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.

Other than Private Passenger Automobile Filing Guidelines - Minor

A. General Information

Rate and Risk Classification System Legislation

Sections 410 to 417 of the Insurance Act (the *Act*), R.S.O. 1990, Chap. I.8, as amended, set out certain requirements pertaining to rates and risk classification systems for automobile insurance. The Automobile Insurance Rate Stabilization Act, 2003, as amended (AIRSA) applies to insurers and contracts of automobile insurance with respect to the Personal Vehicles — Private Passenger Automobile category of automobile insurance. As stated in Regulation 664, sections 410 to 417 of the Act apply to contracts and endorsements to contracts of automobile insurance on Ontario Automobile Policy (OAP1) or Ontario Driver's Policy (OPF 2), but do not apply to contracts insuring "fleets". (Please refer to Regulation 664 for the definition of fleet.)

For the purposes of these Filing Guidelines and the associated Technical Notes, the terms "FSCO" and "Superintendent" are used interchangeably to mean "the Superintendent of Financial Services".

Regulation 7/00 Unfair or Deceptive Acts or Practices outlines prohibited factors for rating of automobile insurance. Regulation 664 further outlines those criteria that are prohibited for the rating of automobile insurance in Ontario. Pursuant to section 16 of Regulation 664, insurers are prohibited from using the following elements in a risk classification system for classifying risks for any coverage or category of automobile insurance:

1. Past claims arising out of accidents occurring on or after September 1, 2010 for which an insured person was 25 per cent or less at fault.
2. The existence or non-existence of a medical, surgical, dental or hospitalization plan or any other arrangement or plan providing coverage to a person who would be an insured person under the contract for services and treatment that the insurer would otherwise be required to pay for under the Statutory Accident Benefits Schedule.
3. The existence or non-existence of an income continuation plan, a sick leave plan or any other arrangement or plan providing coverage to a person who would be an insured person under the contract for benefits that the insurer would otherwise be required to pay for under the Statutory Accident Benefits Schedule.

Scheduled Online Service Disruption Notice

Please consult our **outage schedule** for more details.

4. A lapse in automobile insurance coverage unless,
   a. the insured person contravened section 2 of the Compulsory Automobile Insurance Act during the lapse in coverage; or
   b. the lapse of coverage resulted directly or indirectly from,
      i. the termination of a policy of automobile insurance as a result of the insured person's failure to pay the premiums due under the policy,
      ii. the suspension of the insured person's driver's licence as a result of a conviction for an offence related to the use or operation of an automobile, or
      iii. an accident or a conviction for an offence related to the use or operation of an automobile, if the insured person did not inform the insurer of the accident or conviction and the accident or conviction would likely have led to the insured person being charged a higher premium.

Regulation 664 goes on to indicate that, except as permitted under subsection 16(5), no element of a risk classification system shall use any of the following factors:

1. The level of income of a person who would be an insured person under the contract.
2. The employment history of a person who would be an insured person under the contract.
3. The occupation, profession or employment circumstances of a person who would be an insured person under the contract, unless the contract is in respect of a commercial vehicle or a public vehicle or a vehicle used in the course of carrying on a business, trade or profession.
4. The fact whether a person who would be an insured person under the contract has a credit card.
5. The credit history of a person who would be an insured person under the contract.
6. The credit rating of a person who would be an insured person under the contract.
7. The fact whether a person who would be an insured person under the contract is bankrupt or has a history of bankruptcy.
8. The residence history of a person who would be an insured person under the contract.
9. The fact whether a person who would be an insured person under the contract owns a home.
10. The gross or net worth of a person who would be an insured person under the contract.
11. The indebtedness of a person who would be an insured person under the contract.
12. The fact whether a person who would be an insured person under the contract has made premium payments that were late or dishonoured in respect of a contract of automobile insurance that was not terminated by reason of the late or dishonoured payments.
13. A minor accident that occurred on or after June 1, 2016.

Regulations 7/00 and 664 should be reviewed when preparing automobile insurance rate filings in order to ensure compliance with the Regulations.

