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Amendments to the Private Passenger Automobile Filing Guidelines – CLEAR Simplified, Other than Private Passenger Automobile Filing Guidelines – Major, Other than Private Passenger Automobile Filing Guidelines – Minor, and Technical Notes

Bulletin

No. A-01/15
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 – CLEAR Simplified, Other than Private Passenger Automobile Filing Guidelines – Major, Other than Private Passenger Automobile Filing Guidelines – Minor, and Technical Notes for automobile insurance rate and risk classification system 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NOTE: The bulletins that are posted on this website are provided for historical reference purposes.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.

Required Filings for CLEAR

FSCO has recently completed its review of the 2015 Canadian Loss Experience Automobile Rating (CLEAR) vehicle rate group methodology and risk classification system. Every insurer currently using CLEAR or a form of the CLEAR system as part of an approved risk classification system for private passenger automobile insurance is expected to submit to FSCO by February 27, 2015 a CLEAR Simplified filing with a revised rate and risk classification system that reflects the updated rate groups, complies with the Private Passenger Automobile Filing Guidelines – CLEAR Simplified, and is effective not later than July 1, 2015.

Failure to submit a filing by February 27, 2015 may result in the Superintendent issuing an Order under section 7 of the Automobile Insurance Rate Stabilization Act, 2003 (AIRSA) requiring the insurer to do so.

The Other than Private Passenger Automobile Filing Guidelines – Major and the Other than Private Passenger Automobile Filing Guidelines – Minor have also been updated to reflect the requirement in AIRSA subsection 2.1 (7) that insurers include elements in their risk classification systems that appropriately take into account safe driving history. The Other than Private Passenger Automobile Filing Guidelines – Major also include changes to the detailed requirements for territorial rating to differentiate these requirements from those set out in the Private Passenger Automobile Guidelines - Major.

Please also note that FSCO will be processing CLEAR Simplified filings on a priority basis between February 27, 2015 and approximately March 27, 2015. Other filings submitted during this period will be given secondary priority.

Technical Notes

FSCO has updated its Technical Notes (Exhibit 3) to include revised thresholds for the Other than PPA filing categories to reflect changes in premium volume and for consistency.

ARCTICS

All insurers must use FSCO's electronic filing system – ARCTICS – when submitting rate and risk classification system filings. FSCO is making changes to ARCTICS to reflect the revised filing requirements.

Contact

For 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**.

Brian Mills
Chief Executive Officer and
Superintendent of Financial Services (Interim)

January 30, 2015

Attachment:

- **Summary of Significant Changes**

Summary of Significant Changes

List of Changes to *Other than Private Passenger Automobile Filing Guidelines – Major*

A. GENERAL INFORMATION

- Added provisions from Regulation 7/00 *Unfair or Deceptive Acts or Practices* for ease of reference.
- Added provisions from Regulation 664 highlighting the prohibited rating criteria defined in the regulation.
- Added reference to *Technical Notes* as being considered part of guidelines.

B. DEFINITIONS

- Removed references to return on equity.
- Added definition of Underwriting Profit Provision.
- Added OPF 2 as category.

SECTION 2: SUMMARY OF INFORMATION

- Clarified information required in question 4.b. with respect to the exclusion of endorsement premiums and consistency of approach between filings.

SECTION 4: ACTUARIAL SUPPORT

- Removed requirement to supply territorial indications in situations where company not making territorial changes.

- 4.d. and 4.f. Unallocated Loss Adjustment Expenses - Clarified the treatment of ULAE and requirements for explanation of significant differences in expense provisions in rate filings as compared to GISA data.

- 4.g. Underwriting Profit Provision – added section and deleted Return on Equity section.

- 4. k. 1. - Removed requirement to supply territorial indications in situations where company not making territorial changes. Clarified requirements where changes are being proposed.

- 4.m.1. Indicated Differentials - Clarified requirements where general linear models and non-linear models are used.

- Clarified requirements where group discounts are being offered.

- 4.o. Usage-based Insurance Pricing (UBIP) programs – Clarified requirements for approved programs.

<u>SECTION 5: DISCOUNT/SURCHARGE CHANGES</u>

- Added statement that FSCO is unlikely to approve a filing where the proposed rate level change is based on an overstatement of estimated impact of the introduction of a new discount.

<u>SECTION 7: FINAL RATES</u>

- Clarified requirement for capping procedures.

<u>SECTION 10: RATING EXAMPLES</u>

- Clarified instruction on providing profiles.

<u>SECTION 12: OAB and Tort Deductible Changes</u>

- Clarified instructions on providing information where no change proposed.

<u>List of Changes to APPENDIX A: Summary of Information</u>

- Question 1. n) – added introduction or modification of a discount for safe driving.
- Question 1. o) – added example of other proposed changes – e.g., Usage-based Insurance.
- Added Questions 4.a. and b. to include current and proposed average rate.
- Modified Question 5 a) to include Filing Type.
- Revision to Question 8.a) to include ULAE provision.
- Revision to Question 8.b) to only capture expense information from P&C-1 and P&C-2 (not P/E and investment return).
- Revision to Question 9 to capture only target and proposed Underwriting Profit Provision information.
- Revision to Question 10 to capture only Investment Return on Cashflow (and not Investment Return on Equity).

List of Changes to *Other than Private Passenger Automobile Filing Guidelines - Minor*

- Changes made to General Information, Definitions and Summary of Information as in Major Filing Guidelines, Final Rates, Rating Examples and OAB and Tort Deductible Changes, where applicable.
- Appendix A – added territorial definition change and introduction of or modification of discount for safe driving, and current and average rate.

List of Changes to *Technical Notes* – Exhibit 3 only

- Revised thresholds for use with *Other than Private Passenger Automobile Filing Guidelines – Minor* including updated premium threshold for some categories.