
Newfoundland & Labrador
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

AUTOMOBILE INSURANCE
FILING GUIDELINES

EXPEDITED APPROVAL FILINGS
FEBRUARY 1, 2021

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1.0 GENERAL INFORMATION

Section 11 of Newfoundland and Labrador Regulation 56/19 (“NLR 56/19”) provides for the expedited review of proposed rates where certain criteria are met. The Board has established the Expedited Approval Filing Guidelines to be used by all insurers, including Facility Association, to propose rate changes for all types of vehicles where:

- a) no more than three years have passed since the insurer last filed its rates under the former regulations or Section 9 of NLR 56/19.
- b) the overall average rate change does not result in an overall average rate increase that:
 - (i) exceeds 3.0% in one year; or
 - (ii) cumulatively exceeds 6.0% in three years.

These guidelines are only available for use by insurers to file a new schedule of rates. Filings made under the Expedited Approval process should generally not include any of the following¹:

- **risk-classification system changes;**
- **introduction, elimination or changes to discounts, surcharges or endorsements;**
- **rating rule changes; or**
- **rating algorithm changes.**

Proposed rates filed under the Expedited Approval process require prior approval of the Board **within 30 days** from the date the Board receives the filing. The Board will prohibit the rates where it determines, as per Section 11(4) of NLR 56/19, that the proposed rates:

- a) are not just and reasonable in the circumstances;
- b) would impair the solvency of the insurer;
- c) are excessive in relation to the financial circumstances of the insurer; or
- d) violate the *Automobile Insurance Act*, the *Insurance Companies Act* or the respective regulations under these Acts.

The Board maintains a Benchmark Schedule which includes guideline assumptions that may be used by insurers in the rate filing process. Insurers must confirm they are referencing the most recent Benchmark Schedule when proposing to adopt any of the Board’s guideline assumptions. Insurers are not required to use the Board’s guideline assumptions but justification for the use of alternate assumptions must be provided.

The Expedited Approval Filing Guidelines and all associated exhibits may be downloaded from the Board’s website at www.pub.nl.ca/insurance.htm.

¹ See Section 2.0 on of these guidelines for further details.

1.1 Board Mandate

The Board has regulatory responsibilities related to automobile insurance with respect to:

- a) rates;
- b) risk classification systems; and
- c) underwriting guidelines.

Sections 49 and 51 of the *Automobile Insurance Act* require insurers to file the rates and rate changes it proposes to charge for automobile insurance with the Board. Section 50 of the *Automobile Insurance Act* prohibits insurers from charging rates that have not been approved by the Board.

Section 96.2(4) of the *Insurance Companies Act* requires an insurer to file the risk classification system it intends to use in determining rates for each coverage and category of automobile insurance with the Board. Where the Board determines that an insurer's risk classification system, or an element of the risk classification system, is prohibited under Section 96.2(3) of the *Insurance Companies Act*, the insurer will be ordered to bring its risk classification system or its filing into compliance.

Section 96.1(4) of the *Insurance Companies Act* requires an insurer to file the underwriting rules it intends to use to decline to issue, terminate or refuse to renew a contract, or refuse to provide or continue a coverage or endorsement with the Board. Where the Board determines that any underwriting rule is prohibited under Sections 96.2(2) or Section 96.2(5) of the *Insurance Companies Act*, the insurer will be notified that it is prohibited from using the rule.

1.2 Categories of Automobile Insurance

The following categories of automobile insurance are used for the purposes of the Expedited Approval Filing Guidelines as per Section 2 of NLR 56/19:

Private Passenger Automobiles - means an automobile used for the purposes listed under the heading "Type of Use-Private Passenger" in the Automobile Statistical Plan prepared under Section 82 of the *Insurance Companies Act*.

Commercial Vehicles - means a vehicle designed or used primarily to transport materials, goods, tools or equipment in connection with an occupation or business. Proposals for Interurban Vehicles may be included as part of a Commercial Vehicles filing.

Miscellaneous Vehicles - means any of the following vehicles when used for personal use only: (i) motorcycles, (ii) all-terrain vehicles, (iii) mopeds, (iv) snowmobiles, (v) trailer homes, (vi) antique cars, and (vii) classic cars.

Public Vehicles - means an automobile used primarily to provide transportation services to the public and includes ambulances, daily rental vehicles, funeral hearses, private buses, public buses, school buses and taxis.