Proposed changes to rates and risk classifications for Private Passenger Automobile (PPA) insurance are subject to:

- the **simplified** filing guidelines (refer to the **PPA Filing Guidelines - Simplified**) where the filing changes satisfy the criteria established by the Superintendent (refer to Exhibit 1 of the Technical Notes),
- the CLEAR simplified filing guidelines for filing changes to vehicle rate groups; refer to the **PPA Filing Guidelines - CLEAR** Simplified or
- the **major** filing requirements (refer to the PPA Filing Guidelines - Major).
- Proposed changes to rates and risk classifications for Non-PPA Automobile insurance are subject to:
- the major filing requirements (refer to the **Other than PPA Filing Guidelines - Major**), where the filing is the initial application for the category, or the insurer satisfies the criteria established by the Superintendent (refer to Exhibit 3 of the Technical Notes) or where FSCO considers it appropriate in the circumstances; or
- the **minor** filing requirements (refer to the **Other than PPA Filing Guidelines - Minor** in all other cases.

Filing Requirements

The legislation provides that an application for authorization of rates and a risk classification system shall be in a form approved by the Superintendent and shall be filed together with such information, material and evidence as the Superintendent specifies. In general, the Other than Private Passenger Automobile Filing Guidelines – Minor are to be used for filings for rates and risk classification systems that are not subject to the **Private Passenger Automobile Filing Guidelines** or the **Other than Private Passenger Automobile Filing Guidelines - Major.** Where FSCO considers it necessary, an insurer may be required to file full actuarial indications and documentation in accordance with the **Other than Private Passenger Automobile Filing Guidelines - Major**. An insurer that is filing rates for the first time for a category other than private passenger auto must use these Guidelines.

The purpose of the Other than Private Passenger Automobile Filing Guidelines - Minor is to communicate to insurers the requirements of FSCO for filings for rate and risk classification systems that do not qualify under any other filing guideline, and to provide a systematic approach through which insurers may provide that information and thus facilitate the process of preparing as well as reviewing these filings.

There are separate guidelines for changes to private passenger automobile insurance rates and risk classification systems (refer to the **Private Passenger Automobile Filing Guidelines**). In the case where the rating structure of a category of automobile insurance required to be filed under legislation is dependent upon the insurer's private passenger automobile rates, complete Section 8 under the **Private Passenger Automobile Filing Guidelines**.

There are also separate filing guidelines for filing changes to endorsement rates (other than OPCF 44R) and for filing changes to fees. Refer to the Endorsement Filing Guidelines.

Affiliated Insurers

An insurer is considered to be affiliated with another insurer if one insurer is the subsidiary of the other or both are subsidiaries of the same body corporate or each of the insurers is controlled by the same person [s. 414 (3)].

The Superintendent may require that affiliated insurers who write automobile insurance to file applications for approval of risk classification systems and rates concurrently [s. 414 (1)]. When deciding upon an insurer's application, the Superintendent may consider the risk classification systems and rates of its affiliates [s. 414 (2)]. The intent of these provisions is that the Superintendent would be able to look at the consolidated picture of the affiliated insurers in determining whether the risk classification system and rates meet the statutory tests.

All criteria used to determine whether an individual receives coverage from an affiliated insurer and/or affect the rates charged to an individual must be filed for approval with the Superintendent. Any process or criteria used for segmentation of business between the affiliated companies must be in compliance with the legislation and its regulations. FSCO will examine the net impact on the consumer who applies for insurance to the affiliated group in applying the statutory standards.

Section 2(1) of Ontario Regulation 7/00 defines the following as an unfair or deceptive act or practice:

> 8. When, in connection with a request for a quotation for automobile insurance or an application for automobile insurance made to an affiliated insurer, or an offer by an affiliated insurer to renew an existing contract of automobile insurance, such a person fails to provide the lowest rate available from the insurer or any of the insurers with which it is affiliated in accordance with,
>
> i. their declination grounds, and
>
> ii. their rates and risk classification systems as approved under the Act or the Automobile Insurance Rate Stabilization Act, 2003.

