- ⇒ Drive to work - 50 km. one way, annual mileage < 40,000 km.
- ⇒ 1999 Honda Accord EX 4 door (VICC Code 0213)
- ⇒ New business application to company

Operator #1a

- ⇒ Single male, age 19
- ⇒ Licensed 3 years with driver training: 1 year G1, 2 years G2, newly licensed as G
- ⇒ 1 minor conviction at G2 level

CASE 10

Operator #2

- ⇒ Female, age 40 (wife)
- ⇒ Licensed 20 years, class G licence
- ⇒ No chargeable accidents or convictions in the last 6 years
- ⇒ Pleasure use only, annual mileage < 10,000 km.
- ⇒ 1996 Plymouth Voyager (VICC Code 2646)
- ⇒ New business application to company

Operator #2a

- ⇒ Female, age 22
- ⇒ Licensed 2 years without driver training: 1 year G1, 1 year G2, newly licensed as G
- ⇒ No chargeable accidents or convictions since licensed

Coverages

- ⇒ Income replacement at \$600, \$800, and \$1,000
- ⇒ Medical, Rehab, and Attendant Care
- ⇒ Caregiver and Dependant Care
- ⇒ Funeral and Death
- ⇒ Indexation

Territory	Income Replacement (IR)			Medical , Rehab & Att. Care	Caregiver and Dependant Care	Funeral and Death	Indexation			Total		
	\$600 (1a)	\$800 (1b)	\$1,000 (1c)				\$600 -IR & Other Benefits (5a)	\$800 -IR & Other Benefits (5b)	\$1,000 - IR & Other Benefits (5c)	\$600 (1a)+(2)+(3)+(4)+(5a)	\$800 (1b)+(2)+(3)+(4)+(5b)	\$1,000 (1c)+(2)+(3)+(4)+(5c)
Toronto - Current												
(M4Y) Proposed												
% +/- to Current												

Notes: In (1a), (1b), and (1c), record only the cost of income replacement, non-indexed.

In (5a) record the cost of indexation of income replacement at \$600, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

In (5b) record the cost of indexation of income replacement at \$800, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

In (5c) record the cost of indexation of income replacement at \$1,000, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

CASE 11

Risk Description

Operator # 1

- ⇒ Male, age 38 (husband), Licensed 20 years, class G licence
- ⇒ No chargeable accidents or convictions in last 6 years
- ⇒ Drive to work, 10 km. one way, annual mileage < 16,000 km.
- ⇒ New business application to company
- ⇒ 1998 Ford Taurus LX 4 door (VICC Code 3427)

Operator #2

- ⇒ Female, age 35 (wife), Licensed 15 years, class G licence
- ⇒ No chargeable accidents or convictions in the last 6 years

Coverages

- ⇒ Income replacement at \$600, \$800, and \$1,000
- ⇒ Medical, Rehab, and Attendant Care
- ⇒ Caregiver and Dependant Care
- ⇒ Funeral and Death
- ⇒ Indexation

Territory	Income Replacement (IR)			Medical , Rehab & Att. Care	Caregiver and Dependant Care	Funeral and Death	Indexation			Total		
	\$600 (1a)	\$800 (1b)	\$1,000 (1c)	(2)	(3)	(4)	\$600 -IR & Other Benefits (5a)	\$800 -IR & Other Benefits (5b)	\$1,000-IR & Other Benefits (5c)	\$600 (1a)+(2)+(3)+(4)+(5a)	\$800 (1b)+(2)+(3)+(4)+(5b)	\$1,000 (1c)+(2)+(3)+(4)+(5c)
Toronto - Current												
(M4Y) Proposed												
% +/- to Current												

Notes: In (1a), (1b), and (1c), record only the cost of income replacement, non-indexed.

In (5a) record the cost of indexation of income replacement at \$600, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

In (5b) record the cost of indexation of income replacement at \$800, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

In (5c) record the cost of indexation of income replacement at \$1,000, Medical, Rehabilitation and Attendant Care, and Caregiver and Dependant Care.

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Risk Profiles Rating Criteria

Case	Territory	Rating Territory		Operator	Rate Class		Driving Record		Vehicle Rate Group						Discount/ Surcharge	
									AB		DC-PD & Coll		Comp/SP			
		curr	prop		curr	prop	curr	prop	curr	prop	curr	prop	curr	prop		
1	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)															
	London (N6A)			Operator												
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															
	Thunder Bay (P7K)															
2	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)			Operator #1												
	London (N6A)															
	Windsor (N8W)															
	Brockville (K6T)			Operator #2												
	Sudbury (P3E)															

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Case	Territory	Rating Territory		Operator	Rate Class		Driving Record		Vehicle Rate Group						Discount/ Surcharge	
									AB		DC-PD & Coll		Comp/SP			
		curr	prop		curr	prop	curr	prop	curr	prop	curr	prop	curr	prop		
	Thunder Bay (P7K)															
3	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)															
	London (N6A)			Operator												
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															
	Thunder Bay (P7K)															
4	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)															
	London (N6A)			Operator												
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Case	Territory	Rating Territory		Operator	Rate Class		Driving Record		Vehicle Rate Group						Discount/ Surcharge	
									AB		DC-PD & Coll		Comp/SP			
		curr	prop		curr	prop	curr	prop	curr	prop	curr	prop	curr	prop		
	Thunder Bay (P7K)															
5	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)			Operator #1												
	London (N6A)															
	Windsor (N8W)															
	Brockville (K6T)			Operator #1a												
	Sudbury (P3E)															
	Thunder Bay (P7K)															
6	Toronto (M4Y)															
	Hamilton (L8V)			Operator #1												
	Ottawa (K1Y)			Operator #1a												
	London (N6A)															
	Windsor (N8W)			Operator #2												
	Brockville (K6T)			Operator #2a												
	Sudbury (P3E)															

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Case	Territory	Rating Territory		Operator	Rate Class		Driving Record		Vehicle Rate Group						Discount/ Surcharge	
									AB		DC-PD & Coll		Comp/SP			
		curr	prop		curr	prop	curr	prop	curr	prop	curr	prop	curr	prop		
	Thunder Bay (P7K)															
7	Toronto (M4Y)															
	Hamilton (L8V)			Operator #1												
	Ottawa (K1Y)			Operator #2												
	London (N6A)															
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															
	Thunder Bay (P7K)															
8	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)															
	London (N6A)			Operator												
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															

Category of Automobile Insurance: **Personal Vehicles - Private Passenger Automobiles**

Appendix C

Company Name: _____

Case	Territory	Rating Territory		Operator	Rate Class		Driving Record		Vehicle Rate Group						Discount/ Surcharge	
									AB		DC-PD & Coll		Comp/SP			
		curr	prop		curr	prop	curr	prop	curr	prop	curr	prop	curr	prop		
	Thunder Bay (P7K)															
9	Toronto (M4Y)															
	Hamilton (L8V)															
	Ottawa (K1Y)															
	London (N6A)			Operator												
	Windsor (N8W)															
	Brockville (K6T)															
	Sudbury (P3E)															
	Thunder Bay (P7K)															

FINANCIAL SERVICES COMMISSION OF ONTARIO

Section 413 Filing Guidelines - Minor for Proposed Revisions to Automobile Insurance Rates and Risk Classification Systems

A. GENERAL INFORMATION

Rate and Risk Classification System Legislation

Sections 410 to 417 of the *Insurance Act* (the *Act*), R.S.O. 1990, Chap. I.8, as amended, set out the legislation pertaining to rates and risk classification systems for automobile insurance. As stated in Regulation 664, as amended, sections 410 to 417 of the *Act* apply to contracts and endorsements to contracts of automobile insurance on Ontario Automobile Policy (OAP) 1 or 2, but do not apply to contracts insuring "fleets". "Fleet" means a group of at least five vehicles that are under common ownership or management and that are used for business, commercial or public purposes.

The types of processes for approval and authorization of rates and risk classification systems are:

- ***Prior approval*** as set out in section 410; and
- ***File and use*** as set out in section 413 of the *Act*.

Under the **prior approval** process for private passenger automobile insurance, proposed changes to rates and risk classifications can be:

- subject to the **expedited** filing guidelines (refer to the *Section 410 Filing Guidelines - Expedited*) where the filing changes satisfy the criteria set out in regulation 664, Section 15.1; or
- subject to the **respond to market (R2M)** filing guidelines (refer to the *Section 410 Filing Guidelines - R2M*) where the filing changes satisfy the criteria established by the Superintendent (refer to Exhibit 1 of the *Technical Notes*); or
- subject to the **major** filing requirements (refer to the *Section 410 Filing Guidelines - Major*).

Under the **file and use** process, filings can be:

- subject to the **major** filing requirements (refer to the *Section 413 Filing Guidelines - Major*), where the filing is the initial application for the category, or the insurer satisfies the criteria established by the Superintendent (refer to Exhibit 4 of the *Technical Notes*) or where FSCO considers it appropriate in the circumstances; or
- subject to the **minor** filing requirements (refer to the *Section 413 Filing Guidelines - Minor*) in all other cases.

Filing Requirements

Section 413(2) provides that a filing for authorization of rates and a risk classification system shall be in a form approved by the Superintendent. These *Section 413 Filing Guidelines - Minor* are to be used for filings for rates and risk classification systems that are subject to file and use authorization under section 413 of the *Act*. A

separate filing must be submitted for each category of insurance that is subject to authorization under section 413. In the case where the rating structure of a category of automobile insurance under section 413 is dependent upon another category under Section 413, please complete section 8 of the section 413 filing guidelines.

The purpose of these *Section 413 Filing Guidelines - Minor* is to communicate to insurers the requirements of FSCO for file and use automobile insurance filings and to provide a systematic approach through which insurers may provide that information and thus facilitate the process of preparing as well as reviewing these filings.

Where FSCO considers it necessary, an insurer may be requested to file full actuarial indications and documentation. In that case, reference should be made to the *Section 413 Filing Guidelines - Major*. If in doubt, contact your rate analyst at FSCO prior to using the *Section 413 Filing Guidelines - Minor*.

There are separate guidelines for changes to private passenger automobile insurance rates and risk classification systems (refer to the *Section 410 Filing Guidelines*). In the case where the rating structure of a category of automobile insurance, required to be filed under section 413, is dependent upon the insurer's private passenger automobile rates, complete section 8 under the *Section 410 Filing Guidelines*.

There are also separate filing guidelines for filing changes to endorsement rates (other than OPCF 44R). Refer to the *Endorsements Filing Guidelines* package.

Required Rates and Risk Classification System Elements

In order for an application to be approved, insurers must have filed rates and risk classification systems for the following:

- 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 to \$600, \$800 or \$1,000 per week;
 - (b) increased death and funeral benefit;
 - (c) increased medical, rehabilitation, and attendant care benefit;
 - (d) increased caregiver and dependent care benefit; and
 - (e) indexation benefit.
- A \$300 deductible for physical damage coverages (collision, comprehensive, all perils and specified perils) and the direct compensation - property damage (DC-PD) coverage. This deductible level must be established for **all categories of automobile insurance** though an insured may choose to purchase a higher or lower deductible.

Filing Format

Subject to the guidelines set forth in Section C, the filing should contain the informational sections, as outlined below, and in the order outlined below.

Section	Contents
1.	Table of Contents

2.	Summary of Information (Appendix A)
3	Certificate of the Officer/Designate (Appendix B)
4.	Base Rates and Differential Changes
5.	Discount/Surcharge Changes
6.	Rating Rule Changes
7.	Final Rates/Rate Level Change
8.	Dependent Categories (if applicable)
9.	Manual Pages
10.	Rating Examples (Appendix C)

Authorization Process

Filings should be submitted to:

Financial Services Commission of Ontario
Rates and Classifications Unit
Automobile Insurance Analysis Division
Box 85, 16th Floor
5160 Yonge Street
North York ON M2N 6L9

Upon receipt of a filing, each insurer will receive an acknowledgement letter from FSCO. The filing will then be reviewed for completeness based on these filing guidelines and the insurer will be informed of any information required to complete the filing. Until such time as a filing is complete, the time periods in the *Act* do not begin to run.

Once a filing is complete, FSCO will review the technical components of the filing. FSCO may request further information from the insurer.

Once an insurer has received notification of authorization from FSCO of its filing, it must:

- file one copy of its rate manual, containing the revised rates and risk classification system, with FSCO in hard copy format within 30 days (see Section 9); or
- file one copy of its rate manual, containing the revised rates and risk classification system, in an electronic format in an encapsulated postscript file within 30 days.

If an insurer fails to file its rate manual within 30 days it may be subject to prosecution under the *Insurance Act*.

Note

The Commission may receive access requests under the Freedom of Information and Protection of Privacy Act (FOIPOP Act) for any record in its custody or control. Section 17 of the FOIPOP Act recognizes that certain types of information supplied in confidence by third parties should be exempt from disclosure in the event of an access request if disclosure could result in the harms listed in Section 17. These types of information may include algorithms, base rates, differentials and any information included under Sections 4 through 7 of the filing requirements.

If you think that Section 17 of the FOIPOP Act might be applicable to a request for access to your rate filing, please list or stamp all of the pages of the filing that are confidential and give the reasons for the confidentiality. While this exercise does not guarantee that records will not be disclosed, it will be useful in assisting FSCO in responding to an access request.

B. DEFINITIONS

Affiliated Insurers

Two or more insurers are considered to be affiliated if any of the following criteria are met:

- i) one of the insurers is a subsidiary of another insurer
- ii) both are subsidiaries of the same body corporate
- iii) each of the insurers is controlled by the same person.

Allocated Loss Adjustment Expenses

All external expenses that can be directly charged to a particular claim file, whether a loss payment is made or not, including:

- i) adjuster's accounts (including all disbursements) - excluding staff adjusters;
- ii) appraisal costs (including appraisal centre costs) - excluding staff appraisal costs or costs included under (i);
- iii) legal expenses including all first party legal costs charged to a particular claim file - excluding staff legal fees or costs or fees included under (i);
- iv) all other external claims expenses.

Category of Automobile Insurance

For purposes of these filing guidelines, categories of automobile insurance include the following:

personal vehicles - private passenger automobiles
personal vehicles - motorcycles
personal vehicles - motor homes
personal vehicles - trailer and camper units
personal vehicles - off-road vehicles
personal vehicles - motorized snow vehicles
personal vehicles - historic vehicles
commercial vehicles
public vehicles - taxis and limousines
public vehicles - other than taxis and limousines.

The above category titles should be used when possible. If subdivisions of the above categories have been made, the insurer should indicate within which of the above categories the subdivisions fall.

