

Financial Services Commission of Ontario

Bill 198 Simplified Filing Guidelines for Proposed Revisions to Automobile Insurance Rates and Risk Classification Systems

A. GENERAL INFORMATION

Provisions of Bill 198, *Keeping the Promise for a Strong Economy Act (Budget Measures)* and the *Statutory Accident Benefits Schedule* and the majority of the regulations will become effective October 1, 2003. Regulations pertaining to paralegals will become effective November 1, 2003. A Superintendent's Guideline on Professional Fees is also effective November 1, 2003. A regulation change that reduces the basic income replacement benefit from \$400 to \$300 is effective for new or renewal policies on or after January 1, 2004. Insurers are also required to offer consumers an optional income replacement benefit of \$400.

Insurers are to reflect the cost impact of auto insurance reform changes in their rate filings.

Filings

As a result of the auto insurance reform, insurers that write non-fleet automobile insurance on OAP 1 or OPF 2 must file for rate changes using these simplified filing guidelines. Insurers must have a rate in place for the \$400 optional income replacement benefit.

The conditions for filing other changes under this simplified format are:

- on an all coverages combined basis the rate change is a decrease;
- the rate change for a particular coverage must be applicable to each territory; and
- no changes to differentials or risk classification elements may be proposed.

The filing must be received by FSCO no later than September 30, 2003. If changes other than the above are being proposed, the insurer must use the standard Section 412 or Section 413 Filing Guidelines, as appropriate.

Filing Process

An insurer must provide a separate filing for each category of insurance that it writes if it intends to charge different rates or have a different risk classification system for each category.

Each filing should contain the following informational sections, in the order indicated below:

Section	Contents
1.	Table of contents
2.	Summary of information (Appendix A)
3.	Certificate of the Officer/Designate (Appendix B)
4.	Rating algorithm
5.	Base rates, differentials, and discounts/surcharges

6.	Dependent Categories (if applicable)
Section	Contents (CONT'D)
7.	Proposed manual pages
8.	Rating examples (Appendix C)

Upon receipt of a filing, each insurer will receive an acknowledgement letter from FSCO. The filing will then be reviewed for completeness based on these filing guidelines and the insurer will be informed of any information required to complete the filing. Until such time as a filing is complete, the time frames in the *Insurance Act* are not effective.

Once a filing is complete, FSCO will review the technical components of the application. FSCO may request further information from the insurer.

Filings should be submitted to:

Financial Services Commission of Ontario
Automobile Insurance Division
Rates and Classifications Branch
Box 85, 16th Floor
5160 Yonge Street
North York ON M2N 6L9

Once an insurer has received notification of approval or authorization from FSCO of its filing, it must file a copy of its rate manual, containing the revised rates with FSCO.

B. GUIDELINES

An insurer must provide a separate filing for each category of insurance that it writes. The format of the filing should be as follows:

SECTION 1: TABLE OF CONTENTS

The table of contents should list the page number of each section of the filing. The pages of the filing, including exhibits, should be numbered consecutively and dated.

SECTION 2: SUMMARY OF INFORMATION

The summary section contains certain key information on the nature of the filed rate level or risk classification system changes. The form to be used is attached to this document as Appendix A.

SECTION 3: CERTIFICATE OF THE OFFICER/DESIGNATE

Each filing must be accompanied by an original signed authorized Certificate of the Officer/Designate. A copy of the Officer/Designate form is attached as Appendix B. Authorized officers are the President, CEO, COO, CFO or Chief Agent for Canada. Alternatively, the President, CEO, COO, or CFO may authorize a designate to sign the Certificate of Officer/Designate. The Designate should be Vice-President rank or above.

SECTION 4: RATING ALGORITHM

Each insurer is required to file its rating algorithm for all coverages.

SECTION 5: BASE RATES, DIFFERENTIALS, AND DISCOUNTS/SURCHARGES

a. Base Rates

Each insurer must file current and proposed base rates for all coverages.

b. Differentials

Each insurer must file its current differentials for all coverages. Insurers must file proposed differentials for the optional income replacement benefit level of \$400.

c. Discounts and Surcharges

Each insurer must file its current discounts and surcharges. Insurers may not change discounts or surcharges under the simplified filing process.

SECTION 6: SECTION 413 DEPENDENT CATEGORIES

For those categories of automobile insurance that are dependent on the rate filing submitted, please provide the following:

- (i) the rate level effects of the proposed changes.
- (ii) the calculations that validate the rate level effect of the proposed changes,
- (iii) a copy of the rating rule that stipulates the linkage to the category of automobile insurance, and
- (iv) rating examples must be completed for the dependent category of automobile insurance. Rating examples are attached as Appendix C to the Section 413 filing guidelines.

SECTION 7: PROPOSED MANUAL PAGES CONTAINING RATES AND RISK CLASSIFICATIONS SYSTEM

Each insurer must file its proposed manual pages containing the proposed rates, discounts, surcharges, and rating rules (including definitions).

SECTION 8: RATING EXAMPLES

Each insurer must file with the FSCO the rating examples reflecting the rates it is proposing to charge. Please refer to the Standard Section 410 or 413 Filing Guidelines for a copy of the relevant rating examples and instructions for completion. Each insurer must file the rates for optional income replacement benefits as outlined in Appendix C.