Required Rates and Risk Classification System Elements

In order for an application to be approved, insurers must have filed rates and risk classification systems for the following:

- Optional accident benefits as set out in the Statutory Accident Benefits Schedule (SABS). Insurers must offer and file the rates and risk classification system for **all categories of automobile insurance** for the "Optional Accident Benefits" as follows:
    - combined medical rehabilitation and attendant care benefit of $130,000;
    - combined medical rehabilitation and attendant care benefit of $1 Million for non-catastrophic injuries;
    - catastrophic benefit of additional $1 Million;
    - caregiver benefit of up to $250 per week for first dependant plus up to $50 per week

per additional dependant for non-catastrophic injuries, and housekeeping and home maintenance benefit of up to $100 per week for non-catastrophic injuries;

- dependant care benefit of up to $75 per week for first dependant plus up to $25 per week per additional dependant, to maximum of $150 per week;
- increased income replacement benefits;
- increased death and funeral benefits;
- indexation benefit.

- Added Coverage to Offset Tort Deductible Endorsement (OPCF 48)
- A $500 deductible for Comprehensive coverage and a $500 deductible for Direct Compensation - Property Damage (DC-PD) coverage and Collision or Upset coverage. These deductible levels must be established for **all categories of automobile insurance** though an insured may choose to purchase higher or lower deductibles.

Filing Format

Subject to the guidelines set forth in Section C, the filing should contain the following informational sections in this order:

1. Table of Contents
2. Summary of Information (Appendix A) – refer to ARCTICS
3. Certificate of the Officer/Designate (Appendix B)
4. Base Rates and Differential Changes
5. Discount/Surcharge Changes
6. Rating Rule Changes
7. Final Rates/Rate Level Change
8. Dependent Categories (if applicable)
9. Automobile Insurance Manual Pages
10. Rating Examples (Appendix C) – refer to ARCTICS
11. Fees Changes (Appendix D) – refer to ARCTICS
12. Optional Accident Benefits and Tort Deductible Changes (Appendix E) – refer to ARCTICS

Authorization Process

Filings must be submitted by using our electronic web-based filing system called Automated Rates and

Classification Technical Information Communication System (ARCTICS). If you require a password, the "ARCTICS Main Contact" for your company can arrange for access.

Upon FSCO's receipt of a filing, each insurer will receive an electronic acknowledgement of receipt. 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 statutory time periods governing approval of filings do not begin to run.

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

Once an insurer has received notification of authorization from FSCO of its filing, it must file one copy of its complete automobile insurance manual, containing the revised risk classification system, including rating rule changes, if applicable, with FSCO in electronic format (or CD) within 30 days according to the **Filing Guidelines for Automobile Insurance Manuals**.

The insurer may be subject to regulatory action by FSCO if it fails to provide the required information within this time frame.

Note

FSCO may receive access requests under the Freedom of Information and Protection of Privacy Act (FIPPA) for any record in its custody or control. Section 17 of FIPPA recognizes that certain types of information supplied in confidence by third parties should be exempt from disclosure in the event of an access request if disclosure could result in the harms listed in Section 17. These types of information may include algorithms, base rates, differentials and any information included under Sections 4 through 7 of the filing requirements.

If you think that Section 17 of FIPPA might be applicable to a request for access to your rate filing, please list or stamp all of the pages of the filing that are confidential and give the reasons for the confidentiality. While this exercise does not guarantee that records will not be disclosed, it will be useful in assisting FSCO in responding to an access request.

B. Definitions

Affiliated Insurers
Two or more insurers are considered to be affiliated if any of the following criteria are met:

i. one of the insurers is a subsidiary of another insurer;

ii. both are subsidiaries of the same body corporate; each of the insurers is controlled by the same person

iii. each of the insurers is controlled by the same person.

Allocated Loss Adjustment Expenses (ALAE)
All external expenses that can be directly charged to a particular claim file, whether a loss payment is

made or not, including:

i. adjuster's accounts (including all disbursements) - excluding staff adjusters;

ii. appraisal costs (including appraisal centre costs) - excluding staff appraisal costs or costs included under (i);

iii. legal expenses including all first party legal costs charged to a particular claim file - excluding staff legal fees or costs or fees included under (i);

iv. all other external claims expenses.

Average Rate
For a Coverage:
The average Rate for the Coverage expressed in premium dollars per insured vehicle for a 12-month policy term.

For multiple Coverages:

i. For each Coverage in question, multiply the Average Rate for the Coverage by the fraction A/B, in which:

   A = the total number of vehicles insured by the Insurer that had that Coverage in the most recently completed calendar year; and

   B = the total number of vehicles insured by the Insurer in the most recently completed calendar year;

ii. Add the amounts determined under (i).