Coverage

For the purposes of these filing guidelines, coverages include the following:

Liability - Bodily Injury
Liability - Property Damage
Accident Benefits
Uninsured Automobile
Direct Compensation - Property Damage
Specified Perils
Comprehensive
Collision or Upset
All Perils

Underinsured Motorist (OPCF 44R)

Endorsement	An endorsement (policy change form), approved by the Superintendent under section 227 of the <i>Act</i> , to a contract of automobile insurance. Standard Ontario endorsements are issued under a series of OPCF numbers. Non-standard endorsements, which must also be approved by the Superintendent, are uniquely identified by each insurer. For purposes of these filing guidelines, OPCF 44R is treated as a coverage , not as an endorsement.
Expedited Approval	Process of regulation in which insurers may have their risk classification systems or rates approved within thirty days after filing them with FSCO in accordance with Section 411 of the <i>Act</i> . An insurer must comply with criteria set out in regulation to be able to file under the expedited process. The expedited approval system applies to coverages, including OPCF 44R for personal vehicles - private passenger automobiles written on OAP 1, except those contracts written by the Facility Association. Contracts written on Ontario Policy Form 4, 6, 7, or 8, or contracts of automobile insurance that insure fleets or any endorsements on those contracts, are exempt from the file and use, expedited approval and prior approval systems of regulation.
Equity	Includes an insurer's capital stock, head office account, contributed surplus, earned surplus, and required reserves plus contingency and general reserves as reported in the insurer's P&C 1 or 2.
File and Use	Process of regulation in which insurers may use the risk classification systems or rates thirty days after filing them with FSCO in accordance with Section 413 of the <i>Act</i> . The file and use system applies to insurers, other than the Facility Association, for the following: endorsements (other than OPCF 44R on private passenger automobiles); categories of automobile insurance other than private passenger automobile insurance written on OAP 1; and all insurance written on OAP 2. Contracts written on Ontario Policy Form 4, 6, 7, or 8, or contracts of automobile insurance that insure fleets or any endorsements on those contracts, are exempt from the file and use, expedited approval, and prior approval systems of regulation. The Facility Association rates are not subject to file and use.
Fleet	Group of at least five vehicles that are under common ownership or management and that are used for business, commercial or public purposes.
Investment Income	All income attributable to the investment of policyholder supplied funds and shareholder supplied funds and surplus, including realized capital gains (and losses), net of investment expenses.
Prior Approval	Process of regulation in which insurers must have their rates and risk classification systems approved before use in accordance with Section 412 of the <i>Act</i> . The prior approval system applies to: insurance written by the Facility Association on OAP 1 or 2; coverages, including OPCF 44R, for personal vehicles - private passenger automobiles written on OAP 1. Contracts written on Ontario Policy Form 4, 6, 7, or 8, or contracts of automobile insurance that insure fleets or any endorsements on those contracts, are exempt from both the file and use and prior approval system of regulation.

Rate	All amounts payable as premium under contracts of automobile insurance, or endorsements to such contracts, for an identified risk exposure. Rates may be expressed in terms of dollars and/or in terms of multiplicative or additive factors to be applied to a base premium amount. Rates are to include all provisions reflecting surcharges/discounts for applicable risk exposures. Rates are to be inclusive of commissions and other expense provisions used by the insurer, and are to be considered prior to the granting of policyholder dividends. Rates are subject to the provisions of sections 410 to 417 of the Act.
Rate Differentials	Multiplicative or additive factors/rates that are applied to the base rate for a particular territory to arrive at the rates for that territory, by class, limit of liability, deductible, etc.
Rating Algorithm	The manner in which base rates, rate differentials, and other surcharges/discounts are combined to arrive at the premium charged to an individual risk.
Rating Rule	A rule by which a risk is assigned to a specific rating cell or whether a discount or surcharge is applicable. Examples include rules by which territory, driver classification and vehicle rating group are assigned. Rating rules differ from underwriting rules which involve the decision to accept or decline a risk.
Return on Equity	The sum, on an after-tax basis, of underwriting and investment income divided by equity.
Return on Equity (Proposed)	The return on equity underlying the proposed rate change.
Return on Equity (Target)	The return on equity underlying the actuarially indicated rate change.
Risk Classification System	The elements used for the purpose of classifying risks in the determination of rates for a coverage or category of automobile insurance, including the variables, criteria, rules and procedures for that purpose.
Territorial Base Rate	The rate that serves as the starting point for each territory for developing all other rates by class, limit of liability, deductible, etc. It is the rate in the territory for that particular combination of class, limit of liability, deductible, etc. for which the multiplicative factors are all 1.00 and the additive factors are all zero.
Unallocated Loss Adjustment Expenses	All claims settlement and processing costs, excluding ALAE, but including staff adjusters, appraisers, advisors, lawyers, clerical support, and a portion of general expenses reasonably attributable to the claims function.
Underwriting Profit Margin	Direct premiums earned less discounted claims and adjustment expenses, less investment income earned on cash flow, less commissions and other acquisition expenses, less taxes (excluding income and real estate taxes), less general expenses (applicable to insurance operations) divided by direct premiums earned.
Underwriting Profit Margin (Proposed)	The underwriting profit margin underlying the proposed rate change.

**Underwriting Profit Margin
(Target)**

The underwriting profit margin underlying the **actuarially indicated** rate change.

Underwriting Rules

Those rules that govern the decision by an insurer to accept or decline a risk, coverage or endorsement. Such rules are subject to the provisions of sections 237 and 238 of the *Act*. Filing of such rules must be made using the Section 238 Filing Guidelines or, for endorsements, the Endorsements Filing Guidelines issued by FSCO.

C. REQUIREMENTS FOR SECTION 413 FILINGS - MINOR

SECTION 1: TABLE OF CONTENTS

This section contains a listing of the contents of Sections 2 through 10 of the filing and should be in sufficient detail to serve as a reference, by page number, for the location of specific elements of the filing. The pages of the filing, including exhibits, should be put in a binder, numbered consecutively and dated on 8.5" by 11" three-hole punched paper. In addition, each section and subsection should be labelled according to the section and subsection numbering system outlined in this document.

SECTION 2: SUMMARY OF INFORMATION

The summary section contains certain key information on the nature of the filed rate level or risk classification system changes. The form to be used is attached to this document as Appendix A.

Specific instructions to complete the Appendix are outlined below:

- In responding to Question 1, check **all** the items that are applicable to the filing. While 1.1 and 1.2 are mutually exclusive, other changes (listed in 1.3 through 1.7) may be applicable.
- In responding to Question 2, proposed effective dates are to be listed for both new and renewal business. This information is important in approving the filing. If there are any changes to the proposed effective dates you should notify us. In determining renewal dates, the notice periods set out in section 236 of the *Act* should be taken into consideration.
- In responding to Question 4, the impact of **all** proposed changes to rates or rules, including base rate changes, differential changes, discount or surcharge changes, and rating rule changes, must be disclosed under the proposed rate level change column. The impact by coverage must be calculated and disclosed.
- In responding to Question 4, the premium weights should be disclosed in percentage terms and should be at the current rate level.
- In responding to Question 5a, prior rate level changes in the last eighteen months should be shown. The *All Coverages Combined Rate Level Change* should be based on the on-level premium weights that were applicable at the time of the rate change.
- In responding to Question b, the *Average Cumulative Rate Change* is to be calculated by:
 - taking the *All Coverages Combined Rate Level Change* from the response to question 4;
 - taking each *All Coverages Combined Rate Level Change* that occurred after January 1 of the year up to the proposed renewal effective date from the responses to question 5a,

and then using the following formula:

$$\left[\prod_{\text{all } i, d} (1 + i) (1 - d) \right] - 1$$

where: i = the proposed rate level increase or approved rate level increase(s) that occurred after January 1 of the year in which the proposed rate change is expected to be effective for renewal business;

and

d = the proposed rate level decrease or approved rate level decrease(s) that occurred after January 1 of the year in which the proposed rate change is expected to be effective for renewal business.

SECTION 3: CERTIFICATE OF THE OFFICER/DESIGNATE

Each filing must be accompanied by an original signed authorized Certificate of the Officer/Designate. A copy of the Officer/Designate form is attached as Appendix B. Authorized officers are the President, CEO, COO, CFO, or Chief Agent for Canada. Alternately the President, CEO, COO, or CFO may authorize a designate to sign the Certificate of the Officer/Designate. The Designate should be of Vice-President rank or above.

To designate an alternate, an original signed letter of authorization must be submitted for our files. A copy of this authorization should be included with each filing where a designate will sign the certificate.

SECTION 4: BASE RATES AND DIFFERENTIAL CHANGES

4.a. Base Rates Changes

If the insurer is requesting changes to the base rates, the approach used in costing and a general narrative of the process must be outlined in detail.

The required information should include: (i) a description of the proposed changes, (ii) the rationale for the proposed changes, (iii) the rate level effects of the proposed changes, and (iv) calculations that validate the rate level effect of the proposed changes based on the expected distribution of business.

4.b. Differential Changes

If the insurer is requesting changes to the differentials, the approach used in costing and a general narrative of the process must be outlined in detail.

The required information should include: (i) a description of the proposed changes, (ii) the rationale for the proposed changes, (iii) the rate level effects of the proposed changes, and (iv) calculations that validate the rate level effect of the proposed changes based on the expected distribution of business.

SECTION 5: DISCOUNT/SURCHARGE CHANGES

If the insurer is requesting changes in the amount or value of a discount or surcharge, or is introducing a new discount or surcharge, the approach used in costing and a general narrative of the process must be outlined in detail.

The required information should include: (i) a description of the proposed changes, (ii) the rationale for the proposed changes, (iii) the rate level effects of the proposed changes, and (iv) calculations that validate the rate level effect of the proposed changes based on the expected distribution of business.

SECTION 6: RATING RULE CHANGES

Rating rules are those rules or definitions by which a risk is assigned to a specific rating cell or whether a

discount or surcharge is applicable. Examples include rules by which territory, vehicle use or driving record are assigned. Rating rules are part of an insurer's risk classification system and must be filed according to these guidelines.

Note that underwriting rules, which are those rules used to govern the decision to accept or decline a risk or a coverage, deductible level, or liability limit, must be filed using the *Section 238 Guidelines for Filing Underwriting Rules*.

Rate manual pages that describe changes to rules or definitions must be included with the filing.

The required information should include: (i) a description of the proposed changes, (ii) the rationale for the proposed changes, (iii) the rate level effects of the proposed changes, and (iv) calculations that validate the rate level effect of the proposed changes.

6.a. Rating Rule Changes for Classification Variables

Any change to a rating rule for a particular classification must be disclosed in this section. A current and a proposed distribution of the class that is affected by the rating rule change must be provided to determine the average premium change (shift) and impact on the overall rate level. All assumptions and detailed calculations must be provided to support the rate level change.

6.b. Rating Rule Changes for Discounts and Surcharges

Any change to a rating rule for a particular discount or surcharge must be disclosed in this section. Also the rating rule applicable to a newly proposed discount or surcharge must be disclosed in this section. A current and a proposed distribution of the business that is affected by the rating rule change must be provided to determine the average premium change (shift) and impact on the overall rate level. Also all assumptions and the rationale to support the use of the rating rule must be disclosed.

SECTION 7: FINAL RATES/ RATE LEVEL CHANGE

Exhibits illustrating current and proposed rating algorithms, base rates, discounts/surcharges, and differentials, **clearly identified as either current or proposed**, must be disclosed in this section, including any explanatory material in support of the proposed changes. **To facilitate the review process, all of 7.a. - 7.d. must be included even though the change may be to only one of the elements.**

7.a. Algorithm

Exhibits illustrating current and proposed algorithms must be disclosed in this section.

7.b. Base Rates

Exhibits illustrating current and proposed base rates must be disclosed in this section.

7.c. Differentials

Exhibits illustrating current and proposed differentials must be disclosed in this section.

7.d. Discounts and Surcharges

Exhibits illustrating current and proposed discounts and surcharges must be disclosed in this section.

7.e. Calculation of Final Rates

The filing must clearly describe and show how current territorial base rates are transformed into proposed territorial base rates through the application of the proposed rate change in combination with any off-balance

7.f. Calculation of Rate Level Change

The filing must clearly describe and show how the rate level impact of changes to base rates, differentials and discounts or surcharges, in combination with any off-balance which may be applied, are used to calculate the overall rate level change on a per coverage basis. This calculation should reconcile with the Proposed Overall Rate Level Change from Appendix A, Question 4.

SECTION 8: SECTION 413 DEPENDENT CATEGORIES

For those categories of automobile insurance that are dependent on the section 413 rate filing submitted, please provide the following:

- (i) the rate level effects of the proposed changes,
- (ii) the calculations that validate the rate level effect of the proposed changes,
- (iii) a copy of the rating rule that stipulates the linkage to the category of automobile insurance, and
- (iv) Section 10 - rating examples must be completed for the dependent category of automobile insurance. Rating examples are attached as Appendix C.

SECTION 9: MANUAL PAGES CONTAINING REVISED RATES AND RISK CLASSIFICATION SYSTEM

A draft set of manual pages containing proposed rating rule changes or definition changes **must be provided** with the filing. A draft set of manual pages that contains the rates by territory and class, driving record, etc. is optional at the time of submitting the filing.

However, a set of manual pages containing the approved rates and risk classification system **must** be submitted within 30 days after the rate filing has been authorized. The insurer should also provide a copy of the most current vehicle rate group tables if they have not already been filed with FSCO.

SECTION 10: RATING EXAMPLES

Appendix C sets out ten rating examples covering the categories of automobile insurance subject to Section 413. Each insurer must file with FSCO those rating examples which would be affected by the filing. It should be noted that these rating examples may not be the same examples required in future filings. Also FSCO may require additional and/or different rating examples as a consequence of the review process.

The rating examples must be completed according to the risk description specified. Each insurer must provide both current and proposed rating criteria for each of the rating examples as required. The rating territories should be those as defined in the insurer's rate manual.

Any additional information pertaining to the rating example must be disclosed with a detailed description for each affected rating example.

Specific instructions and key assumptions that should be adopted when completing these rating examples are:

- All rates are to be stated on an annual basis. If annual policies are not issued, the rates should be converted to an annual basis.
- All risks should be rated strictly according to the information provided. **DO NOT** provide preferred rates unless the criteria as stated fit the eligibility rules for a preferred class. If so, provide only the preferred rates, and state so.
- Clearly identify all applicable surcharges/discounts that apply to each of the coverages.
- Unless stated explicitly in the profile, do not assume the operator has progressed through the graduated licensing system.
- The rating territories should be those as defined in the insurer's rate manual. For the Toronto (city) territory, assume the location is Yonge and Bloor (FSA M4Y). For all other cities, assume the location to be downtown.
- Assume the same definitions as in the Facility Association Manual of Rules and Rates for major or minor convictions or an at-fault (chargeable) accident. Also assume the accident involved collision coverage only and that the claim was greater than \$1,000.
- If the insurer does not write a particular limit or deductible level for a described profile, provide the premiums using the closest limit/deductible and note the applicable limit/deductible on the profile.
- If the insurer provides group discounts, provide the individual non-group rate plus the rates with the highest discount applied.
- For multiple operator risks, provide premiums by coverage by operator using separate sheets. In addition, the total policy premium combining all operators should be submitted.
- If, based on the insurer's underwriting rules, a risk profile described in a specified rating example is not written, that fact is to be indicated, and rates need not be provided for that example. However, the insurer must explain why the rating example is not appropriate under the circumstances.
- If a rating example does not describe a unique rate, the insurer is to provide the highest and lowest rate that could be charged on the described risk, and disclose the assumption underlying the difference.
- Include the premiums for all perils **only if** collision and comprehensive are not offered.

Company Name: _____

Group Name: _____

Category of Insurance: _____

SUMMARY OF INFORMATION

1. Describe the proposed changes by checking all the items that apply to this filing:

- ☐ 1. Base rate change, not due to off-balancing differential or discount changes, that is uniform by territory
- ☐ 2. Base rate change, not due to off-balancing differential or discount changes, that is **not** uniform by territory
- ☐ 3. Change to classification, limit of liability, deductible or other rate differentials
- ☐ 4. Change to rating rules
- ☐ 5. Changes to the amount of, or adding or deleting, discounts or surcharges
- ☐ 6. Algorithm change
- ☐ 7. Other (*specify*)
- _____
- _____

2. Proposed effective date for **new** policies: _____

Proposed effective date for **renewal** policies: _____

(Insurers should take into consideration the 45 day notice period to brokers and 30 day notice period to insureds required under section 236 of the Act in determining effective dates.)

