

Approach



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Standard Filing

Purpose

This Approach communicates FSRA’s principles, processes and practices related to applications for approval of private passenger automobile insurance rates and risk classification systems under the [Automobile Insurance Rate Stabilization Act, 2003](#).

Scope

This Approach applies to insurance companies writing private passenger automobile insurance that elect to use FSRA’s Standard Filing process.

Rationale and Context

FSRA identified streamlining the automobile insurance rate regulation process as one of its priorities for 2019-20. This Approach implements principles-based changes to the process that will establish a modified “*file and use*” approach to reduce regulatory burden and create better outcomes for consumers.

Principles

FSRA developed principles that will form the basis for its approach to automobile insurance rate regulation in collaboration with the [Rate Regulation Advisory Group](#). FSRA will evaluate how insurers use these principles in their businesses as part of its monitoring of the automobile insurance system.

Automobile Insurance Rate Regulation Principles

- Consumer Focus
- Sustainability
- Transparency & Disclosure
- Simplicity
- Responsiveness
- Innovation

[Appendix 1](#) includes further details regarding the principles

Process and Practices

Standard filing eligibility

FSRA will consider Standard Filings that meet the conditions outlined below.

<p>Overall Rate Level Change</p>	<p>The proposed overall rate level change is less than or equal to 5.0% calculated on a capped and uncapped basis.</p>
<p>Customer Impact</p>	<p>The Standard Filing’s proposed changes do not result in a rate increase of more than 15.0% (based on a static book) to any one customer at renewal.¹ Insurers may use capping to meet this requirement.</p>
<p>Major Filing</p>	<p>FSRA has approved a Major Filing within the last three years of the submission date of the Standard Filing.</p>
<p>Past Approvals</p>	<p>An insurer may submit Standard Filings as frequently as required provided that:</p> <ul style="list-style-type: none"> • the cumulative combined overall rate level change for all approved Standard Filings does not exceed 5.0% in any 12 month period and • the cumulative combined effect of all approved Standard Filings does not result in a rate increase of more than 15.0% in any 12 month period to any one customer at renewal.

Permitted and prohibited changes in standard filings

Permitted Changes	Prohibited Changes
<ul style="list-style-type: none"> • Change base rates • Change differentials • Add and delete rating variables* • Change, add and delete rating rules* • Change, add and delete discounts • Change, add and delete surcharges* • Modify a UBI program • Update the CLEAR vehicle rate group table • Change, add or delete fees • Change Optional Accident Benefit rates • Make changes to algorithms to support changes • Change, add or delete capping 	<ul style="list-style-type: none"> • Change territorial definitions • Introduce new rating models²

* newly added variables, rules and surcharges must already be approved for use in Ontario in order to be considered through a Standard Filing.

Submitting a standard filing

Insurers must submit Standard Filings through FSRA’s [Automated Rates and Classification Technical Information Communication System \(ARCTICS\)](#). In advance of submitting a Standard Filing, an insurer may contact its FSRA analyst to seek clarification regarding how specific proposed changes will be treated in the Standard Filing process.

Submitting filing contents

Section Heading	Description	Filing Appendix ³
Cover Letter	Summarize all proposed changes.	-
Summary of Information	Provide overview of key information from the filing.	A
Certificate of the Officer/Designate and Certificate of the Actuary	Complete and sign the Certificate of the Officer/Designate and Certificate of the Actuary. An officer may delegate his or her authority to a direct report at the executive level.	B1 and B2 ⁴
Rating Algorithm	Provide the current and proposed rating algorithm and highlight changes.	-
Base Rates, Differentials, Discounts and Surcharges.	Provide the current and proposed base rates, Optional Accident Benefit rates, differentials, discounts and surcharges. Include a rationale for each change. Include information in Excel format where relevant.	-
Rating Rules	For rating rule changes, provide a description that includes the rationale for the proposed changes and the calculation of the rate level impact. Include the expected change in distribution information resulting from the changes.	-

Final Rates	Provide the rate level impact calculation for each proposed change and all proposed changes combined at the coverage level and at the all coverages combined level. Include information in Excel format.	-
Dependent Categories	Provide the rate level effects of the proposed changes, the calculations that validate the rate level effect of the proposed changes, and a copy of the rating rule that stipulates the linkage to the category of automobile insurance.	-
Rating Examples	Submit rating examples reflecting the proposed rates.	C ⁴
Fees	List all proposed changes to fees.	D
Optional Accident Benefits	Provide Optional Accident Benefits information for the most recent accident year.	E
Filing Checklist (Optional)	The checklist is an optional tool insurers may use to ensure a filing meets all the Standard Filing requirements.	F ⁴

Service standards and approval process

In administering the process for reviewing and approving Standard Filings, FSRA will follow the service standards set out below.

