Automobile Insurance Filing Guidelines and Technical Notes

Bulletin

No. A-05/12
Property & Casualty
Auto

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

The Financial Services Commission of Ontario (FSCO) is releasing updated Private Passenger Automobile Filing Guidelines – Major and updated Technical Notes. These Filing Guidelines and Technical Notes are effective immediately and supersede previous versions.

FSCO has also released service standards for the review of private passenger automobile rate filings.

NOTE: The bulletins that are posted on this website are provided for historical reference purposes. The information in these bulletins is accurate on the date the information is published, but is subject to change and may be replaced by more recent bulletins.

An order that is made regarding a licence holder reflects a situation at a particular point in time. The status of a licence holder can change. Readers should check the current status of a person's or entity's licence on the **Licensing Link** section of FSCO's website. Readers may also wish to contact the person or entity directly to get additional information or clarification about the events that resulted in the order.

These bulletins may include forms that are no longer up-to-date or accurate. Readers should visit the **forms** section of the FSCO website, to ensure they are using the most recent version of a FSCO form.

Updates to 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 is attached as Appendix A to this Bulletin.

Benchmark Loss Cost Trends and Auto Reform Mapping Factors

FSCO regularly releases benchmark loss cost trends and auto reform mapping factors for information purposes based on the most recent Ontario Industry Private Passenger auto insurance data available. FSCO's revised Technical Notes include updated benchmark factors that are based on analysis of industry data, which is an average risk distribution for the industry.

FSCO reminds insurers that, due to the differences in risk distribution amongst insurers, the FSCO benchmark factors for auto reform may be too high for some insurers, and too low for others depending upon the mix of urban and rural risks. Therefore, companies should consider the differences in the distribution of their own portfolio risks compared to the industry when providing support for their selected reform mapping factors in their rate filings that FSCO will review.

Simplified Filing Process

If insurers are contemplating filings that result in a reduction or no change in rates to consumers, they may use the simplified filing process. Please refer to the Simplified Filing Guidelines posted on FSCO's website for information. Detailed actuarial information is not required and FSCO's review of such filings is expedited. There is also no limit to the number of simplified filings that can be submitted in one year.

Service Standards for Rate Filings

Continuous service improvement is one of FSCO's main priorities. FSCO works to continuously improve its performance throughout the organization in order to deliver its services in a cost efficient and effective manner. To support this priority, FSCO has been developing improved performance measures in order to establish service standards against which it can be judged in all the sectors it regulates.

The new service standards will be monitored to ensure that FSCO continues to deliver its services in a timely manner. The **new service standards** are posted on FSCO's website at **www.fsco.gov.on.ca/en/about/Pages/service_standards.aspx**.

FSCO has also launched a **webcast** to assist insurers with better understanding the rate filing process.

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.

Philip Howell
Chief Executive Officer and
Superintendent of Financial Services

October 9, 2012

Attachments:

1. **Appendix A - Summary of Changes to Filing Guidelines and Technical Notes**

© QUEEN'S PRINTER FOR ONTARIO, 2011 - LAST MODIFIED: OCT 09, 2012

Financial Services Commission of Ontario
5160 Yonge Street, Box 85
Toronto ON M2N 6L9

Commission des services financiers de l'Ontario
5160, rue Yonge
C.P. 85
Toronto ON M2N 6L9

Appendix A: Summary of Key Changes to Filing Guidelines and Technical Notes Rate and Risk Classification Filing Guidelines

- Added hotlinks at various places to allow links to FSCO Bulletins/Guidelines where referenced
- Reinforce that the Technical Notes form part of the Filing Guidelines, and are to be considered in conjunction with them where appropriate
- Added a revised description of Optional Accident Benefits to reflect reform changes
- Optional Accident Benefits and Tort Deductible (Appendix E) added to table of contents
- Reinforce that filings must be submitted electronically – reference to mailing address removed
- Updated to remove reference to "original signed authorized Certificate"
- Section 4 - Actuarial Support - Various changes of "should" to "must" to reflect completeness requirement
- All references now to Standard Accident Benefits
- Section 4.b.2. - Loss trend section updated
- Section 4.k.3. - revised to reinforce maps now obligatory for territorial changes
- Section 4.j. - revised rate group section to reflect more than one option
- Section 4.m.1. - revised indicated differential section to more clearly apply to pricing analytical methods
- Section 4.n. - updated rating based on group membership to reflect current definition in Regulation 664
- 12 rating examples required, revised from 11
- Appendix A - Additional questions added to summary of info 1.(g) through 1.(k) and 1.(m)
- Appendix A - Questions 15 and 15a added
- Appendix A - Q16 deleted
- Appendix B - Certificate of the Officer/Designate revised to reflect regulation change re: UDAP
- Appendix B - Certificate of the Actuary revised to add OAP 2
- Appendix E added as a new Appendix

Technical Notes to Rate Filings

- Sections reordered and renumbered to reflect concurrence with Filing Guidelines
- All references now to Standard Accident Benefits
- Hyperlinks added to the various filing Guidelines
- Added requirement to file annual anniversary rate capping reports
- Section D on reviewing rate adequacy revised
- Section E 1 on Loss Data revised
- Section E 3 Loss Trend revised
- Section E 6 on Reform Mapping Factors revised
- Section E 7 on Rate Group Drift revised to allow for drift on AB
- Section E 11 on Expenses revised
- Section E 22 Dislocation and Capping section edited