3. Indicate the distribution of risks by policy term:

3 month	_____	%
6 month	_____	%
12 month	_____	%
Other	_____	%
Total	_____	%

4. Please state the proposed rate level changes and premium weights using direct written premiums that have been adjusted to current rate level. If direct written premiums are not available, please use direct earned premiums.

Please indicate whether the changes by coverage are weighted by written or earned premiums by placing an "x" in the appropriate box, and state the source and date of data.

☐

direct written premium

☐

direct earned premium

Source of

Date of Data:

Data:

<u>Coverage</u>	<u>Proposed Rate Level Change</u>	<u>Weights</u> (rounded to 2 decimals)
Liability - Bodily Injury	%	%
Liability - Property Damage	%	%
Accident Benefits	%	%
Uninsured Automobile	%	%
Direct Compensation - Property Damage	%	%
All Compulsory Coverages	%	%
Specified Perils	%	%
Comprehensive	%	%
Collision or Upset	%	%
All Perils	%	%
OPCF 44R	%	%
All Optional Coverages	%	%
All Coverages Combined	%	100.00%

- 5a. State the dates and rate level change percentages that were effective in the last eighteen months (please round the figures to two decimals):

Effective Date for Renewal Business				
<u>Coverage</u>	<u>Prior Change</u>	<u>2nd Prior Change</u>	<u>3rd Prior Change</u>	<u>4th Prior Change</u>
Liability - Bodily Injury	%	%	%	%
Liability - Property Damage	%	%	%	%
Accident Benefits	%	%	%	%
Uninsured Automobile	%	%	%	%
Direct Compensation - Property Damage	%	%	%	%
All Compulsory Coverages	%	%	%	%
Specified Perils	%	%	%	%
Comprehensive	%	%	%	%
Collision or Upset	%	%	%	%
All Perils	%	%	%	%
OPCF 44R	%	%	%	%
All Optional Coverages	%	%	%	%
All Coverages Combined	%	%	%	%

- 5b. State the *Average Cumulative Rate Change* for all coverages. It is based on the *All Coverages Combined Proposed Rate Level Change* (as stated in the response to question 4) and the *All Coverages Combined Rate Level Change(s)* (as stated in the responses to questions 5a), that occurred after January 1 of the year in which the proposed rate change is expected to be effective for renewal business.

The *Average Cumulative Rate Change* for all coverages is: _____%.

- 6a. Provide the direct written premium, the direct earned premium, the number of earned vehicles, and incurred losses for the most recent **complete** accident year for this category of insurance. (Note: At least one of direct written or direct earned premiums must be provided.)

<u>Coverage</u>	Year	Direct Written Premium	Direct Earned Premium	Incurred Losses	Number of Earned Vehicles
		000's	000's	000's	
Liability - Bodily Injury		\$	\$	\$	
Liability - Property Damage		\$	\$	\$	
Accident Benefits		\$	\$	\$	
Uninsured Automobile		\$	\$	\$	
Direct Compensation - Property Damage		\$	\$	\$	
All Compulsory Coverages		\$	\$	\$	
Specified Perils		\$	\$	\$	
Comprehensive		\$	\$	\$	
Collision or Upset		\$	\$	\$	
All Perils		\$	\$	\$	
OPCF 44R		\$	\$	\$	
All Optional Coverages		\$	\$	\$	
All Coverages Combined		\$	\$	\$	

- 6b. Provide the direct written premium, the direct earned premium, the number of earned vehicles, and incurred losses for the second most recent **complete** accident year for this category of insurance. (Note: At least one of direct written or direct earned premiums must be provided.)

<u>Coverage</u>	Year	Direct Written Premium	Direct Earned Premium	Incurred Losses	Number of Earned Vehicles
		000's	000's	000's	
Liability - Bodily Injury		\$	\$	\$	
Liability - Property Damage		\$	\$	\$	
Accident Benefits		\$	\$	\$	
Uninsured Automobile		\$	\$	\$	
Direct Compensation - Property Damage		\$	\$	\$	
All Compulsory Coverages		\$	\$	\$	
Specified Perils		\$	\$	\$	
Comprehensive		\$	\$	\$	
Collision or Upset		\$	\$	\$	
All Perils		\$	\$	\$	
OPCF 44R		\$	\$	\$	
All Optional Coverages		\$	\$	\$	
All Coverages Combined		\$	\$	\$	

7. Have any other changes been made to base rates, differentials, discounts, surcharges or rating rules within the past year that would impact a consumer on renewal, other than the changes proposed in this filing? If so, please describe.

8. State other categories of automobile insurance that may be affected by the proposed rate change of this category of automobile insurance (e.g., public vehicle rates that are dependent on commercial vehicle rates), and the rate level change percentage (*as per section 8 of the filing guidelines*). All changes must be based solely on the changes associated with the dependent category. Any other changes not dependent must be submitted in a separate filing under Section 413 Filing Guidelines - Minor (or Section 413 Filing guidelines - Major).

Dependent Category (check where applicable)	Filing included with this submission	If not included - state the expected filing date	Rate Level Change impact for each category (%)
Personal Vehicles - Motorcycles	☐ Yes ☐ No		
Personal Vehicles - Motorhomes	☐ Yes ☐ No		
Personal Vehicles - Trailers and Camper Units	☐ Yes ☐ No		
Personal Vehicles - Off-Road Vehicles	☐ Yes ☐ No		
Personal Vehicles - Motorized Snow Vehicles	☐ Yes ☐ No		
Personal Vehicles - Historic Vehicles	☐ Yes ☐ No		
Commercial Vehicles	☐ Yes ☐ No		
Public Vehicles - Taxi and Limousines	☐ Yes ☐ No		
Public Vehicles - Other Than Taxi and Limousines	☐ Yes ☐ No		
	☐ Yes ☐ No		
	☐ Yes ☐ No		
	☐ Yes ☐ No		

9. Individual to whom questions concerning this filing may be addressed:

Name: _____

Title: _____

Company: _____

Address: _____

Phone No.: _____

Facsimile No.: _____

E-mail Address: _____

CERTIFICATE OF THE OFFICER/DESIGNATE

I, _____, _____
 (Name of Officer) (Office held: President, CEO, COO, CFO,
 Chief Agent for Canada, or Designate)

of _____ (the "Insurer")
 (Official Name of Company)

CERTIFY THAT:

1. This rate filing is in respect of _____ and the following
 (Category of Automobile Insurance)

dependent categories: *(Please check all that apply)*

- ☐ Not Applicable
- ☐ Personal Vehicles - Motorcycles
- ☐ Personal Vehicles - Motorhomes
- ☐ Personal Vehicles - Trailer and Camper Units
- ☐ Personal Vehicles - Off-Road Vehicles
- ☐ Personal Vehicles - Motorized Snow Vehicles
- ☐ Personal Vehicles - Historic Vehicles
- ☐ Commercial Vehicles
- ☐ Public Vehicles - Taxis and Limousines
- ☐ Public Vehicles - Other than Taxis and Limousines.

to be effective as of _____ for new business and
 (Date of Implementation)

_____ for renewal business. (Date
 of Implementation)

2. I have knowledge of the matters that are the subject of this certificate.
3. The information and each document contained in the filing accompanying this certificate are complete and accurate.
4. The proposed rates are just and reasonable, do not impair the solvency of the Insurer, and are not excessive in relation to the financial circumstances of the Insurer.

 Signature of Officer/Designate

 Date, Location

Company Name: _____

Category of Insurance: Personal Vehicles - Motorcycles

Case 1

Risk Description:

- ☞ Male operator, age 29, licensed 10 years for motorcycles, currently licensed as M, no other operators.
- ☞ 1998 Kawasaki VN750 Vulcan, 750 c.c., (VICC vehicle code KA22)
- ☞ list price new \$5,999, actual cash value \$4,955.
- ☞ Pleasure use only, annual driving distance 6,000 km.
- ☞ Insured on a private passenger automobile for the last 10 years.
- ☞ No claims in the past 6 years nor convictions in the past 3 years on either the motorcycle or the private passenger automobile.
- ☞ New business application to company.

Coverages:

- ☞ Liability - \$200,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$200,000

Note: If premiums for this category vary by territory, rate the risk as territory Toronto (FSA M4Y).

	Current	Proposed	% Rate Change
Liability - BI			
Liability - PD			
Direct Compensation - Property Damage			
Accident Benefits			
Uninsured Automobile			
Sub-total - Compulsory Coverages			
Collision			
Comprehensive			
All Perils			
OPCF 44			
Sub-total - Optional Coverages			
Total			

Rate Group: _____ **Class:** _____ **Driving Record:** _____

Company Name: _____

Category of Insurance: Personal Vehicles - Motorcycles

Case 2

Risk Description:

- ☞ Male operator, age 19, licensed 3 years for motorcycle, currently licensed as M, no other operators.
- ☞ 1997 Yamaha Virago XV1100, 1100 c.c., (VICC vehicle code YA18)
- ☞ list price new \$7,599, actual cash value \$7,250.
- ☞ Commute use, 5 km. one way, annual distance 3,000 km.
- ☞ No claims or convictions since licensed.
- ☞ No other vehicles.
- ☞ New business application to company.

Coverages:

- ☞ Liability - \$1,000,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$1,000,000

Note: If premiums for this category vary by territory, rate the risk as territory Toronto (FSA M4Y).

	Current	Proposed	% Rate Change
Liability - BI			
Liability - PD			
Direct Compensation - Property Damage			
Accident Benefits			
Uninsured Automobile			
Collision			
Comprehensive			
All Perils			
OPCF 44			
Total			

Rate Group: _____ Class: _____ Driving Record: _____

Company Name: _____

Category of Insurance: Personal Vehicles - Motorcycles

Case 3

Risk Description:

- ☞ Male operator, age 40, licensed 20 years for motorcycle, currently licensed as M, no other operators.
- ☞ 1999 Harley Davidson FLHTC Electra Glide Classic, 1,340 c.c., (VICC vehicle code HD49)
- ☞ list price new \$15,445, actual cash value \$14,995.
- ☞ Pleasure use only, annual distance 6,000 km.
- ☞ Insured on a private passenger automobile for the last 20 years.
- ☞ No claims or convictions since licensed on both vehicles.
- ☞ New business application to company.

Coverages:

- ☞ Liability - \$1,000,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage -no deductible
- ☞ OPCF 44 - \$1,000,000
- ☞ \$500 Collision deductible
- ☞ \$300 Comprehensive deductible

If collision and/or comprehensive are not offered, use a \$500 all perils deductible. If collision and comprehensive are offered, do not include the all perils rate below.

Note: If premiums for this category vary by territory, rate the risk as territory Toronto (FSA M4Y).

	Current	Proposed	% Rate Change
Liability - BI			
Liability - PD			
Direct Compensation - Property Damage			
Accident Benefits			
Uninsured Automobile			
Collision			
Comprehensive			
All Perils			
OPCF 44			
Total			

Rate Group: _____ Class: _____ Driving Record: _____

Company Name: _____

Category of Insurance: Personal Vehicles - Off-Road Vehicles

Case 4

Risk Description:

- ☞ Male operator, age 33, licensed 12 years for motorcycle, currently licensed as M, no other operators.
- ☞ 1999 Honda TRX90, 90 c.c., list price new \$2,699, actual cash value \$2,495.
- ☞ Pleasure use only, annual distance 6,000 km.
- ☞ No claims since licensed.
- ☞ Private Passenger Automobile insured with company.
- ☞ New Off-Road vehicles application to company.

Coverages:

- ☞ Liability - \$500,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$500,000
- ☞ \$300 Collision deductible
- ☞ \$300 Comprehensive deductible

If collision and/or comprehensive are not offered, use a \$300 all perils deductible. If collision and comprehensive are offered, do not include the all perils rate below.

Note: If premiums for this category vary by territory, rate the risk as territory Toronto (FSA M4Y).

	Current	Proposed	% Rate Change
Liability - BI			
Liability - PD			
Direct Compensation - Property Damage			
Accident Benefits			
Uninsured Automobile			
Collision			
Comprehensive			
All Perils			
OPCF 44			
Total			

Rate Group: _____ **Class:** _____ **Driving Record:** _____

Company Name: _____

Category of Insurance: Personal Vehicles - Snow Vehicles

Case 5

Risk Description:

- ☞ Male operator, age 30, licensed 10 years, no other operators.
- ☞ 1995 Ski-Doo Touring SLE, list price new \$6,500.
- ☞ Pleasure use only.
- ☞ Insured on a private passenger automobile for the last 10 years.
- ☞ No snow vehicle claims or convictions in the last 6 years.
- ☞ New business application to company.

Coverages:

- ☞ Liability - \$500,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$500,000
- ☞ \$500 Collision deductible
- ☞ \$300 Comprehensive deductible

If collision and/or comprehensive are not offered, use a \$500 all perils deductible. If collision and comprehensive are offered, do not include the all perils rate below.

Note: If premiums for this category vary by territory, rate the risk as territory North Bay (P1B).

	Current	Proposed	% Rate Change
Liability - BI			
Liability - PD			
Direct Compensation - Property Damage			
Accident Benefits			
Uninsured Automobile			
Collision			
Comprehensive			
All Perils			
OPCF 44			
Total			

Rate Group: _____ Class: _____ Driving Record: _____

Company Name: _____

Category of Insurance: Personal Vehicles - Motorhomes

Case 6

Risk Description:

- ☞ Principal operator, male, age 55; wife, age 53, occasional operator; both licensed for over 10 years.
- ☞ 1995 Coachmen Catalina motorhome, list price new \$80,000.
- ☞ Pleasure use only, annual driving distance 6,000 km.
- ☞ No claims or convictions for either operator in the last 10 years.
- ☞ New business application to company.

Coverages:

- ☞ Liability - \$1,000,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$1,000,000
- ☞ \$300 Collision deductible
- ☞ \$300 Comprehensive deductible

If collision and/or comprehensive are not offered, use a \$300 all perils deductible. If collision and comprehensive are offered, do not include the all perils rate below.

	Toronto (FSA M4Y)			Sault Ste. Marie (P6C)		
	Current	Proposed	% Rate Change	Current	Proposed	% Rate Change
Liability - BI						
Liability - PD						
Direct Compensation - Property Damage						
Accident Benefits						
Uninsured Automobile						
Collision						
Comprehensive						
All Perils						
OPCF 44						
Total						

Class: Principal Occasional Toronto (FSA M4Y) Territory
 Driving Record: Sault Ste. Marie (P6C)
 Vehicle Rate Group:

Company Name: _____

Category of Insurance: Public Vehicles -Taxis and Limousines

Case 7

Risk Description:

- ☞ Principal operator, male, age 45, owner, licensed 25 years.
- ☞ Secondary operator, male, age 30, licensed 3 years.
- ☞ 1998 Ford Crown Victoria LX 4 door, list price new \$30,000 (VICC vehicle code 3268).
- ☞ Annual driving distance 120,000 km., shared equally by each operator, used as a taxi.
- ☞ Principal operator, one at-fault accident (BI and Collision) 2 years ago, 2 minor convictions in past 3 years.
- ☞ Secondary operator, no claims since licensed, 2 minor convictions in the past 3 years.
- ☞ Insured with the current insurer for the last 2 years.

Coverages:

- ☞ Liability - \$1,000,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$1,000,000
- ☞ \$1,000 Collision deductible
- ☞ \$500 Comprehensive deductible

If collision and/or comprehensive are not offered, use a \$500 all perils deductible. If collision and comprehensive are offered, do not include the all perils rate below.

