

Financial Services Commission of Ontario

Private Passenger Automobile Filing Guidelines – CLEAR Simplified for Proposed Revisions to Automobile Insurance Rates and Risk Classification Systems

A. GENERAL INFORMATION

If an insurer is using the CLEAR rate group system or a form of CLEAR for assigning vehicle rate groups as part of their risk classification system, the insurer must submit a filing within two months of FSCO approval of the new tables as published by the Vehicle Information Centre (VIC).

Based on the CLEAR methodology, there is a natural rate group drift which takes into consideration the annual changes in the vehicle rate groups that are assigned and the additional premium that is collected as a result of policyholders replacing older vehicles for newer vehicles.

Insurers are required to submit a filing under one of the following processes:

1. Where an insurer has had a major rate filing with actuarial rate level indications, approved and with a renewal effective date in the nine months prior to FSCO's approval of CLEAR tables, the insurer is required to file updated vehicle rate group tables and profiles using the CLEAR Simplified Filing Guidelines; or
2. Where an insurer has not had a major filing with actuarial rate level indications approved with a renewal effective date in the nine months prior to FSCO's approval of CLEAR tables, the insurer must:
 - a) file, using these CLEAR Simplified Filing Guidelines, adjustments to base rates, updated vehicle rate groups and updated risk profiles, if the insurer uses the loss trends identified in the Technical Notes and the rate group drift as estimated by the IBC; or
 - b) file, using the Major Filing Guidelines, adjustments to base rates, updated vehicle rate groups and updated risk profiles, providing detailed actuarial assumptions to arrive at the base rate adjustments.

Filings

The conditions for filing under this format are:

- Base rate change to physical damage coverages only, not due to off-balancing differential or discount changes, that is uniform by territory (to take into account rate group drift).
- No changes to territorial relativities.
- No other changes to differentials or risk classification elements.
- No changes to discounts, surcharges and rating rules.
- No changes to the rating algorithm.

Filing Process

The CLEAR Simplified 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.	Actuarial support
7.	Dependent categories (if applicable)
8.	Proposed manual pages
9.	Rating examples (Appendix C)

FSCO may request further information from the insurer, other than that specified above.

Filings should be submitted to:

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

Filings can also be submitted through the Internet via the Automated Rates and Classifications Technical Communication Information System (ARCTICS), provided the Insurer is registered with FSCO for access to this system.

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, in hard copy and electronic format (e-mail or CD), with FSCO within 30 days of the approval of the filing.

B. GUIDELINES

These guidelines are for the Private Passenger Automobile (PPA) category only. The format of the filing should be as follows:

SECTION 1: TABLE OF CONTENTS

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

SECTION 2: SUMMARY OF INFORMATION

The summary section contains certain key information on the nature of the proposed rate level. 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 must be Vice-President rank or above. A copy of the authorization letter should be attached with the Certificate of Officer.

SECTION 4: RATING ALGORITHM

Each insurer is required to file its rating algorithm for all coverages, including the application of discounts and surcharges, 6-month policy and Optional Accident Benefits calculations.

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

a. Base Rates

Each insurer must file current and proposed base rates for all coverages (Note – only changes to physical damage coverages are to be made).

b. Differentials

Each insurer must file its current differentials for all coverages.

c. Discounts and Surcharges

Each insurer must file its current discounts and surcharges for all applicable coverages.

SECTION 6: ACTUARIAL SUPPORT

Only if the benchmarks outlined in Appendix D are not used must this section be completed. For insurers not using the benchmark, you must provide support including any differences in distributional data or loss trend assumptions.

SECTION 7: OTHER THAN PRIVATE PASSENGER AUTOMOBILE - 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.
- (iv) Rating examples must be completed for the dependent category of automobile insurance. Rating examples can be found as part of the Other than Private Passenger Automobile Filing Guidelines, Appendix C.