Other Vehicles - means any vehicle type that does not meet the definition of Private Passenger Automobiles, Commercial Vehicles, Miscellaneous Vehicles or Public Vehicles as defined above.

A separate filing must be submitted for each category of automobile insurance.

Proposals for multiple vehicle classes within the same category may be bundled and filed as a single filing. For example, a single Miscellaneous Vehicles filing could include proposals for motorcycles, all-terrain vehicles and snowmobiles. **Insurers are strongly encouraged to bundle filings where possible.**

As per Section 9(6) of NLR 56/19, insurers are not required to file the rates proposed to be charged for automobile insurance relating to a fleet².

1.3 Mandatory Filing Schedule

The Board has established a mandatory rate filing schedule in accordance with Section 9(1) of NLR 56/19. Insurers are required to file for approval of its rates and risk classification system within **three years of the date of last filed rates** for each category of automobile insurance it writes and **every three years thereafter**. Filings are required under the mandatory schedule even if the proposal is for no change in rates.

The date of the last filed rates refers to:

- a) the date of the most recent Board Order for a Category 2 or Category 3 IAO rate filing approved under the former regulations, or
- b) the date of the most recent Board Order for a Mandatory or Mandatory Simplified rate filing approved under the current regulations.

Rates approved by the Board under the Expedited Approval filing category do not qualify for the purposes of the mandatory filing schedule.

² "Fleet" refers to a group of at least 5 automobiles that meet the criteria as set out in Section 2(c) of NLR 56/19.

1.4 Confidentiality

Rate filings will be treated as confidential in view of existing privacy legislation and will only be released in accordance with the *Access to Information and Protection of Privacy Act* (“ATIPPA”). In particular, a person seeking the release of information not subject to routine disclosure must make a request under ATIPPA within the context of the provisions of the legislation.

1.5 Review Timeline

As per section 11(2) of NLR 56/19 the Board shall approve, prohibit or vary rates under the Expedited Approval filing process **within 30 days** from the date the Board received the filing.

The review timeline will commence on the day the filing is received by the Board provided it is found to be complete. A filing will not be considered complete until all required documentation and information sufficient to permit a full review has been filed in accordance with the Expedited Approval Filing Guidelines. Incomplete filings may result in a delay in the review process or the filing being returned to the insurer.

Filings submitted after 3 p.m. Newfoundland Time will be considered received on the next business day of the Board.

1.6 Effective Dates

The proposed effective dates for both new business and renewals must be no earlier than 30 days following receipt of the filing by the Board.

In the event an insurer requires a change to its proposed effective dates following the issuance of a Board Order, the Board must be notified of this change in advance.

1.7 Costs

All costs associated with the rate review process will be recovered as part of the Board’s annual assessments to Industry. The Board will no longer invoice insurers for company specific rate filings on a case-by-case basis.

1.8 Filing Submission

Filings made under the Expedited Approval Filing Guidelines must be submitted electronically to ito@pub.nl.ca. A hard copy is not required.

Board staff will determine if the filing requires actuarial review and will forward the filing documentation to its consulting actuaries accordingly. Insurers are not required to copy the Board's consulting actuaries when filings are initially submitted.

1.9 Manual Pages

Updated underwriting and rating manual pages must be submitted electronically to ito@pub.nl.ca within 30 days of filing approval.

2.0 APPLICABILITY OF EXPEDITED APPROVAL FILING GUIDELINES

The Expedited Approval process may only be used to file a new schedule of rates where:

- a) no more than three years have passed since the insurer last filed its rates under the former regulations or Section 9 of NLR 56/19.
- b) the overall average rate change³ does not result in an overall average rate increase that:
 - (i) exceeds 3.0% in one year; or
 - (ii) cumulatively exceeds 6.0% in three years.

The timing of the Expedited Approval overall average rate change thresholds (i.e. 3.0% in one year and 6.0% cumulatively in three years) are determined by individual insurer and commence on the date of approval of the first Expedited Approval filing submitted by each insurer.

The 3.0% and 6.0% overall average rate increase thresholds are exclusive to the Expedited Approval process. Rate increases approved through the Mandatory or Mandatory Simplified processes do not count towards the 3.0% and 6.0% Expedited Approval thresholds.