	Toronto (FSA M4Y)			London (N6A)		
	Current	Proposed	% Rate Change	Current	Proposed	% Rate Change
Liability - BI						
Liability - PD						
Direct Compensation - Property Damage						
Accident Benefits						
Uninsured Automobile						
Collision						
Comprehensive						
All Perils						
OPCF 44						
Total						

Class: Principal Occasional **Toronto (M4Y)** Territory
Driving Record: _____ _____ **London (N6A)** _____
Vehicle Rate Group: _____

Company Name: _____

Category of Insurance: Public Vehicles -Taxis and Limousines

Case 8

Risk Description:

- ☞ Operator 1, male age 40, non-owner, licensed 20 years.
- ☞ Operator 2, male age 30, non owner, licensed 12 years.
- ☞ 1998 Lincoln Town Car 4DR, list price new \$44,000 (VICC vehicle code 4129).
- ☞ Annual driving distance 90,000 km., used as a limousine but not for airport use.
- ☞ Operator 1, no accidents or convictions in the past 6 years.
- ☞ Operator 2, 3 minor convictions within the past 3 years.
- ☞ Insured with the current insurer for the last 2 years.

Coverages:

- ☞ Liability - \$1,000,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$1,000,000
- ☞ \$1,000 Collision deductible
- ☞ \$500 Comprehensive deductible

If collision and/or comprehensive are not offered, use a \$500 all perils deductible. If collision and comprehensive are offered, do not include the all perils rate below.

	Toronto (FSA M4Y)			Ottawa (K1Y)		
	Current	Proposed	% Rate Change	Current	Proposed	% Rate Change
Liability - BI						
Liability - PD						
Direct Compensation - Property Damage						
Accident Benefits						
Uninsured Automobile						
Collision						
Comprehensive						
All Perils						
OPCF 44						
Total						

Class: _____ **Operator 1** _____ **Operator 2** _____ **Toronto (M4Y)** _____ **Territory** _____
Driving Record: _____ **Ottawa (K1Y)** _____
Vehicle Rate Group: _____

Company Name: _____

Category of Insurance: Commercial Vehicles

Case 9

Risk Description:

- ☞ Principal operator, male age 40, licensed 20 years.
- ☞ 1998 Chevrolet Astro cargo van, 2 wheel drive.
- ☞ Vehicle used as artisans truck.
- ☞ No claims or convictions in the last 10 years.
- ☞ Insured with the current insurer for the last 10 years.

Coverages:

- ☞ Liability - \$1,000,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$1,000,000
- ☞ \$500 Collision deductible
- ☞ \$300 Comprehensive deductible

If collision and/or comprehensive are not offered, use a \$500 all perils deductible. If collision and comprehensive are offered, do not include the all perils rate below.

	Toronto (FSA M4Y)			Windsor (N8W)			Ottawa (K1Y)		
	Current	Proposed	% Rate Change	Current	Proposed	% Rate Change	Current	Proposed	% Rate Change
Liability - BI									
Liability - PD									
Direct Compensation - Property Damage									
Accident Benefits									
Uninsured Automobile									
Collision									
Comprehensive									
All Perils									
OPCF 44									
Total									

Class: _____

Territory
Toronto (M4Y) _____

Driving Record: _____
Vehicle Rate Group: _____

Windsor (N8W) _____
Ottawa (K1Y) _____

Company Name: _____

Category of Insurance: Commercial Vehicles

Case 10

Risk Description:

- ☞ Principal operator, male age 30, licensed 12 years.
- ☞ 1996 Ford Econoline Cargo Van E350, 14,500 Kg. Heavy vehicle.
- ☞ List Price New \$18,025.
- ☞ Vehicle used as wholesale delivery truck for a T.V. sales and service operation.
- ☞ 1 at-fault collision claim within last 12 months (0 years accident free), no convictions in the last 3 years.
- ☞ New business application to the company.

Coverages:

- ☞ Liability - \$1,000,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$1,000,000
- ☞ \$1,000 Collision deductible
- ☞ \$500 Comprehensive deductible

If collision and/or comprehensive are not offered, use a \$1,000 all perils deductible. If collision and comprehensive are offered, do not include the all perils rate below.

	Toronto (FSA M4Y)			London (N6A)			Sudbury (P3E)		
	Current	Proposed	% Rate Change	Current	Proposed	% Rate Change	Current	Proposed	% Rate Change
Liability - BI									
Liability - PD									
Direct Compensation - Property Damage									
Accident Benefits									
Uninsured Automobile									
Collision									
Comprehensive									
All Perils									
OPCF 44									
Total									

Territory

Appendix C

Class: _____
Driving Record: _____
Vehicle Rate Group: _____

Toronto (M4Y) _____
London (N6A) _____
Sudbury (P3E) _____

FINANCIAL SERVICES COMMISSION OF ONTARIO

Section 413 Filing Guidelines - Major for Proposed Revisions to Automobile Insurance Rates and Risk Classification Systems

A. GENERAL INFORMATION

Rate and Risk Classification System Legislation

Sections 410 to 417 of the *Insurance Act* (the *Act*), R.S.O. 1990, Chap. I.8, as amended, set out the legislation pertaining to rates and risk classification systems for automobile insurance. As stated in Regulation 664, as amended, sections 410 to 417 of the *Act* apply to contracts and endorsements to contracts of automobile insurance on Ontario Automobile Policy (OAP) 1 or 2, but do not apply to contracts insuring "fleets". "Fleet" means a group of at least five vehicles that are under common ownership or management and that are used for business, commercial or public purposes.

The types of processes for approval and authorization of rates and risk classification systems are:

- ***Prior approval*** as set out in section 410; and
- ***File and use*** as set out in section 413 of the *Act*.

Under the **prior approval** process for private passenger automobile insurance, proposed changes to rates and risk classifications can be:

- subject to the **expedited** filing guidelines (refer to the *Section 410 Filing Guidelines - Expedited*) where the filing changes satisfy the criteria set out in regulation 664, Section 15.1; or
- subject to the **respond to market (R2M)** filing guidelines (refer to the *Section 410 Filing Guidelines - R2M*) where the filing changes satisfy the criteria established by the Superintendent (refer to Exhibit 1 of the *Technical Notes*); or
- subject to the **major** filing requirements (refer to the *Section 410 Filing Guidelines - Major*).

Under the **file and use** process, filings can be:

- subject to the **major** filing requirements (refer to the *Section 413 Filing Guidelines - Major*), where the filing is the initial application for the category, or the insurer satisfies the criteria established by the Superintendent (refer to Exhibit 4 of the *Technical Notes*) or where FSCO considers it appropriate in the circumstances; or
- subject to the **minor** filing requirements (refer to the *Section 413 Filing Guidelines - Minor*) in all other cases.

Filing Requirements

Section 413(2) provides that a filing for authorization of rates and a risk classification system shall be in a form approved by the Superintendent. In general, *Section 413 Filing Guidelines - Minor* are to be used for filings for rates and risk classification systems that are subject to file and use authorization under section

413 of the Act. Where FSCO considers it necessary, an insurer may be requested to file full actuarial indications and documentation in accordance with these *Section 413 Filing Guidelines - Major*. An insurer that is filing rates for the first time for a category other than private passenger auto must use these *Section 413 Filing Guidelines - Major*.

The purpose of these *Section 413 Filing Guidelines - Major* is to communicate to insurers the requirements of FSCO for file and use automobile insurance filings and to provide a systematic approach through which insurers may provide that information and thus facilitate the process of preparing as well as reviewing these filings.

There are separate guidelines for changes to private passenger automobile insurance rates and risk classification systems (refer to the *Section 410 Filing Guidelines*). In the case where the rating structure of a category of automobile insurance required to be filed under section 413 is dependent upon the insurer's private passenger automobile rates, complete section 8 under the *Section 410 Filing Guidelines*.

There are also separate filing guidelines for filing changes to endorsement rates (other than OPCF 44R). Refer to the *Endorsements Filing Guidelines* package.

Required Rates and Risk Classification System Elements

In order for an application to be approved, insurers must have filed rates and risk classification systems for the following:

- 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 to \$600, \$800 or \$1,000 per week;
 - (b) increased death and funeral benefit;
 - (c) increased medical, rehabilitation, and attendant care benefit;
 - (d) increased caregiver and dependent care benefit; and
 - (e) indexation benefit.
- A \$300 deductible for physical damage coverages (collision, comprehensive, all perils and specified perils) and the direct compensation - property damage (DC-PD) coverage. This deductible level must be established for **all categories of automobile insurance** though an insured may choose to purchase a higher or lower deductible.

Filing Format

Subject to the guidelines set forth in Section C, the filing should contain the informational sections, as outlined below, and in the order outlined below.

Section	Contents
1.	Table of Contents
2.	Summary of Information (Appendix A)
3.a.	Certificate of the Officer/Designate (Appendix B1)
3.b.	Certificate of the Actuary (Appendix B2)

4.	Actuarial Support
5.	Discount/Surcharge Changes
6.	Rating Rule Changes
7.	Final Rates/Rate Level Change
8.	Dependent Categories (if applicable)
9.	Manual Pages
10.	Rating Examples (Appendix C)

Authorization Process

Filings should be submitted to:

Financial Services Commission of Ontario
Rates and Classifications Unit
Automobile Insurance Analysis Division
Box 85, 16th Floor
5160 Yonge Street
North York ON M2N 6L9

Upon receipt of a filing, each insurer will receive an acknowledgement letter from FSCO. The filing will then be reviewed for completeness based on these filing guidelines and the insurer will be informed of any information required to complete the filing. Until such time as a filing is complete, the time periods in the Act do not begin to run.

Once a filing is complete, FSCO will review the technical components of the filing. FSCO may request further information from the insurer.

Once an insurer has received notification of authorization from FSCO of its filing, it must:

- file one copy of its rate manual, containing the revised rates and risk classification system, with FSCO in hard copy format within 30 days (see Section 9 of the filing requirements); or
- file one copy of its rate manual, containing the revised rates and risk classification system, in an electronic format in an encapsulated postscript file within 30 days.

If an insurer fails to file its rate manual within 30 days it may be subject to prosecution under the *Insurance Act*.

Note

The Commission may receive access requests under the Freedom of Information and Protection of Privacy Act (FOIPOP Act) for any record in its custody or control. Section 17 of the FOIPOP Act recognizes that certain types of information supplied in confidence by third parties should be exempt from disclosure in the event of an access request if disclosure could result in the harms listed in Section 17. These types of information may include algorithms, base rates, differentials and any information included under Sections 4 through 7 of the filing requirements.

If you think that Section 17 of the FOIPOP Act might be applicable to a request for access to your rate filing, please list or stamp all of the pages of the filing that are confidential and give the reasons for the confidentiality. While this exercise does not guarantee that records will not be disclosed, it will be useful in assisting FSCO in responding to an access request.

B. DEFINITIONS

Affiliated Insurers

Two or more insurers are considered to be affiliated if any of the following criteria are met:

- i) one of the insurers is a subsidiary of another insurer
- ii) both are subsidiaries of the same body corporate
- iii) each of the insurers is controlled by the same person.

Allocated Loss Adjustment Expenses

All external expenses that can be directly charged to a particular claim file, whether a loss payment is made or not, including:

- i) adjuster's accounts (including all disbursements) - excluding staff adjusters;
- ii) appraisal costs (including appraisal centre costs) - excluding staff appraisal costs or costs included under (i);
- iii) legal expenses including all first party legal costs charged to a particular claim file - excluding staff legal fees or costs or fees included under (i);
- iv) all other external claims expenses.

Category of Automobile Insurance

For purposes of these filing guidelines, categories of automobile insurance include the following:

personal vehicles - private passenger automobiles
personal vehicles - motorcycles
personal vehicles - motor homes
personal vehicles - trailer and camper units
personal vehicles - off-road vehicles
personal vehicles - motorized snow vehicles
personal vehicles - historic vehicles
commercial vehicles
public vehicles - taxis and limousines
public vehicles - other than taxis and limousines.

The above category titles should be used when possible. If subdivisions of the above categories have been made, the insurer should indicate within which of the above categories the subdivisions fall.

Coverage

For the purposes of these filing guidelines, coverages include the following:

Liability - Bodily Injury
Liability - Property Damage
Accident Benefits
Uninsured Automobile
Direct Compensation - Property Damage
Specified Perils
Comprehensive

Collision or Upset
All Perils
Underinsured Motorist (OPCF 44R)

Endorsement

An endorsement (policy change form), approved by the Commissioner under section 227 of the *Act*, to a contract of automobile insurance. Standard Ontario endorsements are issued under a series of OPCF numbers. Non-standard endorsements, which must also be approved by the Commissioner, are uniquely identified by each insurer. For purposes of these filing guidelines, OPCF 44R is treated as a **coverage**, not as an endorsement.

Expedited Approval

Process of regulation in which insurers may have their risk classification systems or rates approved within thirty days after filing them with FSCO in accordance with Section 411 of the *Act*. An insurer must comply with criteria set out in regulation to be able to file under the expedited process. The expedited approval system applies to coverages, including OPCF 44R, for personal vehicles - private passenger automobiles written on OAP 1, except those contracts written by the Facility Association. Contracts written on Ontario Policy Form 4, 6, 7, or 8, or contracts of automobile insurance that insure fleets or any endorsements on those contracts, are exempt from the file and use, expedited approval and prior approval systems of regulation.

Equity

Includes an insurer's capital stock, head office account, contributed surplus, earned surplus, and required reserves plus contingency and general reserves as reported in the insurer's P&C 1 or 2.

File and Use

Process of regulation in which insurers may use the risk classification systems or rates thirty days after filing them with FSCO in accordance with Section 413 of the *Act*. The file and use system applies to insurers, other than the Facility Association, for the following: endorsements (other than OPCF 44R on private passenger automobiles); categories of automobile insurance other than private passenger automobile insurance; and all insurance written on OAP 2. Contracts written on Ontario Policy Form 4, 6, 7, or 8, or contracts of automobile insurance that insure fleets or any endorsements on those contracts, are exempt from the file and use, expedited approval, and prior approval systems of regulation. The Facility Association rates are not subject to file and use.

Fleet

Group of at least five vehicles that are under common ownership or management and that are used for business, commercial or public purposes.

Investment Income

All income attributable to the investment of policyholder supplied funds and shareholder supplied funds and surplus, **including** realized capital gains (and losses), net of investment expenses.

Prior Approval

Process of regulation in which insurers must have their rates and risk classification systems approved before use in accordance with Section 412 of the *Act*. The prior approval system applies to: insurance written by the Facility Association on OAP 1 or 2; coverages, including OPCF 44R, for personal vehicles - private passenger automobiles written on OAP 1. Contracts written on Ontario Policy Form 4, 6, 7, or 8, or contracts of automobile insurance that insure fleets or any endorsements on those contracts, are exempt from both the file and use and prior approval system of regulation.