SECTION 8: PROPOSED MANUAL PAGES CONTAINING RATES AND RISK CLASSIFICATION SYSTEMS AND THE VEHICLE RATE GROUP TABLES

A draft set of manual pages containing all proposed rating rule changes or definition changes must be provided in the filing. A draft set of rate manual pages that contains the rates by territory and class, driving record, etc. is optional at the time of submitting the filing. This includes updated vehicle rate group tables. Any proposed changes to the manual pages should be denoted by a side bar (|).

A final set of manual pages in **hard copy and electronic format (e-mail or CD)** containing the approved rates and risk classification system must be submitted within 30 days after approval of the rate filing. A cover page must be provided referencing the approved filing as well as contact information. The entire rate manual must always be submitted. The files submitted electronically should be organized in a logical order and labelled descriptively. All rate manual pages must include the date of print, effective dates of proposed rates and page numbers, accordingly.

SECTION 9: RATING EXAMPLES

Each insurer must file with FSCO the rating examples reflecting the rates it is proposing to charge. Please refer to the *Private Passenger Automobile Major Filing Guidelines - Appendix C* for the rating examples.

Company Name: _____
Group Name: _____
Category of Insurance: _____

SUMMARY OF INFORMATION

1a. Describe the proposed changes by checking either of the two selections below that apply to this filing:

- Base rate change to physical damage coverages only, not due to off-balancing differential or discount changes, that is uniform by territory (to take into account rate group drift) and Vehicle Rate Group Table Update, or
- Vehicle Rate Group Table Update only

1b. Which CLEAR table are you proposing to use:

- IBC CLEAR Table
(Separate rate groups for DCPD, Collision and Comprehensive)
- IBC CLEAR-Combined Table A
(Combined rate group for DCPD & Collision and separate rate group for Comprehensive)
- IBC CLEAR-Combined Table B
(Combined rate group for DCPD, Collision and Comprehensive)
- IBC CLEAR Table with modifications (please describe):

1c. Indicate the year of the CLEAR table that is currently in use.

Current Table: _____

2. Proposed effective date for **new** policies: _____

Proposed effective date for **renewal** policies: _____

3. Indicate the distribution of risks by policy term:

3 month	_____	%
6 month	_____	%
12 month	_____	%
Other	_____	%
Total	_____	%

Appendix A

4. Please state the proposed rate level changes and premium weights using direct written premiums that have been adjusted for previous rate changes. (If direct written premiums are not available, please use direct earned premiums.)

Please indicate whether the changes by coverage are weighted by written or earned premiums by placing a checkmark (✓) in the appropriate box, and state the source and date of data.

direct written premium

direct earned premium

Source of Data: _____

Date of Data: _____

<u>Coverage</u>	<u>Proposed Rate Level Change (if applicable)</u>	<u>Direct Written (or Earned) Premium \$000</u>	<u>Weights (if applicable)</u>
Liability - Bodily Injury			
Liability - Property Damage			
Accident Benefits			
Uninsured Automobile			
Direct Compensation - Property Damage	%		
All Compulsory Coverages	%		
Specified Perils	%		
Comprehensive	%		
Collision or Upset	%		
All Perils	%		
OPCF 44R			
All Optional Coverages	%		
All Coverages Combined	%		100.00%

Appendix A

5a. State the dates and rate level change percentages that were effective for renewal business in the last 12 months (please round the figures to two decimals):

Effective Date for Renewal Business				
<u>Coverage</u>	<u>1st Prior Change</u>	<u>2nd Prior Change</u>	<u>3rd Prior Change</u>	<u>4th Prior Change</u>
Liability - Bodily Injury	%	%	%	%
Liability - Property Damage	%	%	%	%
Accident Benefits	%	%	%	%
Uninsured Automobile	%	%	%	%
Direct Compensation - Property Damage	%	%	%	%
All Compulsory Coverages	%	%	%	%
Specified Perils	%	%	%	%
Comprehensive	%	%	%	%
Collision or Upset	%	%	%	%
All Perils	%	%	%	%
OPCF 44R	%	%	%	%
All Optional Coverages	%	%	%	%
All Coverages Combined	%	%	%	%

5b. State the *Average Cumulative Rate Change* for all coverages. It is based on the *All Coverages Combined Proposed Rate Level Change* (as stated in the response to question 4) and the *All Coverages Combined Rate Level Change(s)* (as stated in the response to question 5a), that occurred within the 12 months before the proposed rate change is expected to be effective for renewal business.

