# Amendments to Automobile Insurance Rate Stabilization Act, 2003, Filing Requirements, Technical Notes and Benchmarks

**Bulletin**

**No. A-04/13**
Property & Casualty – Auto

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

Amendments to the Automobile Insurance Rate Stabilization Act, 2003 (AIRSA) were proclaimed in force effective August 16, 2013. The Financial Services Commission of Ontario (FSCO) is releasing updated Filing Guidelines and Technical Notes for automobile insurance rate and risk classification system filings to reflect these amendments.

This Bulletin outlines the new requirements for submitting applications for approval of private passenger automobile insurance rates and risk classification systems to FSCO.

**NOTE:** The bulletins that are posted on this website are provided for historical reference purposes.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.

## AIRSA

Section 2.1 of AIRSA establishes an industry-wide target reduction of 15 per cent in the average of the authorized rates that may be charged by insurers for private passenger automobile (PPA) insurance. The accompanying AIRSA regulation sets a 2-year time frame for the target reduction.

Section 7 of AIRSA authorizes the Superintendent to order insurers to file applications for approval of their rates and risk classification systems.

Section 2.1 (4) of AIRSA requires every insurer when filing an application to propose rates and a risk classification system that contribute adequately to the achievement of the 15 per cent industry-wide target.  Under section 2.1 (6), an insurer’s rates and risk classification system are presumed not to be just and reasonable if they do not contribute adequately to the achievement of the target.

## Required Filings for CLEAR

FSCO has recently finalized its review of the 2013 Canadian Loss Experience Automobile Rating (CLEAR) vehicle rate group methodology and risk classification system.  The Superintendent will issue Orders requiring each insurer to submit to FSCO a rate and risk classification system filing for private passenger automobile insurance that reflects the updated rate groups and complies with the Private Passenger Automobile Filing Guidelines – CLEAR Simplified as recently revised.  All such filings must be delivered to FSCO no later than September 13, 2013.  Failure to file by this deadline could result in enforcement action, including the imposition of an administrative monetary penalty.

Please note that this obligation of an insurer to file an application in accordance with the Private Passenger Automobile Filing Guidelines – CLEAR Simplified is separate and distinct from the insurer’s obligation to file an application in accordance with the PPA Filing Guidelines – Major if ordered to do so as noted below.

## Major Filings for Private Passenger Automobile Insurance

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The PPA Filing Guidelines – Major have been updated to reflect the AIRSA amendments. The Guidelines reflect the requirement in AIRSA section 2.1 (7) that insurers specifically identify rating elements and discounts that reward safe drivers. The revised PPA Filing Guidelines – Major also include clarification of, and detailed requirements for, territorial rating.

As noted above, section 7 of AIRSA authorizes the Superintendent to require an insurer to file an application for approval of its rates and risk classification system. If an insurer receives an order requiring it to file an application in accordance with the PPA Filing Guidelines – Major, the **major filing must be delivered to FSCO no later than the date set out in the order. Failure to file by the deadline could result in enforcement action, including the imposition of an administrative monetary penalty**.

Please note that the obligation of an insurer to file an application in accordance with the PPA Filing Guidelines – Major if ordered to do so is separate and distinct from the insurer's obligation to file an application in accordance with the Private Passenger Automobile Filing Guidelines – CLEAR Simplified as noted earlier in this Bulletin.

Please also note that FSCO will be processing CLEAR – Simplified filings first. For the purposes of preparing their Major filings, insurers may assume that their CLEAR – Simplified filings will be approved.

## PPA Simplified Filing Guidelines

In order to facilitate the filing of rate reductions, the PPA Filing Guidelines – Simplified have been revised. Insurers may use the simplified filing process described in the PPA Filing Guidelines – Simplified for filing discounts such as discounts for safe drivers, and for the use of winter tires.

## Filing Guidelines for Other Categories

Changes have also been made to the Other than PPA Filing Guidelines - Major and the Other than PPA Filing Guidelines - Minor to ensure consistency with the PPA Filing Guidelines – Major, where applicable.

## Technical Notes

FSCO has updated its Technical Notes to include revised benchmarks.

In addition, FSCO has updated its analysis of loss costs trends and auto reform adjustment factors based on Ontario industry private passenger data to December 31, 2012 from the Automobile Statistical Plan. Insurers are reminded that this analysis is based on the distribution of risks Ontario-wide. Insurers should consider the differences in the distribution of risks for their own portfolio as compared to the Ontario-wide analysis, in determining appropriate factors to use.

## Rate Profiles

The Insurance Bureau of Canada and the Canadian Auto Insurance Rate Regulators have worked together in determining a harmonized set of rate profiles to be used for rate filing purposes. Updated PPA rate profiles are included within the Filing Guidelines, and profiles must be submitted using the standardized Excel spreadsheets found on FSCO's website.

## ARCTICS

All insurers are required to use FSCO's electronic filing system – ARCTICS – when submitting rate and risk classification system filings. Changes are being made to ARCTICS to reflect the revised filing requirements.

## 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, Technical Notes and rate profiles are posted on

FSCO's website at **www.fsco.gov.on.ca**.

Philip Howell
Chief Executive Officer and
Superintendent of Financial Services

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