Rate	All amounts payable as premium under contracts of automobile insurance, or endorsements to such contracts, for an identified risk exposure. Rates may be expressed in terms of dollars and/or in terms of multiplicative or additive factors to be applied to a base premium amount. Rates are to include all provisions reflecting surcharges/discounts for applicable risk exposures. Rates are to be inclusive of commissions and other expense provisions used by the insurer, and are to be considered prior to the granting of policyholder dividends. Rates are subject to the provisions of sections 410 to 417 of the Act.
Rate Differentials	Multiplicative or additive factors/rates that are applied to the base rate for a particular territory to arrive at the rates for that territory, by class, limit of liability, deductible, etc.
Rating Algorithm	The manner in which base rates, rate differentials, and other surcharges/discounts are combined to arrive at the premium charged to an individual risk.
Rating Rule	A rule by which a risk is assigned to a specific rating cell or whether a discount or surcharge is applicable. Examples include rules by which territory, driver classification and vehicle rating group are assigned. Rating rules differ from underwriting rules which involve the decision to accept or decline a risk.
Return on Equity	The sum, on an after-tax basis, of underwriting and investment income divided by equity.
Return on Equity (Proposed)	The return on equity underlying the proposed rate change.
Return on Equity (Target)	The return on equity underlying the actuarially indicated rate change.
Risk Classification System	The elements used for the purpose of classifying risks in the determination of rates for a coverage or category of automobile insurance, including the variables, criteria, rules and procedures for that purpose.
Territorial Base Rate	The rate that serves as the starting point for each territory for developing all other rates by class, limit of liability, deductible, etc. It is the rate in the territory for that particular combination of class, limit of liability, deductible, etc. for which the multiplicative factors are all 1.00 and the additive factors are all zero.
Unallocated Loss Adjustment Expenses	All claims settlement and processing costs, excluding ALAE, but including staff adjusters, appraisers, advisors, lawyers, clerical support, and a portion of general expenses reasonably attributable to the claims function.
Underwriting Profit Margin	Direct premiums earned less discounted claims and adjustment expenses, less investment income earned on cash flow, less commissions and other acquisition expenses, less taxes (excluding income and real estate taxes), less general expenses (applicable to insurance operations) divided by direct premiums earned.
Underwriting Profit Margin	The underwriting profit margin underlying the proposed rate change.

(Proposed)

**Underwriting Profit Margin
(Target)**

The underwriting profit margin underlying the **actuarially indicated** rate change.

Underwriting Rules

Those rules that govern the decision by an insurer to accept or decline a risk, coverage or endorsement. Such rules are subject to the provisions of sections 237 and 238 of the *Act*. Filing of such rules must be made using the Section 238 Filing Guidelines or, for endorsements, the Endorsements Filing Guidelines issued by FSCO.

C. GUIDELINES FOR SECTION 413 FILING - MAJOR

SECTION 1: TABLE OF CONTENTS

This section contains a listing of the contents of Sections 2 through 10 of the filing and should be in sufficient detail to serve as a reference, by page number, for the location of specific elements of the filing. The pages of the filing, including exhibits, should be put in a binder, numbered consecutively and dated on 8.5" by 11" three-hole punched paper. In addition, each section and subsection should be labelled according to the section and subsection numbering system outlined in this document.

SECTION 2: SUMMARY OF INFORMATION

The summary section contains certain key information on the nature of the filed rate level or risk classification system changes. The form to be used is attached to this document as Appendix A. All data used in the Actuarial Support section (Section 4) should reconcile to the information presented in Appendix A.

Specific instructions to complete the Appendix are outlined below:

- In responding to Question 1, check **all** the items that are applicable to the filing. While 1.1 and 1.2 are mutually exclusive, other changes (listed in 1.3 through 1.7) may be applicable.
- In responding to Question 2, proposed effective dates are to be listed for both new and renewal business. This information is important in reviewing trend assumptions and also in approving the filing. If there are any changes to the proposed effective dates you should notify us. In determining renewal dates, the notice periods set out in section 236 of the Act should be taken into consideration.
- In responding to Question 4, the indicated rate level change for each coverage, and on an all coverages combined basis, must be disclosed under the following circumstances:
 - where changes to base rates are being proposed, except if such changes to base rates result solely from off-balancing differential or discount changes; or
 - where changes to differentials are being proposed if such changes result in an overall rate level change.
- In responding to Question 4, the impact of **all** proposed changes to rates or rules, including base rate changes, differential changes, discount or surcharge changes, and rating rule changes, must be disclosed under the proposed rate level change column. The impact by coverage must be calculated and disclosed.
- In responding to Question 4, the premium weights should be disclosed in percentage terms and should be at the current rate level.
- In responding to Question 5a, prior rate level changes should be shown. The *All Coverages Combined Rate Level Change* should be based on the on-level premium weights that were applicable at the time of the rate change.
- In responding to Question b, the *Average Cumulative Rate Change* is to be calculated by:
 - taking the *All Coverages Combined Rate Level Change* from the response to question 4;

- taking each *All Coverages Combined Rate Level Change* that occurred after January 1 of the year up to the proposed renewal effective date from the responses to question 5a,

and then using the following formula:

$$\left[\prod_{\text{all } i, d} (1 + i) (1 - d) \right] - 1$$

where: i = the proposed rate level increase or approved rate level increase(s) that occurred after January 1 of the year in which the proposed rate change is expected to be effective for renewal business; and

d = the proposed rate level decrease or approved rate level decrease(s) that occurred after January 1 of the year in which the proposed rate change is expected to be effective for renewal business.

- In responding to question 9, please refer to the definition of underwriting profit margin in these guidelines.
- In responding to questions on dislocation (Questions 12a through 12c), the insurer should take into account any capping procedure that has been identified in the response to Question 11.

SECTION 3: CERTIFICATES OF THE ACTUARY AND OF THE OFFICER/DESIGNATE

3.a. Certificate of the Officer/Designate

Each filing must be accompanied by an original signed authorized Certificate of the Officer/Designate. A copy of the Officer/Designate form is attached as Appendix B1. Authorized officers are the President, CEO, COO, CFO, or Chief Agent for Canada. Alternately the President, CEO, COO, or CFO may authorize a designate to sign the Certificate of the Officer/Designate. The Designate should be of Vice-President rank or above.

To designate an alternate, an original signed letter of authorization must be submitted for our files. A copy of this authorization should be included with each filing where a designate will sign the certificate.

3.b. Certificate of the Actuary

Filings that result in a rate level change, or filings for a category of automobile insurance previously not written by an insurer, must be accompanied by an original certificate of a Fellow of the Canadian Institute of Actuaries. A copy of the required form is attached as Appendix B2.

SECTION 4: ACTUARIAL SUPPORT

This section needs to be completed where:

- specified in Exhibit 4 of the Technical Notes; or
- the insurer is filing for a category of auto insurance previously not written, or a new program; or
- FSCO considers it necessary. Company should contact their analyst at FSCO prior to commencing rate filing.

This actuarial support should contain the data and narrative description of all ratemaking steps for each of the specific rate changes being proposed. At a minimum, detail should be provided for liability - bodily injury, liability - property damage, accident benefits (by sub-coverage), uninsured automobile, direct compensation - property damage, collision, comprehensive, all perils, specified perils and OPCF 44R, **even if a rate level change is not proposed for each of these coverages**. Each subsection, outlined below, should contain the necessary documentation for all of the individual coverages (e.g., the section on loss trend should contain loss trend documentation for liability, accident benefits, collision, etc.). In general, documentation should be in sufficient detail to enable the reviewer to trace the resulting rates from the raw data experience and other support data. FSCO does not require insurers to use a specific ratemaking methodology. However, insurers are required to provide adequate actuarial documentation and support for the rate levels subject to prior approval.

All support provided in this section should reconcile to the Summary of Information (Appendix A).

If the filing proposes a change in rate level without any change to territorial, classification, limit of liability, deductible, or other rate differentials, then sections (4.a.) - (4.j.) must be completed. If the filing proposes to change territorial, classification, limit of liability, deductible, or other rate differentials without generating any overall rate level change, then only sections (4.k.) - (4.n.), as applicable, need to be completed. If the filing proposes a change in rate level plus a change in territorial, classification, limit of liability, deductible, or other rate differentials, then sections (4.a.) - (4.j.) **and** sections (4.k.) - (4.n.), as applicable, must be completed.

The support for an overall rate level change should be comprised of the following subsections, **in the order set out below**. Each section or subsection should be labelled according to the numbering scheme provided and contain all data, data definitions and sources, and any narrative necessary to explain or clarify the various ratemaking steps.

Overall Rate Level Indication:

- 4.a. Overall Description of the Ratemaking Methodology and Summary
- 4.b. Losses
 - 1. Loss Development
 - 2. Loss Trend
 - 3. Treatment of Large Losses
 - 4. Catastrophe (or Excess Claim) Procedure
 - 5. Other Adjustments

- 4.c. Allocated Loss Adjustment Expenses (ALAE)
 - 1. ALAE Development
 - 2. ALAE Trend
 - 3. Catastrophe Procedure
 - 4. Other Adjustments
- 4.d. Unallocated Loss Adjustment Expenses (ULAE)
- 4.e. Premium
 - 1. On-level Adjustments
 - 2. Premium Trend
 - 3. Other Adjustments
- 4.f. Other Expenses
 - 1. Exposure Variable Expenses
 - 2. Premium Variable Expenses
- 4.g. Profit Provisions
- 4.h. Credibility
- 4.i. Other Adjustments
- 4.j. Summary Rate Level Indications

Rate Differential Indications:

- 4.k. Territorial Indications
 - 1. Indicated Differentials
 - 2. Off-balance
- 4.l. Implementation of CLEAR System Differentials
 - 1. Overall Description for Implementing CLEAR
 - 2. Off-balance
- 4.m. Classification/Limit of Liability/Deductible or Other Rate Differential Indications
 - 1. Indicated Differentials
 - 2. Off-balance
- 4.n. Rating Based on Group Membership
 - 1. Indicated Discounts or Rates
 - 2. Off-balance

4.a. Overall Description of the Ratemaking Methodology and Summary

An insurer may use either a pure premium or a loss ratio ratemaking approach. This section should indicate the type of approach used and generally outline the process in a summary narrative. A general description of the data should also be included. Specific and detailed information on the data should be included in the appropriate subsections using that data. For example, liability loss data should state whether it is for all limits combined or if it is for a specific (basic) limit.

The filing should include the most recent complete year of data that is available. Any filing received after industry data is available should include data as current as the industry data (i.e. assuming that industry data for the 2000 accident year is released on May 1, 2001, any filing made after that date should include 2000 accident year data).

4.b. Losses

If losses are considered together with ALAE, that should be noted in this section and all references to "loss" in this subsection should be considered as referring to "losses and allocated loss adjustment expenses." In this event, subsection (4.c.) can be omitted.

The type of loss data should be described in this subsection (i.e., accident year or policy year). Where another basis is used, justification must be provided. The experience period and the respective valuation dates should also be noted. The source of the data should be clearly noted (e.g., company internal data, company data as reported by IBC). Direct losses (i.e. prior to any reinsurance transactions) should be the basis for ratemaking and should **not** be reduced by the insurer's cession to the Risk Sharing Pool. Direct losses should **not** include losses incurred on the Facility Association Residual Market risk business. Similarly, where industry-wide statistics are used, Facility Association Residual Market Risks results should be excluded. For Accident Benefits, losses should be at the sub-coverage level as defined by the Automobile Statistical Plan.

4.b.1. Loss Development

The data must be developed to an ultimate level through the use of an appropriate loss development procedure.

The specific loss development approach used in the filing should be outlined and the details of the calculations should be disclosed in this subsection. All judgments associated with the process of loss development should be disclosed in detail and supported (e.g., the selection of loss development factors).

Loss development should be based on the insurer's own data to the extent possible. At a minimum, the history of unadjusted company loss development data valued at 12 month intervals should be provided (so-called "triangles" of loss valuations at various stages of development). In very few cases should it be necessary to rely on outside data. Should the insurer find it necessary to rely on outside data or a different source of internal data (such as affiliated company data), the filing must identify the source of the data and provide an explanation of its applicability. All data used in the process of loss development must be exhibited and labelled (e.g., are the losses paid or case incurred, what are the dates of valuation).

If credibility procedures are used in loss development, the selection of the credibility criterion should be disclosed, the application of the credibility standard should be presented, and the complement of credibility should be disclosed and supported.

The general approach to loss development can be expected to remain reasonably constant over the years for an insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.b.2. Loss Trend

The specific loss trend approach used should be outlined and the details of the calculations should be disclosed in this subsection. All judgments associated with the process of loss trend should be disclosed in detail and supported.

Loss trend should make use of the insurer's own data for each category of insurance and coverage to the extent possible. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance. All data used in the process of estimating annual loss trend must be exhibited, at least in summary form, and labelled (e.g., are losses paid or incurred, developed or undeveloped).

If credibility procedures are used in estimating loss trend, the selection of the credibility criterion should be disclosed, the application of the credibility standard should be presented, and the complement of credibility should be disclosed and supported.

The length of the trend period will depend on the term of coverage offered by the insurer, the proposed effective date, and the valuation date of the loss data. Each of these items must be disclosed. If trend is divided into past trend and future trend components, each component must be fully disclosed and supported in the detail described above.

The general approach to estimating loss trend can be expected to remain reasonably constant over the years for an insurer. Any changes in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.b.3. Treatment of Large Losses

The filing should clearly indicate how large losses in the experience period have been handled. If losses have been capped, the number of such losses and the effects of the caps must be demonstrated. The insurer should ensure that large losses do not cause significant instability in the rates from one period to the next.

4.b.4. Catastrophe (or Excess Claim) Procedure

Comprehensive, specified perils, and all perils coverages are subject to losses arising from natural catastrophes. If a procedure is used to estimate the impact of such losses, that procedure should be included in this subsection.

The specific catastrophe procedure used should be outlined and the details of the calculations should be disclosed and supported. All judgments associated with the process of calculating the catastrophe provision should be disclosed in detail and supported.

The catastrophe procedure should make use of the insurer's own data to the extent possible, augmented where necessary by other relevant data. All data used in calculating a provision for catastrophe losses must be exhibited and labelled.

The general approach to estimating catastrophe losses can be expected to remain reasonably constant over the years for an insurer. Any changes in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.b.5. Other Adjustments

Any other adjustments to the loss data should be disclosed, documented, and supported in this subsection.

Data must be exhibited and labelled, procedures must be outlined, and changes from the prior rate filing must be noted.

4.c. **Allocated Loss Adjustment Expenses (ALAE)**

If ALAE are considered separately from losses, provide the same detailed information as for the losses in subsection (4.b.).

4.d. **Unallocated Loss Adjustment Expenses (ULAE)**

The specific ULAE approach used should be outlined and details of the calculations should be disclosed and supported. All judgments associated with the estimation of ULAE should be disclosed in detail and supported.

The estimate of ULAE should make use of the insurer's own data for each category of insurance and coverage to the extent possible. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance. All data used in the process of estimating ULAE must be exhibited and labelled (e.g., are the ULAE paid or incurred, calendar year or accident year).

The general approach to estimating ULAE can be expected to remain reasonably constant over the years for the insurer. Any change from the prior rate filing in either the approach or the underlying data should be disclosed and supported.

4.e. **Premium**

The premium data should be described in this subsection. The experience period and the source of the premium data must also be disclosed. Direct premiums (i.e., prior to any reinsurance transactions) should be the basis for ratemaking and should not be reduced by the insurer's cessions to the Risk Sharing Pool. Direct premiums should not include premiums for the Facility Association Residual Market risk business.

4.e.1. On-level Adjustments

If an insurer uses a loss ratio approach to ratemaking, earned premium must be adjusted to the level of the present rates through the use of an appropriate on-level procedure. Both the unadjusted and the adjusted premiums should be displayed.

If on-level adjustments are made by means of a factor approach (e.g., parallelogram), the calculations should be disclosed. If on-level adjustments are made by means of calculating premiums at present rates through computer re-rating of policies (i.e. extension of exposures), a description of the process should be provided with a comparison of the results to the results obtained using the parallelogram method. Any significant difference should be explained.

The insurer's history of rate changes for each coverage for the prior five years should be included in this section.