Category of Automobil Insurance
For purposes of these Filing Guidelines, categories of automobile insurance include the following:

personal vehicles - private passenger automobiles
personal vehicles - motorcycles
personal vehicles - motor homes
personal vehicles - trailer and camper units
personal vehicles - off-road vehicles
personal vehicles - motorized snow vehicles
personal vehicles - historic vehicles
commercial vehicles
public vehicles - taxis and limousines
public vehicles - other than taxis and limousines
OPF2 - Ontario Driver’s Policy

The above category titles should be used when possible. If subdivisions of the above categories have been made, the insurer should indicate within which of the above categories the subdivisions fall.

Coverage
For the purposes of these Filing Guidelines, Coverages include the following:

Liability - Bodily Injury
Liability - Property Damage
Standard Accident Benefits
Uninsured Automobile
Direct Compensation - Property Damage
Specified Perils
Comprehensive
Collision or Upset
All Perils
Family Protection (OPCF 44R)

Endorsement

An endorsement (policy change form), approved by the Superintendent under section 227 of the Act, to a contract of automobile insurance. Standard Ontario endorsements are issued under a series of OPCF numbers. Non-standard endorsements, which must also be approved by the Superintendent, are uniquely identified by each insurer. For purposes of these Filing Guidelines, OPCF 44R is treated as a **Coverage**, not as an endorsement.

Expedited Approval

Process of regulation in which insurers may have their risk classification systems or rates approved within thirty days after filing them with FSCO in accordance with legislation. An insurer must comply with criteria set out in regulation to be able to file under the expedited process. The expedited approval system applies to coverages, including OPCF 44R, for personal vehicles - private passenger automobiles written on OAP 1, except those contracts written by the Facility Association. Contracts written on Ontario Policy Form 4, 6, 7, or 8, or contracts of automobile insurance that insure fleets or any endorsements on those contracts, are exempt from the file and use, expedited approval and prior approval systems of regulation.

Fleet

Means a group of not fewer than five automobiles that meets the following requirements:

1. At least five of the automobiles in the group are commercial vehicles, public vehicles or vehicles used for business purposes.
2. The automobiles in the group are,
    i. under common ownership or management, and any automobiles in the group that are subject to a lease agreement for a period in excess of 30 days are leased to the same insured person, or
    ii. available for hire through a common online-enabled application or system for the pre-arrangement of transportation, and insured under a contract of automobile insurance in which the automobile owner or lessee, as the case may be, has coverage as an insured named in the contract

Investment Income

All income attributable to the investment of policyholder supplied funds and shareholder supplied funds and surplus, **including** realized capital gains (and losses), net of investment expenses.

Investment Return on Cash Flow

The rate of return associated with the portion of investment income earned from the investment of insurance cash flows or the investment of policyholder-supplied funds.

Rate

All amounts payable as premium under contracts of automobile insurance, or endorsements to such contracts, for an identified risk exposure. Rates may be expressed in terms of dollars and/or in terms of multiplicative or additive factors to be applied to a base premium amount. Rates are to include all provisions reflecting surcharges/discounts for applicable risk exposures. Rates are to be inclusive of commissions and other expense provisions used by the insurer, and are to be considered prior to the granting of policyholder dividends. Rates are subject to the provisions of legislation. For purposes of these Filing Guidelines, rates are to exclude amounts payable on endorsements other than OPCF 44R.

Rate Differentials

Multiplicative or additive factors/rates that are applied to the base rate for a particular territory to arrive at the rates for that territory, by class, limit of liability, deductible, etc.

Rating Algorithm

The manner in which base rates, rate differentials, and other surcharges/discounts are combined to arrive at the premium charged to an individual risk.

Rating Rule

A rule by which a risk is assigned to a specific rating cell or by which a discount or surcharge is applied. Examples include rules by which territory, driver classification and vehicle rating group are assigned. Rating rules differ from underwriting rules that involve the decision to accept or decline a risk.

Risk Classification System

The elements used for the purpose of classifying risks in the determination of rates for a coverage or category of automobile insurance, including the variables, criteria, rules and procedures for that purpose.

Territorial Base Rate

The rate that serves as the starting point for each territory for developing all other rates by class, limit of liability, deductible, etc. It is the rate in the territory for that particular combination of class, limit of liability, deductible, etc. for which the multiplicative factors are all 1.00 and the additive factors are all zero.