Item	Service Standard
Filing Submitted	FSRA will send an acknowledgement when an insurer has successfully submitted a filing.
Notice of Eligibility	FSRA will provide notice within 5 business days that a filing is eligible and complete.
Decision on Filing	FSRA will notify the insurer of its decision within 25 business days after submission of the filing. If FSRA does not provide notice of a decision regarding a Standard Filing within 25 business days, it will consider the filing approved and will provide notice of approval.

FSRA will retain full discretion over Standard Filings. It may require an insurer to submit a Major Filing in place of a Standard Filing, or reject a Standard Filing outright, for any reason before the deemed approval date. In either case, FSRA will provide the rationale for its decision in writing.

Effective Date and Future Review

This Approach becomes effective on October 9, 2019. The latest possible date for FSRA to initiate a review of this Approach will be October 9, 2024.

Appendices and References

Appendices

- [Appendix 1: Rate Regulation Principles](#)

References

- [ARCTICS](#)
- [Private Passenger Automobile Filing Guidelines – Major](#)

About this Guidance

Approach documents describe FSRA's internal principles, processes and practices for supervisory action and application of CEO discretion. They do not, of themselves, create compliance obligations.

Appendix 1: Rate Regulation Principles

1. Consumer Focus

1.1 Risk-Based

FSRA focuses its regulatory resources on outcomes for consumers and monitoring market health.

FSRA's regulatory guidance, directions and decisions are transparent, anchored in public policy objectives and proportionate to the objectives that they intend to achieve.

FSRA reviews and assesses the outcomes of regulatory guidance, directions and decisions against policy objectives.

1.2 Competition & Choice

Insurers are able to bring forward new business or pricing models that create more choice for the consumer and a more competitive marketplace.

1.3 Accountable

Insurers are accountable for their business, business practices, pricing models and related inputs.

1.4 Fair

Rating models are free of bias and unfair discrimination as defined by public policy objectives.

2. Sustainability

2.1 Adequate

FSRA's rate regulation framework provides for a rate adequate market with an expectation that insurers effectively manage claims costs and expenses.

The marketplace supports competition, consumer choice and innovation.

2.2 Evidence-Based

Insurers attribute the costs resulting from physical damage and injury claims to those generating the expense.

Pricing decisions are actuarially sound, and supported by appropriate evidence and sound business decisions.

Evidence-based pricing provides a signal to consumers, markets and stakeholders about the underlying risk and creates an incentive for risk mitigation.

3. Transparency & Disclosure

3.1 Open

FSRA publicly discloses its guidance, standards and the public policy basis for rate regulation.

Rating models, including those employing advanced methods (such as machine learning and artificial intelligence), are subject to accepted governance practices and available for regulatory review.

	<p>3.2 Comprehensible FSRA’s guidance processes and standards are clear and consistent. Insurers know how to meet regulatory requirements.</p> <p>Factors which impact individual premiums and changes to that premium over time are explainable to the consumer.</p>
<p>4. Simplicity</p>	<p>4.1 Low Burden Rate regulation requirements are proportionate to the rates and risk classification systems proposed. FSRA’s oversight will focus on outputs (price) over inputs, costs and methodology. Regulatory guidance, direction and decisions are consistent with the objective of enabling a competitive marketplace and consistent with stated public policy objectives.</p> <p>4.2 Consistent The basis for FSRA’s decisions is reasonable, consistent and understood.</p>
<p>5. Responsiveness</p>	<p>5.1 Collaborative FSRA engages with, and encourages, stakeholder input to facilitate continuous improvement of the rate regulation framework.</p> <p>5.2 Timely Insurers receive timely decisions from FSRA and understand how FSRA prioritizes its work.</p>

6. Innovation

6.1 Modern

FSRA's rate regulation framework permits experimentation that benefits consumers by providing greater choice, convenience and ease of use.

The regulatory framework is flexible and adaptable to technological changes and consumer needs.

FSRA applies risk-based principles to monitor and address the impact of new products and models.

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¹ Exposures (vehicles, drivers or policies) are acknowledged as a reasonable measure for customer impact.

² e.g. Generalized Linear Models, Generalized Additive Models, Decision Trees, Machine Learning, etc.

³ Filing appendices are available through ARCTICS.

⁴ Refer to the Help Screen in ARCTICS for these appendices.