4.e.2. Premium Trend

Premium trend should be considered for coverages with inflation-sensitive exposure bases or for coverages where a changing mix of exposures may result in a corresponding change in premium income to the insurer. The changing mix of exposures with respect to the makes and models of cars for physical damage coverages is an example of a change in mix of exposures which could produce premium trend. (Under **CLEAR** [Canadian Loss Experience Automobile Rating], premium trend is already accounted for in the development of the rate groups.)

The specific premium trend approach used in the filing should be outlined and details of the calculations should be disclosed and supported. All judgments associated with the process of premium trend should be disclosed in detail and supported.

Premium trend should make use of the insurer's own data to the extent possible. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance. All data used in the process of estimating premium trend must be exhibited and labelled.

The general approach to estimating premium trend can be expected to remain reasonably constant over the years for the insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed, explained, and supported.

4.e.3. Other Adjustments

Any other adjustments to the premium data should be disclosed, documented, and supported in this subsection. Data must be exhibited and labelled, procedures must be outlined, and changes from the prior rate filing must be noted.

4.f. **Other Expenses**

Other expenses (i.e., non-claims related expenses) should be divided between exposure variable (fixed) and premium variable (variable) expenses in a manner that is consistent with the way the insurer conducts its business, the manner in which expenses are incurred, and the type of unit insured. The details of this segregation of expenses should be disclosed and documented.

Where an insurer is proposing to vary rates based on the type of distribution system, separate expense statistics must be maintained and filed in support of the rates.

For the latest year, the allocation of expenses to the category of insurance filed should also be reported.

There should be no expense provision established in respect of the Facility Association Residual Market, unless there is a known subsidy in its operation. Risk Sharing Pool should be treated as direct business and therefore should be reflected in the direct loss and premium data.

No additional expense should be provided for by servicing carriers in respect of servicing Facility Association business, as such costs should be reflected in the rates charged by the Facility Association.

4.f.1. Exposure Variable Expenses (Fixed)

Some expenses can be expected to vary in relationship to the number of units insured (exposures) rather than in relationship to the premium volume.

The specific approach to estimating exposure variable expenses used in the filing should be outlined and details of the calculations should be disclosed. All judgments associated with the process of estimating exposure variable expenses should be disclosed in detail and supported.

Exposure variable expenses should make use of the insurer's own data. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance. All data used in the process of estimating exposure variable expenses must be exhibited and labelled.

Exposure variable expenses are subject to trend. The elements of trend discussed in subsection (4.b.2.) apply to this subsection as well.

The general approach to estimating exposure variable expenses can be expected to remain reasonably constant over the years for the insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.f.2. Premium Variable Expenses (Variable)

Some expenses can be expected to vary in relationship to the premium volume rather than in relationship to the number of units insured.

The specific approach to estimating premium variable expenses used in the filing should be outlined and details of the calculations should be disclosed. All judgments associated with the process of estimating premium variable expenses should be disclosed in detail and supported.

Premium variable expenses should make use of the insurer's own data. Should the insurer find it necessary to rely on outside data or a different source of internal data to estimate these expenses, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance. All data used in the process of estimating premium variable expenses must be exhibited and labelled.

The general approach to estimating premium variable expenses can be expected to remain reasonably constant over the years for the insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.g. Profit Provisions

The target return on equity should be set forth in this subsection. The resulting target underwriting profit margin to be used in the ratemaking process should be derived from the target rate of return on equity. The filing should show this derivation in sufficient detail to permit the reviewer to follow the entire process.

The specific approach to determining the target rate of return on equity underlying the rates in the filing should be outlined and the details of the calculations should be disclosed and supported. All judgments associated with the process of calculating the profit provision, should be disclosed and supported.

In estimating the expected investment income attributed to policyholder supplied funds and equity, the insurer should take into consideration new money rates and the insurer's historical investment returns.

All data used in the process of selecting the target return on equity and the resulting target underwriting profit margin must be exhibited and labelled. At a minimum, the pay-out pattern (for each coverage and sub-coverage) expected to apply to the losses and expenses should be disclosed and supported.

If the proposed rates are different from those which are actuarially indicated based on the target rate of

return on equity, the insurer must provide an estimate of the expected return on equity and the expected underwriting profit margin underlying the proposed rates.

The general approach to calculating the profit provisions can be expected to remain reasonably constant over the years for the insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.h. Credibility

The Ontario experience of the insurer may not be of sufficient volume to produce stable overall province-wide rate level indications that are actuarially credible. In such cases, credibility procedures can be useful as a means of augmenting the insurer's Ontario data.

The standard for 100% credibility and the formula for calculating partial credibility should be disclosed and supported.

The data source used as the ballast to which the complement of credibility applies should be disclosed and supported.

The approach to credibility can be expected to remain reasonably constant over the years for the insurer. Any changes from the prior rate filing in the credibility standard or procedure should be disclosed and supported.

4.i. Other Adjustments

Any other adjustments made to the data which affect expected premium or losses must be quantified and their effect on the rates must be disclosed and supported in this section.

4.j. Summary Rate Level Indications

Summary sheets must be provided showing how the data combines with the adjustments and provisions outlined in subsections (4.b.) - (4.i.). The insurer may use forms that are relevant to its particular situation. If more than one year of loss and/or premium data is used in the ratemaking process, the weight that each of the years receives must be disclosed. If these weights are different from the insurer's prior filing, the change must be disclosed, explained, and supported.

4.k. Territorial Indications

4.k.1. Indicated Differentials

If the insurer is requesting rate level changes which differ by territory, the ratemaking process must be outlined in detail.

Territorial indications should be calculated by making use of the insurer's own data. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance. All data used in the process of developing territorial indications must be exhibited and labelled.

A comparison of current, indicated and proposed territorial differentials must be provided for each coverage for which rates are changing by territory. Included in this should be the written premium distribution and the exposure distribution by coverage, by territory.

If credibility procedures are used, they must be disclosed and supported in the same detail as outlined in

subsection (4.h.).

The general approach to calculating territorial differentials can be expected to remain reasonably constant over the years for the insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.k.2. Off-balance

The aggregate premium may be increased or decreased through the introduction of new territorial rates or rate differentials or by changes to existing ones. The filing must account for these changes through the use of off-balance procedures or by accounting for the premium change in its rate level. In the event that the change in territorial differentials is not off-balanced and instead a rate level change is generated, subsections (4.a.) - (4.j.) must also be completed.

All data used in the process of calculating the off-balance must be exhibited and labelled. The calculation of the off-balance amount must be shown. All judgments associated with the process of calculating the off-balance should be disclosed and supported.

Off-balance calculations should make use of the insurer's own distribution of business. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance.

The general approach to calculating the off-balance can be expected to remain reasonably constant over the years for the insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.I. **Implementation of CLEAR System Differentials**

The procedures used for replacing the insurer's current rate group methodology and implementing the **CLEAR** system should be fully described in this section. The technical information required should be comprised of the following subsections, **in the order set out below**.

4.I.1. Overall Description for Implementing CLEAR

This section should indicate the company's approach for implementing CLEAR. The rate group table that is being used and capping procedures, if any, should be described in this section. A list of vehicles, by make, model and model year, that have been capped, should also be provided.

4.I.2. Off-balance

The aggregate premium may be increased or decreased through the introduction of CLEAR. The filing must account for these through the use of off-balance procedures or by accounting for the premium change in its rate level. In the event that the change is not off-balanced, and instead a rate level change is generated, subsections (4.a.) - (4.j.) must also be completed.

All data used in the process of calculating the off-balance must be exhibited and labelled. The calculation of the off-balance amount must be shown. All judgments associated with the process of calculating the off-balance should be disclosed and supported.

Off-balance calculations should make use of the insurer's own distribution of business. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance.

4.m. Classification/Limit of Liability/Deductible or Other Rate Differential Indications

4.m.1. Indicated Differentials

If the insurer is requesting changes in classification differentials, limit of liability differentials, deductible differentials, or other rate differentials, the ratemaking process must be outlined in detail.

Classification, limit of liability, deductible, and other rate differential indications should make use of the insurer's own data. Should the insurer find it necessary to rely on outside data or a different source of company data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance. All data used in the process of developing classification, limit of liability, deductible, or other rate differential indications must be exhibited and labelled.

A comparison of current, indicated and proposed differentials must be provided for each coverage for which classification, limit of liability, deductible, or other rate differentials are changing. Included in this should be the written premium distribution and the exposure distribution by classification, limit of liability, deductible, or other rate differential.

If credibility procedures are used, they must be disclosed in the same detail as outlined in subsection (4.h.).

The general approach to calculating rate differentials can be expected to remain reasonably constant over the years for the insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.m.2. Off-balance

The aggregate premium may be increased or decreased through the introduction of new classification, limit of liability, deductible, or other rate differentials or by changes to existing ones. The filing must account for these changes through the use of off-balance procedures or by accounting for the premium change in its rate level. [In the event that the change in classification, limit of liability, deductible, or other rate differentials is not off-balanced and instead a rate level change is generated, subsections (4.a.) -(4.j.) must also be completed.]

All data used in the process of calculating the off-balance must be exhibited and labelled. The calculation of each off-balance must be shown. All judgments associated with the process of calculating the off-balance should be disclosed and supported.

Off-balance calculations should be based on the insurer's own distributions of business by classification, limit of liability, deductible, or other rate differential. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance.

The general approach to calculating the off-balance can be expected to remain reasonably constant over the years for the insurer. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.n. Rating Based on Group Membership

This section **must** be completed by any insurer that is introducing or proposing changes to its rates and risk classification system based on group membership.

There are restrictions on when group membership can be used in a risk classification system. Under Regulation 664, as amended, no element of a risk classification system shall use membership in an **organized** group unless the group is:

- (a) a group of employees, or retired employees, of the same employer; or
- (b) a group of persons that is,
 - 1. a labour union,
 - 2. a professional or occupational organization,
 - 3. an alumni association, or
 - 4. a not-for-profit organization of persons that has been in existence for at least two years, except an organization that is formed solely for the purpose of purchasing or providing goods or services.

Only members of such groups referred to above, and their spouses and children under certain conditions, are eligible for a preferential rate under a risk classification system based on group membership. Also, under O. Reg. 664, insurers are prohibited from using the existence of medical, surgical, dental, hospitalization, income continuation benefit or sick leave plans in their risk classification systems.

4.n.1. Indicated Discounts or Rates

The ratemaking process must be outlined in detail where an insurer proposes:

- a discount or schedule of rates based on membership in a group; or
- discounts or a schedule of rates that vary among groups.

A discount or a schedule of rates based on group membership could be based on lower loss costs based on favourable experience, or risk management programs, or identifiable characteristics of a group that would result in lower loss exposure.

Insurers should maintain separate premium and loss statistics to support a discount or schedule of rates based on group membership. The basis of the discount or rates should be defined in sufficient detail so that naming individual organizations is not necessary. Insurers are **not** expected to develop a unique discount or schedule of rates for a specific group unless such a group is of sufficient size that its own experience supports such a discount or schedule of rates. Support for discounts and rates must be actuarially credible and therefore only in the instance of large groups would a unique discount or schedule of rates be appropriate. In the case where more than one discount is proposed, e.g., variation of discounts based on types of groups, a list of groups and discounts applicable is required to be submitted with the filing, as well as on a periodic basis.

The insurer's own loss data should be used to the extent possible. If the insurer finds it necessary to rely on outside data or a different source of company data, the insurer must identify the source of the data and provide an explanation of its applicability. All data used in the process of developing the indicated discounts or rates based on group membership should be exhibited and labelled.

A comparison of current, indicated and proposed discounts or rates must be provided for each coverage when a change is proposed. Included in this should be the written premium distribution and the exposure distribution by discounts or schedule of rates.

If credibility procedures are used, they must be disclosed in the same detail as outlined in subsection (4.h.).

The general approach to calculating discounts or rates based on group membership can be expected to remain reasonably constant over the years. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

4.n.2. Off-balance

The aggregate premium may be increased or decreased through the introduction of new discounts or rates, or by changes to existing ones. The filing must account for these changes through the use of off-balance procedures or by accounting for the premium change in its rate level. In the event that the change in discount or rate is not off-balanced and instead a rate level change is generated, subsections (4.a.) - (4.j.) must also be completed.

All data used in the process of calculating the off-balance must be exhibited and labelled. The calculation of each off-balance must be shown. All judgments associated with the process of calculating the off-balance should be disclosed and supported.

Off-balance calculations should be based on the insurer's own distribution of business for group discounts or schedule of rates. Should the insurer find it necessary to rely on outside data or a different source of internal data, the filing must identify the source of the data and provide an explanation of its applicability in the circumstances.

The general approach to calculating the off-balance can be expected to remain reasonably constant over the years. Any change in either the approach or the underlying data from the prior rate filing should be disclosed and supported.

SECTION 5: DISCOUNT/SURCHARGE CHANGES

If the insurer is requesting changes in the amount or value of a discount (except a group discount which is to be disclosed in section 4.n) or surcharge, or is introducing a new discount (except a group discount which is to be disclosed in section 4.n) or surcharge, the approach used in costing and a general narrative of the process must be outlined in detail.

The derivation of the discount or surcharge should make use of the insurer's own data. The justification for the discount may be due to lower expenses due to lower acquisition costs or lower administrative costs or lower loss costs. The filing should clearly indicate the basis for the discount or surcharge. The insurer must have appropriate information to support the discount or surcharge. Should the insurer find it necessary to rely on outside data or a different source of company data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance. All data used in the process of developing the discount or surcharge must be exhibited and labelled.

A comparison of current, indicated and proposed discounts or surcharges must be provided for each coverage for which discounts or surcharges are changing. Included in this should be the written premium distribution and the exposure distribution for the discounts or surcharges.

A current and a proposed distribution of the insurer's book of business that is affected by the discount or surcharge change must be provided to determine the average premium change (shift). All assumptions and detailed calculations must be provided to support the rate level change.

SECTION 6: RATING RULE CHANGES

Rating rules are those rules or definitions by which a risk is assigned to a specific rating cell or whether a discount or surcharge is applicable. Examples include rules by which territory, vehicle use or driving record are assigned. Rating rules are part of an insurer's risk classification system and must be filed according to these guidelines.

Note that underwriting rules, which are those rules used to govern the decision to accept or decline a risk or a coverage, deductible level, or liability limit, must be filed using the *Section 238 Guidelines for Filing Underwriting Rules*.

Rate manual pages that describe changes to rules or definitions must be included with the filing.

The required information should include: (i) a description of the proposed changes, (ii) the rationale for the proposed changes, (iii) the rate level effects of the proposed changes, and (iv) calculations that validate the rate level effect of the proposed changes based on the expected distribution of business.

6.a. Rating Rule Changes for Classification Variables

Any change to a rating rule for a particular classification must be disclosed in this section. A current and a proposed distribution of the class that is affected by the rating rule change must be provided to determine the average premium change (shift) and impact on the overall rate level. All assumptions and detailed calculations must be provided to support the rate level change.

6.b. Rating Rule Changes for Discounts and Surcharges

Any change to a rating rule for a particular discount or surcharge must be disclosed in this section. Also the rating rule applicable to a newly proposed discount or surcharge must be disclosed in this section. A current and a proposed distribution of the business that is affected by the rating rule change must be provided to determine the average premium change (shift) and impact on the overall rate level. Also all assumptions and the rationale to support the use of the rating rule must be disclosed.