Unallocated Loss Adjustment Expense (ULAE)

All claims settlement and processing costs, excluding ALAE, but including staff adjusters, appraisers, advisors, lawyers, clerical support, and a portion of general expenses reasonably attributable to the claims function.

Underwriting Profit

Direct premiums earned less undiscounted claims and adjustment Expenses, plus investment income earned on cash flow, less commissions and other acquisition expenses, less taxes (excluding income and real estate taxes), less general expenses (applicable to insurance operations) divided by direct premiums earned.

Proposed Underwriting Profit Provision

The provision for underwriting profit in the **proposed** rate, expressed as a percentage of the rate.

Target Underwriting Profit Provision

The provision for underwriting profit in the **actuarially indicated** rate expressed as a percentage of the rate.

Underwriting Rules

Those rules that govern the decision by an insurer to accept or decline a risk, coverage or endorsement. Such rules are subject to the provisions of sections 237 and 238 of the Act. Filing of such rules must be made using the **Filing Guidelines for Underwriting Rules** or, for endorsements, the **Endorsement Filing Guidelines** issued by FSCO.

C. Guidelines for Other Than Private Passenger Automobile - Minor Filing

Section 1: Table of Contents

This section contains a listing of the contents of Sections 2 through 12 of the filing and should be in sufficient detail to serve as a reference, by page number, for the location of specific elements of the filing. FSCO will accept filing submissions only through the electronic web-based filing system called ARCTICS.

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 (Appendix A - refer to **ARCTICS**).

Specific instructions to complete the Appendix are outlined below:

- In responding to Question 1, check **all** the items that are applicable to the filing. While 1.a) and 1.b) are mutually exclusive, other changes (listed in 1.c) through 1.i)) may be applicable.
- In responding to Question 2, proposed effective dates are to be listed for both new and renewal business. This information is important in reviewing trend assumptions and also in approving

the filing. If there are any changes to the proposed effective dates, you should notify us immediately. In determining renewal dates, the notice periods set out in section 236 of the Act should be taken into consideration.

- In responding to Question 4, the impact of **all** proposed changes to rates or rules, including base rate changes, differential changes, discount or surcharge changes, and rating rule changes, must be disclosed under the proposed rate level change column. The impact by coverage must be calculated on an uncapped basis, and disclosed.
- In responding to Question 4, the premium weights should be disclosed in percentage terms and should be at the current rate level.
- In responding to Questions 4a and 4b, insurers should exclude endorsement premiums. If they are unable to do so, insurers should indicate that endorsement premiums are included in the indicated rate level change and proposed average rate level change calculations. It is important that insurers be consistent with respect to the inclusion or exclusion of endorsement premiums between filings. See question 4b of Appendix A for further instructions.
- In responding to Question 5a, prior approved rate level changes should be shown. The All Coverages Combined Rate Level Change should be based on the on-level premium weights that were applicable at the time of the rate change.
- In responding to Question 5b, the Average Cumulative Rate Change is to be calculated by:
    - taking the All Coverages Combined Rate Level Change from the response to question 4;
    - taking each All Coverages Combined Rate Level Change that occurred after January 1 of the year up to the proposed renewal effective date from the responses to question 5a,

and then using the following formula:

$$\left[\prod_{\text{all } i,\, d} (1 + i)(1 - d)\right] - 1$$

where:
i = the proposed rate level increase or approved rate level increase(s) that occurred within the 12 months before the proposed rate change is expected to be effective for renewal business; and
d = the proposed rate level decrease or approved rate level decrease(s) that occurred within the 12 months before the proposed rate change is expected to be effective for business.

Section 3: Certificate of the Officer/Designate

Each filing must be accompanied by a signed authorized Certificate of the Officer/Designate. A copy of the

Officer/Designate form is attached as **Appendix B**. Authorized officers are the President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, or Chief Agent for Canada. Alternately, the President, Chief Executive Officer, Chief Operating Officer, or Chief Financial Officer may authorize a designate to sign the Certificate of the Officer/Designate The Designate should be of Vice-President rank or above.

