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An Administrative Lapse or a Suspension of a Driver's Licence

FSRA is actively reviewing all FSCO regulatory direction, including but not limited to forms, guidelines and FAQs.

Until FSRA issues new regulatory direction, all existing regulatory direction remains in force.



Bulletin

No. A- 04/06
- Auto
Property & Casualty

[To the attention of all insurance companies licensed to transact automobile insurance in Ontario]

With this Bulletin, the Financial Services Commission of Ontario (FSCO) is describing its policy on the use, for underwriting purposes, of an administrative lapse or a suspension of a driver's licence, where the lapse or suspension is not connected to driving offence convictions.

Insurers may continue to use suspensions as a result of a driving offence conviction as currently filed.

An Administrative Lapse or a Suspension of a Driver's Licence

An administrative lapse or a suspension of a driver's licence is a documented driver's licence lapse for administrative or medical reasons that are not connected to driving offence convictions. Reasons can include non-renewal or expiry of a driver's licence due to a consumer's oversight, temporary medical conditions, unpaid parking tickets, outstanding support payments to the Family Responsibility Office or outstanding payment to the Motor Vehicle Accident Claims Fund. An Administrative Driver's Licence Suspension (ADLS) is also considered an administrative lapse because there is no driving offence conviction connected with the suspension. The new policy is to ensure that future rating of short term administrative lapse or suspension of a driver's licence is supported by actuarial evidence.

Risk Classification Systems

If the length of an administrative lapse or suspension of a driver's licence is under one year, an insurer is

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not permitted to use the lapse or suspension in its risk classification system. For example, an administrative lapse or suspension of a driver's licence for less than one year must not affect an individual's driving record or the number of years licensed for the purposes of rating.

When the length of an administrative lapse or suspension of a driver's licence is between 12 and 36 months, an insurer is permitted to use the lapse or suspension as part of its risk classification system. However, the insurer must submit a rate filing with actuarial evidence to FSCO justifying the proposed rating rules. The rate filing will be subject to the normal review and approval process. Otherwise, use of an administrative lapse or suspension of a driver's licence between 12 and 36 months will not be permitted for the purposes of rating.

If the length of an administrative lapse or a suspension of a driver's licence is more than 36 months, an insurer is permitted to file rules to use the lapse or suspension of a driver's licence as part of its risk classification system without additional actuarial evidence although the rules must meet the statutory criteria for approval. For example, an insurer may consider the period of time during which the licence has lapsed or been suspended for the purposes of rating.

Years Licensed During Administrative Lapse or Suspension

During an administrative lapse or suspension, the number of years the driver is considered to be licensed does not increase. For example, a driver who has been licensed for four years and then has an administrative lapse of two years would be considered as having been licensed for four years.

Underwriting Rules

With respect to the use of administrative lapse or a suspension of a driver's licence in underwriting, it is FSCO's position that the length of time and the frequency of administrative lapses of a driver's licence should not be considered at all. The only exception is where the named insured and all drivers listed on a policy are unlicensed for any reason, including an administrative lapse. An application or renewal may be refused on these grounds where the rule has been filed with FSCO.

Filings Required

Insurers currently using administrative lapses or suspensions of drivers' licences as part of their underwriting rules and risk classification systems are required to review their current practices immediately. If this review reveals that the insurer's current underwriting rules and/or rating rules are not consistent with this bulletin, the company is required to file new underwriting rules and/or rating rules to ensure that they are consistent with this bulletin.

Filings must be submitted to FSCO for review and approval no later than October 16, 2006.

Contact Information

Should you have any questions, please contact your rate analyst in the Automobile Insurance Services Branch in FSCO.

Bob Christie
Chief Executive Officer and
Superintendent of Financial Services
August 18, 2006

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