Bulletin

No. A-02/09
Property & Casualty
– Auto

Automobile Insurance 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 and consolidated guidelines to be used for filing changes to automobile insurance rates and risk classification systems, underwriting rules, forms, endorsements, and rate manual pages. FSCO is also releasing updated Technical Notes to assist insurers in preparing rate filings and underwriting rule filings. These filing guidelines and Technical Notes are effective immediately and supersede previous versions.

Updates to Current Filing Guidelines and Technical Notes

Changes to the filing guidelines have been reviewed with FSCO's Rating and Underwriting Technical Advisory Committee (RUTAC). A summary of changes to the existing guidelines is attached as Appendix A to this Bulletin.

Benchmark assumptions for rate filings, as outlined in the Technical Notes, have been updated based on recent industry experience and a review of commonly used assumptions in filings. We expect to post updated benchmarks semi-annually on FSCO's website.

Communication and timelines for rate filings

In an effort to improve transparency and accountability, FSCO is setting out some of the standards for review and approval of rate filings.

The following will be the typical points of communication with respect to major rate filings submitted:

- An acknowledgment letter will be issued upon receipt of filing;
- An "incomplete" notice will be issued where documentation or information is missing;
- A notice acknowledging receipt of sufficient information to begin the review will be issued;
- Technical questions, where necessary, will be issued;
- An Order should be expected within 60 calendar days of receipt of a complete filing, in the absence of notice to the contrary.

Approval standards can be impacted by the volume of filings FSCO receives at any one time, whether complete documentation is provided or responses to questions are fully answered, and the complexity of the filing.

We continue to encourage insurers to discuss with us significant changes they intend to propose to their risk classification systems, rates or methodologies. For example, a number of insurers have recently used General Linear Modelling approaches. Meeting with FSCO's actuarial, rates and classification staff in advance of a filing can facilitate greater understanding of the proposed changes, resulting in fewer questions and issues during the course of the filing and more timely filing approval. FSCO also communicates with insurers regarding issues that have arisen on filings. If such issues are addressed in a subsequent filing, the filing process will be smoother.

Forms Filing Guidelines

New guidelines have been developed to assist the industry with the requirements for the approval of non-standard forms. The Superintendent continues to approve standard forms (OPCFs) for use by insurers, and insurers can use these approved forms once the appropriate endorsement filing for rates and rules has been authorized.

Rate Manual Filing Guidelines

These new guidelines will also assist the industry in complying with the separate requirement to file an updated rate manual within 30 days of approval of any filing. A company is required to file one electronic copy of its rate manual with FSCO. It needs to contain the approved rates and risk classification system, including general rules, rating rules, definitions, discounts, surcharges, endorsement rates, and underwriting rules.

An insurer must always have a complete and comprehensive rate manual on file with FSCO. If an insurer fails to file its rate manual containing the final rates and rules within 30 days of approval of a filing, the insurer may be subject to regulatory action by FSCO.

CLEAR Filing Guidelines

The existing CLEAR filing guidelines are being reviewed in light of changes being considered by the Insurance Bureau of Canada to the CLEAR methodology to expand Accident Benefits rate groups. FSCO will review the methodology and its impact, once it is finalized. We are also examining the CLEAR filing guidelines based on current market conditions, and will release revised guidelines in due course.

Automated Rates and Classifications Technical Information Communication System (ARCTICS)

FSCO's web-based ARCTICS system is in full operation. The Appendices to the filing guidelines are expected to be available by April 6, 2009.

In 2008, close to 60 per cent of all filings were sent to FSCO using ARCTICS. This system benefits both insurers and FSCO by improving efficiency, communication and consistency. It is expected that in keeping with its objectives to improve service delivery, FSCO will eventually be requiring all insurers to file exclusively using the ARCTICS system. A Newsletter on ARCTICS is attached.

Submission of Risk Profiles

The vehicles used in risk profiles for both Private Passenger Automobile (PPA) filings and Other than PPA filings have been updated. Insurers are requested to file updated PPA profiles by May 15, 2009. For any PPA rate filings currently under review, insurers will have to resubmit the new profiles prior to approval.

For the Other Than PPA categories, FSCO will be contacting selected companies directly to provide updated profiles. The revised profiles for all categories are to be used for any submission received after these guidelines are effective.

Contact

Should you have any inquiries regarding this Bulletin, please contact your team lead/analyst in the Automobile Insurance Services Branch at FSCO.Company actuaries are also encouraged to contact FSCO's actuarial staff on actuarial requirements. Please note that this Bulletin, the Filing Guidelines and the Technical Notes are posted on FSCO's website at: www.fsco.gov.on.ca. Our website has been made more user-friendly by listing only the most current filing guidelines and Technical Notes in one location.

Bob Christie
Chief Executive Officer and
Superintendent of Financial Services

March 20, 2009

Attachments:

- Appendix A - Summary of Key Changes to Filing Guidelines and Technical Notes (PDF)
- ARCTICS Newsletter (PDF)

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