To designate an alternate, an original signed letter of authorization must be submitted for our files. **A copy of this authorization should be included with each filing where a designate will sign the certificate.**

Section 4: Base Rates and Differential Changes

4.a. Base Rates Changes

If the insurer is requesting changes to the base rates, the approach used in costing and a general narrative of the process must be outlined in detail.

The required information should include: (i) a description of the proposed changes, (ii) the rationale for the proposed changes, (iii) the rate level effects of the proposed changes, and (iv) calculations that validate the rate level effect of the proposed changes based on the expected distribution of business.

4.b. Differential Changes

If the insurer is requesting changes to the differentials, the approach used in costing and a general narrative of the process must be outlined in detail.

The required information should include: (i) a description of the proposed changes, (ii) the rationale for the proposed changes, (iii) the rate level effects of the proposed changes, and (iv) calculations that validate the rate level effect of the proposed changes based on the expected distribution of business.

Section 5: Discount/Surchange Changes

If the insurer is requesting changes in the amount or value of a discount or surcharge, or is introducing a new discount or surcharge, the approach used in costing and a general narrative of the process must be outlined in detail.

The derivation of the discount or surcharge should make use of the insurer's own data, where possible. The justification for the discount may be fromlower expenses due to lower acquisition costs or lower administrative costs or lower loss costs. The filing must clearly indicate the basis for the discount or surcharge. The insurer must have appropriate information to support the discount or surcharge. Should the insurer find it necessary to rely on outside data or a different source of company data, the filing must identify the source of the data and provide an explanation of its applicability in the instant circumstance. All data used in the process of developing the discount or surcharge must be exhibited and labelled.

A comparison of current, indicated and proposed discounts or surcharges must be provided for each coverage for which discounts or surcharges are changing. Included in this should be the written premium distribution and the exposure distribution for the discounts or surcharges. The estimated impact of discounts or surcharges should be supported by actual exposure distribution. Where actual exposures are not available, assumptions used in the estimation of expected exposure distribution must be provided in

an exhibit.

A current and a proposed distribution of the insurer's book of business that is affected by the discount or surcharge change must be provided to determine the average premium change (shift). All assumptions and detailed calculations must be provided to support the rate level change.

FSCO is unlikely to approve a rate filing where the insurer's proposed rate level change includes an overstatement with respect to the estimated impact of the introduction of a new discount.

Section 6: Rating Rule Changes

Rating rules are those rules or definitions by which a risk is assigned to a specific rating cell or by which a discount or surcharge is applied. Examples include rules by which territory, vehicle use or driving record are assigned. Rating rules are part of an insurer's risk classification system and must be filed according to these guidelines.

Underwriting rules, which are those rules used to govern the decision to accept or decline a risk or a coverage, deductible level, or liability limit, must be filed using the **Filing Guidelines for Underwriting Rules**.

Draft automobile insurance manual pages that describe changes to rules or definitions must be included with the filing. Consecutive automobile insurance manual filings should include rating rules that have been approved through the rate filing process or underwriting/declination rule changes that have been approved through the underwriting/declination rule filing process.

The required information should include: (i) a description of the proposed changes, (ii) the rationale for the proposed changes, (iii) the rate level effects of the proposed changes, and (iv) calculations that validate the rate level effect of the proposed changes based on the expected distribution of business.

6.a. Rating Rule Changes for Classification Variables

Any change to a rating rule for a particular classification must be disclosed in this section. A current and a proposed distribution of the class that is affected by the rating rule change must be provided to determine the average premium change (shift) and impact on the overall rate level. All assumptions and detailed calculations must be provided to support the rate level change.

6.b. Rating Rule Changes for Discounts and Surcharges

Any change to a rating rule for a particular discount or surcharge must be disclosed in this section. Also the rating rule applicable to a newly proposed discount or surcharge must be disclosed in this section. A current and a proposed distribution of the business that is affected by the rating rule change must be provided to determine the average premium change (shift) and impact on the overall rate level. Also all assumptions and the rationale to support the use of the rating rule must be disclosed.

Section 7: Final Rates/Rate Level Change

Exhibits illustrating current and proposed rating algorithms, base rates, discounts/surcharges, and differentials, **clearly identified as either current or proposed**, must be disclosed in this section, including any explanatory material in support of the proposed changes. **To facilitate the review**

process, all of 7.a. - 7.d. must be included even though the change may be to only one of the elements.