SECTION 7: FINAL RATES/RATE LEVEL CHANGE

Exhibits illustrating current and proposed rating algorithms, base rates, discounts/surcharges, and differentials, **clearly identified as either current or proposed**, must be disclosed in this section, including any explanatory material in support of the proposed changes. **To facilitate the review process, all of 7.a. - 7.d. must be included even though the change may be to only one of the elements.**

7.a. Algorithm

Exhibits illustrating current and proposed algorithms must be disclosed in this section.

7.b. Base Rates

Exhibits illustrating current and proposed base rates must be disclosed in this section.

7.c. Differentials

Exhibits illustrating current and proposed differentials must be disclosed in this section.

7.d. Discounts and Surcharges

Exhibits illustrating current and proposed discounts and surcharges must be disclosed in this section.

7.e. Calculation of Final Rates

The filing must clearly describe and show how current manual territorial base rates are transformed into proposed manual territorial base rates through the application of the proposed rate change in combination with any off-balance.

7.f. Calculation of Rate Level Change

The filing must clearly describe and show how the rate level impact of changes to base rates, differentials and discounts or surcharges, in combination with any off-balance which may be applied, are used to calculate the overall rate level change on a per coverage basis. This calculation should reconcile with the Proposed Overall Rate Level Change from Appendix A, Question 4.

7.g. Dislocation and Capping

Insurers should take into account the impact that proposed rate changes will have on consumers. Information on rate dislocation is required in Appendix A. Capping should be considered in minimizing rate dislocation. Any capping procedure should be fully described in this section.

In the case when the insurer is proposing to implement the **CLEAR** system either for physical damage or accident benefits, or both, FSCO expects any significant dislocation arising from the proposed changes to be managed through a capping procedure, so changes will be phased in over a period of time. The insurer **must** also provide a detailed description of how the capping procedures will be applied for implementing **CLEAR**.

SECTION 8: SECTION 413 DEPENDENT CATEGORIES

For those categories of automobile insurance that are dependent on the section 413 rate filing submitted, please provide the following:

- (i) the rate level effects of the proposed changes,
- (ii) the calculations that validate the rate level effect of the proposed changes,
- (iii) a copy of the rating rule that stipulates the linkage to the category of automobile insurance, and
- (iv) Section 10 - rating examples must be completed for the dependent category of automobile insurance. Rating examples are attached as Appendix C.

SECTION 9: MANUAL PAGES CONTAINING REVISED RATES AND RISK CLASSIFICATION SYSTEM

A draft set of manual pages containing proposed rating rule changes or definition changes **must be provided** with the filing. A draft set of manual pages that contains the rates by territory and class, driving record, etc. is optional at the time of submitting the filing.

However, a set of manual pages containing the approved rates and risk classification system **must** be submitted within 30 days after the rate filing has been authorized. The insurer should also provide a copy of the most current vehicle rate group tables if they have not already been filed with FSCO.

SECTION 10: RATING EXAMPLES

Appendix C sets out ten rating examples covering the categories of automobile insurance subject to Section 413. Each insurer must file with FSCO those rating examples which would be affected by the filing. It should be noted that these rating examples may not be the same examples required in future filings. Also FSCO may require additional and/or different rating examples as a consequence of the review process.

The rating examples must be completed according to the risk description specified. Each insurer must provide both current and proposed rating criteria for each of the rating examples as required. The rating territories should be those as defined in the insurer's rate manual.

Any additional information pertaining to the rating example must be disclosed with a detailed description for each affected rating example.

Specific instructions and key assumptions that should be adopted when completing these rating examples are:

- All rates are to be stated on an annual basis. If annual policies are not issued, the rates should be converted to an annual basis.
- All risks should be rated strictly according to the information provided. **DO NOT** provide preferred rates unless the criteria as stated fit the eligibility rules for a preferred class. If so, provide only the preferred rates, and state so.
- Clearly identify all applicable surcharges/discounts that apply to each of the coverages.
- Unless stated explicitly in the profile, do not assume the operator has progressed through the graduated licensing system.
- The rating territories should be those as defined in the insurer's rate manual. For the Toronto (city) territory, assume the location is Yonge and Bloor (FSA M4Y). For all other cities, assume the location to be downtown (FSA's listed on risk profiles).
- Assume the same definitions as in the Facility Association Manual of Rules and Rates for major or minor convictions or an at-fault (chargeable) accident. Also assume the accident involved collision coverage only and that the claim was greater than \$1,000.
- If the insurer does not write a particular limit or deductible level for a described profile, provide the premiums using the closest limit/deductible and note the applicable limit/deductible on the profile.
- If the insurer provides group discounts, provide the individual non-group rate plus the rates with the highest discount applied.
- For multiple operator risks, provide premiums by coverage by operator using separate sheets. In addition, the total policy premium combining all operators should be submitted.
- If, based on the insurer's underwriting rules, a risk profile described in a specified rating example is not written, that fact is to be indicated, and rates need not be provided for that example. However, the insurer must explain why the rating example is not appropriate under the circumstances.
- If a rating example does not describe a unique rate, the insurer is to provide the highest and lowest rate that could be charged on the described risk, and disclose the assumption underlying the difference.

- Include the premiums for all perils only if collision and comprehensive are not offered.

Company Name: _____

Group Name: _____

Category of Insurance: _____

SUMMARY OF INFORMATION

1. Describe the proposed changes by checking all the items that apply to this filing:

- ☐ 1. Base rate change, not due to off-balancing differential or discount changes, that is uniform by territory
- ☐ 2. Base rate change, not due to off-balancing differential or discount changes, that is **not** uniform by territory
- ☐ 3. Change to classification, limit of liability, deductible or other rate differentials
- ☐ 4. Change to rating rules
- ☐ 5. Changes to the amount of, or adding or deleting, discounts or surcharges
- ☐ 6. Algorithm change
- ☐ 7. Other (*specify*)
- _____
- _____

2. Proposed effective date for **new** policies: _____

Proposed effective date for **renewal** policies: _____

(Insurers should take into consideration the 45 day notice period to brokers and 30 day notice period to insureds required under section 236 of the Act in determining effective dates.)

3. Indicate the distribution of risks by policy term:

3 month	_____	%
6 month	_____	%
12 month	_____	%
Other	_____	%
Total	_____	%

4. Please state the indicated rate level changes and proposed rate level changes and premium weights using direct written premiums that have been adjusted to current rate level. If direct written premiums are not available, please use direct earned premiums.

Please indicate whether the changes by coverage are weighted by written or earned premiums by placing an "x" in the appropriate box, and state the source and date of data.



direct written premium



direct earned premium

Source of
Data:

Date of Data:

<u>Coverage</u>	<u>Indicated Rate Level Change</u>	<u>Proposed Rate Level Change</u>	<u>Weights</u> (rounded to 2 decimals)
Liability - Bodily Injury	%	%	%
Liability - Property Damage	%	%	%
Accident Benefits	%	%	%
Uninsured Automobile	%	%	%
Direct Compensation - Property Damage	%	%	%
All Compulsory Coverages	%	%	%
Specified Perils	%	%	%
Comprehensive	%	%	%
Collision or Upset	%	%	%
All Perils	%	%	%
OPCF 44R	%	%	%
All Optional Coverages	%	%	%
All Coverages Combined	%	%	100.00%

- 5a. State the dates and rate level change percentages that were effective in the last eighteen months (please round the figures to two decimals):

Effective Date for Renewal Business				
	Prior Change	2nd Prior Change	3rd Prior Change	4th Prior Change
Coverage				
Liability - Bodily Injury	%	%	%	%
Liability - Property Damage	%	%	%	%
Accident Benefits	%	%	%	%
Uninsured Automobile	%	%	%	%
Direct Compensation - Property Damage	%	%	%	%
All Compulsory Coverages	%	%	%	%
Specified Perils	%	%	%	%
Comprehensive	%	%	%	%
Collision or Upset	%	%	%	%
All Perils	%	%	%	%
OPCF 44R	%	%	%	%
All Optional Coverages	%	%	%	%
All Coverages Combined	%	%	%	%

- 5b. State the *Average Cumulative Rate Change* for all coverages. It is based on the *All Coverages Combined Proposed Rate Level Change* (as stated in the response to question 4) and the *All Coverages Combined Rate Level Change(s)* (as stated in the response to question 5a), that occurred after January 1 of the year in which the proposed rate change is expected to be effective for renewal business.

The *Average Cumulative Rate Change* for all coverages is: _____%.

- 6a. Provide the direct written premium, the direct earned premium, the number of earned vehicles, and incurred losses for the most recent **complete** accident year for this category of insurance. (Note: At least one of direct written or direct earned premiums must be provided.)

<u>Coverage</u>	<u>Year</u>	Direct Written Premium	Direct Earned Premium	Ultimate Incurred Losses	Number of Earned Vehicles
		000's	000's	000's	
Liability - Bodily Injury		\$	\$	\$	
Liability - Property Damage		\$	\$	\$	
Accident Benefits		\$	\$	\$	
Uninsured Automobile		\$	\$	\$	
Direct Compensation - Property Damage		\$	\$	\$	
All Compulsory Coverages		\$	\$	\$	
Specified Perils		\$	\$	\$	
Comprehensive		\$	\$	\$	
Collision or Upset		\$	\$	\$	
All Perils		\$	\$	\$	
OPCF 44R		\$	\$	\$	
All Optional Coverages		\$	\$	\$	
All Coverages Combined		\$	\$	\$	

- 6b. Provide the direct written premium, the direct earned premium, the number of earned vehicles, and incurred losses for the second most recent **complete** accident year for this category of insurance. (Note: At least one of direct written or direct earned premiums must be provided.)

		Direct Written Premium	Direct Earned Premium	Ultimate Incurred Losses	Number of Earned Vehicles
<u>Coverage</u>	<u>Year</u>				
		000's	000's	000's	
Liability - Bodily Injury		\$	\$	\$	
Liability - Property Damage		\$	\$	\$	
Accident Benefits		\$	\$	\$	
Uninsured Automobile		\$	\$	\$	
Direct Compensation - Property Damage		\$	\$	\$	
All Compulsory Coverages		\$	\$	\$	
Specified Perils		\$	\$	\$	
Comprehensive		\$	\$	\$	
Collision or Upset		\$	\$	\$	
All Perils		\$	\$	\$	
OPCF 44R		\$	\$	\$	
All Optional Coverages		\$	\$	\$	
All Coverages Combined		\$	\$	\$	

- 7a. What is the **annual** loss trend percentage used in calculating the indicated rate level change for the proposed effective period?

	Past	Future
Liability - Bodily Injury	<u>%</u>	<u>%</u>
Liability - Property Damage	<u>%</u>	<u>%</u>
Accident Benefits		
Medical	<u>%</u>	<u>%</u>
Rehabilitation	<u>%</u>	<u>%</u>
Disability Income	<u>%</u>	<u>%</u>
Other	<u>%</u>	<u>%</u>
Accident Benefits Total	<u>%</u>	<u>%</u>
Uninsured Automobile	<u>%</u>	<u>%</u>
Direct Compensation - Property Damage	<u>%</u>	<u>%</u>
Specified Perils	<u>%</u>	<u>%</u>
Comprehensive	<u>%</u>	<u>%</u>
Collision or Upset	<u>%</u>	<u>%</u>
All Perils	<u>%</u>	<u>%</u>
OPCF 44R	<u>%</u>	<u>%</u>

- 7b. What date has been used to distinguish between past and future trend : _____

Provide the date to which the past trend is applied: _____

Provide the date to which the future trend is applied: _____

8. Provide the expense provision used in determining the rate level indications (excluding loss adjustment expenses):

	% of Premium	\$ per Vehicle
(a) Variable expenses	_____%	
(b) Fixed expenses	_____%	\$ _____
(c) Total Expenses: (a + b)	_____%	

- 9a. Provide the return on equity and underwriting profit margin that underlies the target and proposed rate level changes for this category of insurance for all coverages combined:

	Return on Equity	Underwriting Profit Margin
Target:	_____%	_____%
Proposed:	_____%	_____%

- 9b. What is the company's overall premium/equity ratio, investment return, and expense ratio (as a percentage of written premiums) as reported on P&C 1 or 2 for the last two years?

<u>Year</u>	<u>Premium to Equity Ratio</u>	<u>Investment Return</u>	<u>Expense Ratio</u>
		<u>%</u>	<u>%</u>
_____	_____ : 1	_____ %	_____ %
_____	_____ : 1	_____ %	_____ %

- 10a. Provide the premium to equity ratio used in determining the indicated rate level:

current filing: _____

prior filing: _____

- 10b. In determining the indicated rate level, on a pre-tax basis, state the investment return on equity and on cashflow that have been used.

Investment return on equity _____% Investment return on cash flow _____%

11. If the insurer is proposing to cap the increase a consumer would face at renewal, at what percentage will it be capped? How will this be accomplished?

**If the largest rate increase is more than 15%, provide answers to questions 12a, 12b and 12c.
Otherwise, skip to question 13.**

- 12a. Provide an estimate of the number and percentage of exposures that fall within the following ranges for risks with **compulsory coverages only** not taking into account any previous rate changes that would affect renewal business:

Range of Rate Change	Exposures Affected		Range of Rate Change	Exposures Affected	
Decrease of more than 20%	#	%	Increase of 0.1% to 10%	#	%
Decrease of 10.1% to 20%	#	%	Increase of 10.1% to 20%	#	%
Decrease of 0.1% to 10%	#	%	Increase of more than 20%	#	%
No change	#	%	Total	#	100 %

- 12b. Provide an estimate of the number and percentage of exposures that fall within the following ranges for risks with **compulsory and any physical damage coverages** not taking into account any previous rate changes that would affect renewal business:

Range of Rate Change	Exposures Affected		Range of Rate Change	Exposures Affected	
Decrease of more than 20%	#	%	Increase of 0.1% to 10%	#	%
Decrease of 10.1% to 20%	#	%	Increase of 10.1% to 20%	#	%
Decrease of 0.1% to 10%	#	%	Increase of more than 20%	#	%
No change	#	%	Total	#	100 %

- 12c. State the type of data used, the date and source of data, and the method used to estimate the answers to questions 12a and 12b.

13. Have any other changes been made to base rates, differentials, discounts, surcharges or rating rules within the past year that would impact a consumer on renewal, other than the changes proposed in this filing? If so, please describe.

14. State other categories of automobile insurance that may be affected by this proposed rate change (e.g., public vehicle rates that are dependent on commercial vehicle rates), and the rate level change percentage (*as per section 8 of the filing guidelines*). All changes must be based solely on the changes associated with the dependent category. Any other changes not dependent must be submitted in a separate filing under Section 413 Filing guidelines - Minor (or Section 413 Filing Guidelines - Major).

Dependent Category (check where applicable)	Filing included with this submission	If not included - state the expected filing date	Rate Level Change impact for each category (%)
Personal Vehicles - Motorcycles	☐ Yes ☐ No		
Personal Vehicles - Motorhomes	☐ Yes ☐ No		
Personal Vehicles - Trailers and Camper Units	☐ Yes ☐ No		
Personal Vehicles - Off-Road Vehicles	☐ Yes ☐ No		
Personal Vehicles - Motorized Snow Vehicles	☐ Yes ☐ No		
Personal Vehicles - Historic Vehicles	☐ Yes ☐ No		
Commercial Vehicles	☐ Yes ☐ No		
Public Vehicles - Taxi and Limousines	☐ Yes ☐ No		
Public Vehicles - Other Than Taxi and Limousines	☐ Yes ☐ No		
	☐ Yes ☐ No		
	☐ Yes ☐ No		

☐ Yes ☐ No

15. Individual to whom questions concerning this filing may be addressed:

Name: _____

Title: _____

Company: _____

Address: _____

Phone No.: _____

Facsimile No.: _____

E-mail Address: _____

1. This rate filing is in respect of _____ and the following
(Category of Automobile Insurance)
dependent categories: (Please check all that apply)

- Not Applicable
- Personal Vehicles - Motorcycles
- Personal Vehicles - Motorhomes
- Personal Vehicles - Trailer and Camper Units
- Personal Vehicles - Off-Road Vehicles
- Personal Vehicles - Motorized Snow Vehicles
- Personal Vehicles - Historic Vehicles
- Commercial Vehicles
- Public Vehicles - Taxis and Limousines
- Public Vehicles - Other than Taxis and Limousines

to be effective as of _____ for new business and
(Date of Implementation)

_____ for renewal business. (Date of Implementation)

2. I have knowledge of the matters that are the subject of this certificate.
3. The information and each document contained in the filing accompanying this certificate are complete and accurate.
4. The proposed rates are just and reasonable, do not impair the solvency of the Insurer, and are not excessive in relation to the financial circumstances of the Insurer.