The *Average Cumulative Rate Change* for all coverages is: _____%.

Appendix A

5c. Provide the Earned Incurred Loss Ratios for the physical damage coverages for the latest three accident years. Indicate the source.

Source: _____

<u>Coverage</u>	Accident Year (please insert years)		
Direct Compensation - Property Damage	%	%	%
Specified Perils	%	%	%
Comprehensive	%	%	%
Collision or Upset	%	%	%
All Perils	%	%	%

5d. If the rate group drift and loss trends in Appendix D are used, please check here:

Otherwise, provide the following information regarding the rate group drift used for this filing and the selected future loss trends, if they deviate from the benchmarks (if applicable):

Coverage	Rate Group Drift	Future Loss Trends
Direct Compensation – Property Damage	%	%
Specified Perils	%	%
Comprehensive	%	%
Collision or Upset	%	%
All Perils	%	%

Appendix A

6. State other categories of automobile insurance that are affected by the proposed rate change (if applicable) for private passenger automobile insurance (e.g., motorhome rates that are dependent on private passenger rates), and the rate level change percentage (as per section 7 of the Private Passenger Automobile CLEAR Simplified Filing Guidelines). All changes must be based solely on the changes associated with the dependent category.

Dependent Category (check where applicable)	Filing included with this submission	If not included - state the expected filing date	Rate Level Change impact for each category (%)
Personal Vehicles - Motorcycles	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Personal Vehicles - Motorhomes	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Personal Vehicles - Trailers and Camper Units	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Personal Vehicles - Off-Road Vehicles	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Personal Vehicles - Motorized Snow Vehicles	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Personal Vehicles - Historic Vehicles	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Commercial Vehicles	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Public Vehicles - Taxis and Limousines	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Public Vehicles - Other Than Taxis and Limousines	<input type="checkbox"/> Yes <input type="checkbox"/> No		
	<input type="checkbox"/> Yes <input type="checkbox"/> No		
	<input type="checkbox"/> Yes <input type="checkbox"/> No		

7. Individual to whom questions concerning this filing may be addressed:

Name: _____

Title: _____

Company: _____

Address: _____

Phone No.: _____

Facsimile No.: _____

E-mail Address: _____

CERTIFICATE OF THE OFFICER/DESIGNATE

I, _____ , _____
(Name of Officer) *(Office held: President, CEO, COO, CFO, or Chief Agent for Canada)*
of _____ (the “Insurer”)
(Official Name of Company)

CERTIFY THAT:

1. The filing has been prepared for the Personal Vehicles - Private Passenger Automobile category of insurance to be effective as of _____ for new business and _____ for renewal business.
(Date of Implementation) *(Date of Implementation)*
2. I have knowledge of the matters that are the subject of this certificate.
3. The changes requested are in compliance with the Private Passenger Automobile – CLEAR Simplified Filing Guidelines requirements.
4. The information and each document contained in the filing accompanying this certificate are complete and accurate in all material respects.
5. I have satisfied myself that the proposed rates are just and reasonable, do not impair the solvency of the Insurer, and are not excessive in relation to the financial circumstances of the Insurer.
6. If the filing is approved, all premiums (including all fees, discounts, surcharges and other components comprising such premiums) quoted and charged by the Insurer will at all times and in all material respects accurately reflect and conform to the filing as approved, whether such premiums are calculated manually or otherwise.
7. I have informed myself as to the Insurer’s business systems and processes and confirm that any system or process changes that may be required to enable the Insurer to comply with paragraph 6 above will be adequately tested in advance and fully communicated to staff and intermediaries and implemented by the Insurer in a timely manner.

Signature of Officer

Date, Location

The vehicle rate group benchmarks will be updated and released once the 2007 CLEAR rate group table is approved by FSCO. The release date is expected in February 2007.