7.a. Algorithm

Exhibits illustrating current and proposed algorithms for each coverage, including discounts and surcharges, 6-month policy (if applicable) and Optional Accident Benefits (OAB) calculations, must be disclosed in this section.

7.b. Base Rates

Exhibits illustrating current and proposed base rates must be disclosed in this section.

7.c. Differentials

Exhibits illustrating current and proposed differentials must be disclosed in this section.

7.d. Discounts and Surcharges

Exhibits illustrating all current and proposed discounts (including group discount, if applicable) and surcharges for each applicable coverage must be disclosed in this section.

7.e. Calculation of Final Rates

The filing must clearly describe and show how current manual territorial base rates by coverage are transformed into proposed manual territorial base rates through the application of the proposed rate change in combination with any off-balance.

7.f. Calculation of Rate Level Change

The filing must clearly describe and show how the rate level impact of changes to base rates, differentials and discounts or surcharges, in combination with any off-balance which may be applied, are used to calculate the overall rate level change on a per coverage basis. This calculation should reconcile with the Proposed Overall Rate Level Change from Appendix A, Question 4 or Question 12, if applicable.

7.g. Dislocation and Capping Premium Increases (Rate Capping) (see also Technical Notes)

Insurers should take into consideration the impact that proposed rate changes will have on consumers. Information on rate dislocation is required in Appendix A. Any proposed capping procedure, as well as calculation of capping impact, must be fully described in this section.

The coverages that the capping procedure will apply to must be calculated. The capping impact must be calculated based on the main coverages, including OPCF 44R, but excluding endorsements and Optional Accident Benefit coverages.

While capping is usually done at the differential level, capping at the total premium level is permitted only under the limited circumstances outlined below. Capping premium increases (positive capping) will be considered for approval by FSCO in minimizing rate dislocation under the following circumstances:

a. Insurance Company Mergers and Acquisitions: Due to the potential complexity of such situations, insurers will be required to develop a plan to phase out positive capping (if it is proposed) within a two-year time period.

b. Extensive Risk Classification System Changes: When insurers are introducing new variables or unbundling existing ones that create, for example, a situation in which more than 20% of their customers see an increase of more than 20%, positive capping may be considered for a period of two-years or less (i.e. from the effective date of the approved rate filing for renewal business).

c. Insurers may continue to submit rate filings during this period; however, no new positive capping will be considered for approval by FSCO unless the positive capping from the previously approved filing has been exhausted.

Requirements:

a. Insurers must provide the "uncapped" overall proposed rate level change along with the "capped" overall proposed rate level change in a rate filing where positive capping is proposed.

b. Insurers are required to track all policies where positive capping has been applied and the reason. Insurers are also required to track all policies on which the positive cap has not been applied where the premium increase exceeds the cap. This information must be tracked by the insurer on a semi-annual basis and made available to FSCO upon request.

Capping will not be permitted under the following circumstances:

a. Base rate changes only;

b. Broker portfolio transfers or acquisitions;

c. Premium decreases (negative capping).

Section 8: Other Than Private Passenger Automobile - Dependent Categories

For those categories of automobile insurance that are dependent on the Other than PPA 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. Section 10 - rating examples must be completed for the dependent category of automobile insurance. Refer to **ARCTICS** - see Appendix C.

Section 9: Automobile Insurance Manual Pages Containing Revised Risk Classification System

A draft set of automobile insurance manual pages containing proposed rating rules, discounts, surcharges

or definition changes **must be provided** with the filing. A draft set of automobile insurance manual pages is optional at the time of submitting the filing.

Any changes or additions to the rating rules, definitions or text in the proposed automobile insurance manual should be denoted by a sidebar (|).

A final set of automobile insurance manual pages in electronic format (or CD) containing the approved risk classification system **must** be submitted within 30 days after the rate filing has been approved. The insurer is also required to include a copy of the most current vehicle rate group tables in the complete manual. **Refer to Filing Guidelines for Automobile Insurance Manuals for instructions.** The insurer may be subject to regulatory action by FSCO if it fails to provide the required information within this time frame.