Date, Location

CERTIFICATE OF THE ACTUARY

I, _____, a Fellow of the Canadian Institute of Actuaries,
(Name of Actuary)

have been authorized to prepare a rate filing on behalf of _____
(Official Name of Company)

_____, (the "Insurer") CERTIFY THAT:

1. This rate filing is in respect of _____ and the following
(Category of Automobile Insurance)

dependent categories: *(Please check all that apply)*

- | | |
|-----|--|
| ___ | Not Applicable |
| ___ | Personal Vehicles - Motorcycles |
| ___ | Personal Vehicles - Motorhomes |
| ___ | Personal Vehicles - Trailer and Camper Units |
| ___ | Personal Vehicles - Off-Road Vehicles |
| ___ | Personal Vehicles - Motorized Snow Vehicles |
| ___ | Personal Vehicles - Historic Vehicles |
| ___ | Commercial Vehicles - Trailers |
| ___ | Commercial Vehicles - Other Than Trailers |
| ___ | Public Vehicles - Taxis and Limousines |
| ___ | Public Vehicles - Other than Taxis and Limousines. |

to be effective as of _____ for new business and
(Date of Implementation)

_____ for renewal business. (Date
of Implementation)

2. I have reviewed the data underlying this rate filing for reasonableness and consistency, and I believe the data is reliable and sufficient for the determination of the indicated rate changes.
3. The indicated rate changes have been calculated in accordance with Accepted Actuarial Practice.

In my opinion, the risk classification system is just and reasonable, reasonably predictive of risk and distinguishes fairly between the classes.

Signature of Actuary

Date, Location

Company Name: _____

Category of Insurance: Personal Vehicles - Motorcycles

Case 1

Risk Description:

- ☞ Male operator, age 29, licensed 10 years for motorcycles, currently licensed as M, no other operators.
- ☞ 1998 Kawasaki VN750 Vulcan, 750 c.c., (VICC vehicle code KA22)
- ☞ list price new \$5,999, actual cash value \$4,955.
- ☞ Pleasure use only, annual driving distance 6,000 km.
- ☞ Insured on a private passenger automobile for the last 10 years.
- ☞ No claims in the past 6 years nor convictions in the past 3 years on either the motorcycle or the private passenger automobile.
- ☞ New business application to company.

Coverages:

- ☞ Liability - \$200,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$200,000

Note: If premiums for this category vary by territory, rate the risk as territory Toronto (FSA M4Y).

	Current	Proposed	% Rate Change
Liability - BI			
Liability - PD			
Direct Compensation - Property Damage			
Accident Benefits			
Uninsured Automobile			
Sub-total - Compulsory Coverages			
Collision			
Comprehensive			
All Perils			
OPCF 44			
Sub-total - Optional Coverages			
Total			

Rate Group: _____

Class: _____

Driving Record: _____

Company Name: _____

Category of Insurance: Personal Vehicles - Motorcycles

Case 2

Risk Description:

- ☞ Male operator, age 19, licensed 3 years for motorcycle, currently licensed as M, no other operators.
- ☞ 1997 Yamaha Virago XV1100, 1100 c.c., (VICC vehicle code YA18)
- ☞ list price new \$7,599, actual cash value \$7,250.
- ☞ Commute use, 5 km. one way, annual distance 3,000 km.
- ☞ No claims or convictions since licensed.
- ☞ No other vehicles.
- ☞ New business application to company.

Coverages:

- ☞ Liability - \$1,000,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$1,000,000

Note: If premiums for this category vary by territory, rate the risk as territory Toronto (FSA M4Y).

	Current	Proposed	% Rate Change
Liability - BI			
Liability - PD			
Direct Compensation - Property Damage			
Accident Benefits			
Uninsured Automobile			
Collision			
Comprehensive			
All Perils			
OPCF 44			
Total			

Rate Group: _____ Class: _____ Driving Record: _____

Company Name: _____

Category of Insurance: Personal Vehicles - Motorcycles

Case 3

Risk Description:

- ☞ Male operator, age 40, licensed 20 years for motorcycle, currently licensed as M, no other operators.
- ☞ 1999 Harley Davidson FLHTC Electra Glide Classic, 1,340 c.c., (VICC vehicle code HD49)
- ☞ list price new \$15,445, actual cash value \$14,995.
- ☞ Pleasure use only, annual distance 6,000 km.
- ☞ Insured on a private passenger automobile for the last 20 years.
- ☞ No claims or convictions since licensed on both vehicles.
- ☞ New business application to company.

Coverages:

- ☞ Liability - \$1,000,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage -no deductible
- ☞ OPCF 44 - \$1,000,000
- ☞ \$500 Collision deductible
- ☞ \$300 Comprehensive deductible

If collision and/or comprehensive are not offered, use a \$500 all perils deductible. If collision and comprehensive are offered, do not include the all perils rate below.

Note: If premiums for this category vary by territory, rate the risk as territory Toronto (FSA M4Y).

	Current	Proposed	% Rate Change
Liability - BI			
Liability - PD			
Direct Compensation - Property Damage			
Accident Benefits			
Uninsured Automobile			
Collision			
Comprehensive			
All Perils			
OPCF 44			
Total			

Rate Group: _____ Class: _____ Driving Record: _____

Company Name: _____

Category of Insurance: Personal Vehicles - Off-Road Vehicles

Case 4

Risk Description:

- ☞ Male operator, age 33, licensed 12 years for motorcycle, currently licensed as M, no other operators.
- ☞ 1999 Honda TRX90, 90 c.c., list price new \$2,699, actual cash value \$2,495.
- ☞ Pleasure use only, annual distance 6,000 km.
- ☞ No claims since licensed.
- ☞ Private Passenger Automobile insured with company.
- ☞ New Off-Road vehicles application to company.

Coverages:

- ☞ Liability - \$500,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$500,000
- ☞ \$300 Collision deductible
- ☞ \$300 Comprehensive deductible

If collision and/or comprehensive are not offered, use a \$300 all perils deductible. If collision and comprehensive are offered, do not include the all perils rate below.

Note: If premiums for this category vary by territory, rate the risk as territory Toronto (FSA M4Y).

	Current	Proposed	% Rate Change
Liability - BI			
Liability - PD			
Direct Compensation - Property Damage			
Accident Benefits			
Uninsured Automobile			
Collision			
Comprehensive			
All Perils			
OPCF 44			
Total			

Rate Group: _____ **Class:** _____ **Driving Record:** _____

Company Name: _____

Category of Insurance: Personal Vehicles - Snow Vehicles

Case 5

Risk Description:

- ☞ Male operator, age 30, licensed 10 years, no other operators.
- ☞ 1995 Ski-Doo Touring SLE, list price new \$6,500.
- ☞ Pleasure use only.
- ☞ Insured on a private passenger automobile for the last 10 years.
- ☞ No snow vehicle claims or convictions in the last 6 years.
- ☞ New business application to company.

Coverages:

- ☞ Liability - \$500,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$500,000
- ☞ \$500 Collision deductible
- ☞ \$300 Comprehensive deductible

If collision and/or comprehensive are not offered, use a \$500 all perils deductible. If collision and comprehensive are offered, do not include the all perils rate below.

Note: If premiums for this category vary by territory, rate the risk as territory North Bay (P1B).

	Current	Proposed	% Rate Change
Liability - BI			
Liability - PD			
Direct Compensation - Property Damage			
Accident Benefits			
Uninsured Automobile			
Collision			
Comprehensive			
All Perils			
OPCF 44			
Total			

Rate Group: _____ Class: _____ Driving Record: _____

Company Name: _____

Category of Insurance: Personal Vehicles - Motorhomes

Case 6

Risk Description:

- ☞ Principal operator, male, age 55; wife, age 53, occasional operator; both licensed for over 10 years.
- ☞ 1995 Coachmen Catalina motorhome, list price new \$80,000.
- ☞ Pleasure use only, annual driving distance 6,000 km.
- ☞ No claims or convictions for either operator in the last 10 years.
- ☞ New business application to company.

Coverages:

- ☞ Liability - \$1,000,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$1,000,000
- ☞ \$300 Collision deductible
- ☞ \$300 Comprehensive deductible

If collision and/or comprehensive are not offered, use a \$300 all perils deductible. If collision and comprehensive are offered, do not include the all perils rate below.

	Toronto (FSA M4Y)			Sault Ste. Marie (P6C)		
	Current	Proposed	% Rate Change	Current	Proposed	% Rate Change
Liability - BI						
Liability - PD						
Direct Compensation - Property Damage						
Accident Benefits						
Uninsured Automobile						
Collision						
Comprehensive						
All Perils						
OPCF 44						
Total						

Class: Principal Occasional Toronto (FSA M4Y) Territory
Driving Record: _____ _____ Sault Ste. Marie (P6C) _____
Vehicle Rate Group: _____

Company Name: _____

Category of Insurance: Public Vehicles -Taxis and Limousines

Case 7

Risk Description:

- ☞ Principal operator, male, age 45, owner, licensed 25 years.
- ☞ Secondary operator, male, age 30, licensed 3 years.
- ☞ 1998 Ford Crown Victoria LX 4 door, list price new \$30,000 (VICC vehicle code 3268).
- ☞ Annual driving distance 120,000 km., shared equally by each operator, used as a taxi.
- ☞ Principal operator, one at-fault accident (BI and Collision) 2 years ago, 2 minor convictions in past 3 years.
- ☞ Secondary operator, no claims since licensed, 2 minor convictions in the past 3 years.
- ☞ Insured with the current insurer for the last 2 years.

Coverages:

- ☞ Liability - \$1,000,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$1,000,000
- ☞ \$1,000 Collision deductible
- ☞ \$500 Comprehensive deductible

If collision and/or comprehensive are not offered, use a \$500 all perils deductible. If collision and comprehensive are offered, do not include the all perils rate below.

	Toronto (FSA M4Y)			London (N6A)		
	Current	Proposed	% Rate Change	Current	Proposed	% Rate Change
Liability - BI						
Liability - PD						
Direct Compensation - Property Damage						
Accident Benefits						
Uninsured Automobile						
Collision						
Comprehensive						
All Perils						
OPCF 44						
Total						

Class: Principal Occasional **Toronto (M4Y)** Territory
Driving Record: _____ _____ **London (N6A)** _____
Vehicle Rate Group: _____

Company Name: _____

Category of Insurance: Public Vehicles -Taxis and Limousines

Case 8

Risk Description:

- ☞ Operator 1, male age 40, non-owner, licensed 20 years.
- ☞ Operator 2, male age 30, non owner, licensed 12 years.
- ☞ 1998 Lincoln Town Car 4DR, list price new \$44,000 (VICC vehicle code 4129).
- ☞ Annual driving distance 90,000 km., used as a limousine but not for airport use.
- ☞ Operator 1, no accidents or convictions in the past 6 years.
- ☞ Operator 2, 3 minor convictions within the past 3 years.
- ☞ Insured with the current insurer for the last 2 years.

Coverages:

- ☞ Liability - \$1,000,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$1,000,000
- ☞ \$1,000 Collision deductible
- ☞ \$500 Comprehensive deductible

If collision and/or comprehensive are not offered, use a \$500 all perils deductible. If collision and comprehensive are offered, do not include the all perils rate below.

	Toronto (FSA M4Y)			Ottawa (K1Y)		
	Current	Proposed	% Rate Change	Current	Proposed	% Rate Change
Liability - BI						
Liability - PD						
Direct Compensation - Property Damage						
Accident Benefits						
Uninsured Automobile						
Collision						
Comprehensive						
All Perils						
OPCF 44						
Total						

Class: _____ **Operator 1** _____ **Operator 2** _____ **Toronto (M4Y)** _____ **Territory** _____
Driving Record: _____ **Ottawa (K1Y)** _____
Vehicle Rate Group: _____

Company Name: _____

Category of Insurance: Commercial Vehicles

Case 9

Risk Description:

- ☞ Principal operator, male age 40, licensed 20 years.
- ☞ 1998 Chevrolet Astro cargo van, 2 wheel drive.
- ☞ Vehicle used as artisans truck.
- ☞ No claims or convictions in the last 10 years.
- ☞ Insured with the current insurer for the last 10 years.

Coverages:

- ☞ Liability - \$1,000,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$1,000,000
- ☞ \$500 Collision deductible
- ☞ \$300 Comprehensive deductible

If collision and/or comprehensive are not offered, use a \$500 all perils deductible. If collision and comprehensive are offered, do not include the all perils rate below.

	Toronto (FSA M4Y)			Windsor (N8W)			Ottawa (K1Y)		
	Current	Proposed	% Rate Change	Current	Proposed	% Rate Change	Current	Proposed	% Rate Change
Liability - BI									
Liability - PD									
Direct Compensation - Property Damage									
Accident Benefits									
Uninsured Automobile									
Collision									
Comprehensive									
All Perils									
OPCF 44									
Total									

Class: _____

Territory
Toronto (M4Y) _____

Appendix C

Driving Record: _____
Vehicle Rate Group: _____

Windsor (N8W) _____
Ottawa (K1Y) _____

Company Name: _____

Category of Insurance: Commercial Vehicles

Case 10

Risk Description:

- ☞ Principal operator, male age 30, licensed 12 years.
- ☞ 1996 Ford Econoline Cargo Van E350, 14,500 Kg. Heavy vehicle.
- ☞ List Price New \$18,025.
- ☞ Vehicle used as wholesale delivery truck for a T.V. sales and service operation.
- ☞ 1 at-fault collision claim within last 12 months (0 years accident free), no convictions in the last 3 years.
- ☞ New business application to the company.

Coverages:

- ☞ Liability - \$1,000,000
- ☞ Accident Benefits
- ☞ Uninsured Automobile
- ☞ Direct Compensation - Property Damage - no deductible
- ☞ OPCF 44 - \$1,000,000
- ☞ \$1,000 Collision deductible
- ☞ \$500 Comprehensive deductible

If collision and/or comprehensive are not offered, use a \$1,000 all perils deductible. If collision and comprehensive are offered, do not include the all perils rate below.

	Toronto (FSA M4Y)			London (N6A)			Sudbury (P3E)		
	Current	Proposed	% Rate Change	Current	Proposed	% Rate Change	Current	Proposed	% Rate Change
Liability - BI									
Liability - PD									
Direct Compensation - Property Damage									
Accident Benefits									
Uninsured Automobile									
Collision									
Comprehensive									
All Perils									
OPCF 44									
Total									

Territory

Appendix C

Class: _____
Driving Record: _____
Vehicle Rate Group: _____

Toronto (M4Y) _____
London (N6A) _____
Sudbury (P3E) _____