

Amendments to the Private Passenger Automobile Filing Guidelines and Technical Notes

Bulletin

No. A-15/16

Property & Casualty – Auto

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

NOTE: The bulletins that are posted on this website are provided for historical reference purposes.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

The Financial Services Commission of Ontario (FSCO) is releasing **updated Private Passenger Automobile Filing Guidelines and Technical Notes** for automobile insurance rate and risk classification system filings.

The Technical Notes include revised benchmarks based on Ontario industry private passenger data to December 31, 2015, from the Automobile Statistical Plan.

Summary of Significant Changes

Filing Guidelines

A. General information

- Clarified that any deviation from the guidelines must be approved by FSCO in writing prior to receipt of the filing.
- Clarified that Reg. 664 now prohibits the use of a minor accident, as defined, in rating.

- Updated the required Rates and Risk Classification System Elements to reflect the auto insurance reform changes to optional benefits that came into effect on June 1, 2016, and the requirement to offer winter tire discounts.

B. Definitions

- Updated the definition of “fleet” to reflect the amendment made to include ridesharing networks.

Section 4: Actuarial support

- Clarified that territorial rate level indications must be provided even if a rate level change is proposed that does not vary by territory.
- Clarified that premiums and losses covered by policy endorsements should be excluded in submissions.
- Added details around the Automobile Insurance Reform Adjustment factors in 4.b.5.
- Clarified in Territorial Indications and Proposed Differentials in 4.k.3 for contiguous areas and the use of Canada Post Forward Sorting Areas or postal codes to create or define territories.
- Clarified the use of composite variables and the need to review them with all interdependent variables.
- Added requirement that insurers include appropriate impact of Usage-Based Insurance Pricing (UBIP) discounts on rate levels when these discounts are introduced.

Section 5: Discount/surcharge changes

- Clarified the need to file indicated differentials in a future filing if an insurer is unable to do so when it first introduced the discount.
- Added the requirement that the estimated impact of discounts or surcharges be supported by actual exposure distribution.

Technical Notes

- Included 2015/2016 Automobile Insurance Reform Benchmark Loss Cost Adjustment Factors to reflect recent auto insurance reforms.
- Clarified that approval of Usage-Based Insurance Pricing programs will be conditional until an insurer can provide appropriate actuarial support for their program.
- Updated the loss trends and the 2010 Reform Benchmark Loss Cost Adjustment Factors to reflect information from the Automobile Statistical Plan to December 2015.
- Updated the underwriting profit provision and discount rates for cash flow.

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.

Brian Mills
Chief Executive Officer and
Superintendent of Financial Services

October 21, 2016