Section 10: Rating Examples

Appendix C sets out rating examples covering the categories of automobile insurance subject to legislation. Each insurer must file with FSCO those rating examples that would be affected by the filing. It should be noted that these rating examples may not be the same examples required in future filings. Also FSCO may require additional and/or different rating examples as a consequence of the review process. Please refer to the Excel versions of the rating examples entitled Appendix C – Rating Profiles for Other than PPA Filings in the Help Screen of **ARCTICS**. Note that only electronic Excel files attached to the filing in ARCTICS will be accepted by FSCO, otherwise the filing will be deemed incomplete.

The rating examples must be completed according to the risk description specified. Each insurer must provide both current and proposed rating criteria for each of the rating examples as required. The rating territories should be those as defined in the insurer's auto insurance manual.

Any additional information pertaining to the rating example must be disclosed with a detailed description for each affected rating example.

Specific instructions and key assumptions that should be adopted when completing these rating examples are:

- All rates are to be stated on an annual basis. If annual policies are not issued, the rates should be converted to an annual basis.
- All risks should be rated strictly according to the information provided. **DO NOT** provide preferred rates unless the criteria as stated fit the eligibility rules for a preferred class. If so, provide only the preferred rates, and state so.
- Clearly identify all applicable surcharges/discounts that apply to each of the coverages.
- Unless stated explicitly in the profile, do not assume the operator has progressed through the graduated licensing system.
- The rating territories should be those as defined in the insurer’s auto insurance manual.
- Assume the accident involved collision coverage only and that the claim was greater than $1,000.

- If the insurer provides group discounts, provide the individual non-group rate plus the rates with the highest discount applied.
- For multiple operator risks, provide premiums by coverage by operator using separate sheets. In addition, the total policy premium combining all operators should be submitted.
- If, based on the insurer's underwriting rules, a risk profile described in a specified rating example is not written, that fact is to be indicated, and rates need not be provided for that example. However, the insurer must explain why the rating example is not appropriate under the circumstances.
- If a rating example does not describe a unique rate, the insurer is to provide the highest and lowest rate that could be charged on the described risk, and disclose the assumption underlying the difference.

Include the premiums for all perils **only if** collision and comprehensive are not offered.

- Any additional information pertaining to the rating examples must be disclosed under the Classification Treatment section of the template with detailed description for each affected rating example.
- In order for FSCO to consider a non-standard insurer's competitive position in the non-standard market, the insurer is encouraged to provide in its filing its average premium comparison, based on the various risk portfolios, to the average premium of the Facility Association and the insurer's non-standard competitors. Additional information with respect to any observed anti-selection, or the insurer's ability to control growth, or any other observed volatility in the non-standard market must be provided for consideration by FSCO in the filing.

A template file in Excel is available in the Help Screen of **ARCTICS**.

Insurers should note the following rules with respect to completing the template file before providing them to FSCO:

1. Template must remain protected and cannot be changed in any way.
2. Template must be attached to the ARCTICS Other Than PPA rate filing as an individual file, not zipped or in a folder.
3. There can be only one version of the file – the final version. Original/revised versions must be deleted from ARCTICS.
4. Files must be in Excel format, not as a pdf.
5. The file must be called **Appendix C_Other Than PPA Risk Profiles.**
6. The company name should be chosen from the drop down box, and the effective dates for new business and renewals should be entered on the first page.

7. Fill in premiums in ALL spaces provided. Note that individual coverage premiums rounded to a whole number should be entered (e.g., you must separate UA premium from standard AB premium and provide both figures in the applicable columns). If no premium is charged, type in "0". Provide the Current and Proposed Risk Profile Criteria, as well as comments, to the limit of 255 characters, in the tables on the bottom of each profile page.
8. If your company is only writing groups as per the definition in Regulation 664, please complete both templates using non-group rate.
9. Template must be submitted with each Other Than PPA filing, even if no premium changes are proposed.
10. The filing must be returned and re-submitted in ARCTICS when changes to template files (e.g., effective date revision and/or correction of premium) are required.

Section 11: Fees Changes

If the company is proposing to make changes or add new fees, Appendix D must be submitted. The rationale for changes, and the Certificate of the Officer are required.

Section 12: Optional Accident Benefits and Tort Deductible Changes

If the company is proposing to make these changes, Appendix E must be submitted. The Optional Accident Benefits details must be included in Section 7 even if no changes are being proposed in the filing. The rationale for changes, a Certificate of the Officer and draft automobile insurance manual pages are required.

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