Insurers may file for approval of an Expedited Approval filing at any time provided no more than three years have passed since the insurer last filed a Mandatory or Mandatory Simplified filing and that the Expedited Approval thresholds have not been exceeded.⁴

³ The 3.0% and 6.0% thresholds are prior to rate capping.

⁴ For example, an Expedited Approval filing may be filed immediately following the approval of either a Mandatory or Mandatory Simplified filing provided a further rate level change is supported.

The filing of either a Mandatory or Mandatory Simplified filing does not “reset” the Expedited Approval threshold figures. Under no circumstances can an insurer file for rate increases under the Expedited Approval process that exceed the overall average rate change thresholds, regardless of the number or timing of Mandatory or Mandatory Simplified filings approved for the insurer by the Board.

Filings made under this process should generally not include any of the following:

- risk-classification system changes;
- introduction, elimination or changes to discounts, surcharges or endorsements;
- rating rule changes; or
- rating algorithm changes.

The Board may, under certain circumstances, permit one or more of the above noted elements to be included in an Expedited Approval filing depending on the nature of the proposal. Insurers that wish to include such elements should discuss the proposal with Board staff prior to submitting a filing.

3.0 FILING FORMAT

All Expedited Approval rate filings must be submitted in the following format:

Section	Description
1	Cover Letter
2	Table of Contents
3	Certificate of the Officer
4	Rate Filing Support
5	Rate Exhibits
6	Dependent Categories (if applicable)
Appendix A	Rate Filing Summary
Appendix B	Rating Examples

Section 1 – Cover Letter

The cover letter should provide details on the filing being submitted including, but not limited to, a summary of the proposed changes by coverage, the rationale for the proposed changes, the overall rate level impact with and without capping, and the proposed effective dates.

Section 2 – Table of Contents

The table of contents must show the main headings noted above plus the key headings within each of the sections. It must be detailed enough to allow the reader to quickly isolate key information.

Section 3 – Certificate of the Officer

The “Certificate of Officer – Expedited Approval” template is available for download on the Board’s website.

A scan of an original signed certificate of an authorized officer of the insurer must be included in each filing. Authorized officers are the President, CEO, COO, CFO, any Vice-President, the Treasurer, or the Corporate Secretary or Chief Agent for Canada, of the insurer.

The Certificate of the Officer must identify a person authorized by the insurer to act as the contact person for the insurer. All filing correspondence will occur between this person, Board staff and the Board’s consulting actuaries.

Section 4 – Rate Filing Support

All support information provided in this section must reconcile with the information provided in Appendix A - Rate Filing Summary.

Rate indications are required for each and every coverage regardless of whether an overall average rate level increase, rate level decrease, or no change is proposed for the coverage. Support from the most recent Mandatory or Mandatory Simplified filing may be used for the proposal if Board approval was within 6 months of the submission date of the Expedited Approval filing.⁵ Otherwise, rate indication support for each coverage should be based on the most recent data available.

The Board acknowledges that in certain circumstances actuarial data on which to base proposed rate level changes may be limited. In such circumstances, other forms of support such as market surveys, competitive position analyses, and supportive information from other jurisdictions may

⁵ For example, if an insurer proposes an overall average rate change by coverage in a Mandatory filing that is less than its indicated need by coverage, the insurer can use the same Mandatory filing support to request approval of the difference between the indication and proposal in an Expedited Approval filing provided that: (a) the indication was deemed to be reasonable and supported by the Board in the Mandatory filing, (b) the Expedited Approval filing is submitted within 6 months of the approval date of the Mandatory filing, and (c) the Expedited Approval thresholds (i.e. 3.0% in one year and 6.0% cumulatively in three years) are not exceeded.

be provided. The Board will only consider the forms of support presented by the insurer within the filing documentation.

Insurers must clearly describe and show how current territorial base rates are transformed into proposed territorial base rates through the application of the proposed rate change in combination with any off-balancing performed. For each coverage, insurers must also demonstrate how the rate level impacts of the proposed changes, in combination with any off-balancing, are used to calculate the overall rate level change and change per coverage.

The Board expects that insurers will utilize the same methodologies and consistently derived assumptions in each filing. Where methodologies or the process for developing assumptions are changed from prior filings, the insurer must provide the reasons for the changes, as well as the impact of the changes on the indicated rate levels. If judgment was applied, then an explanation as to why a particular factor was judgmentally selected must be provided. The Board is unlikely to approve significant changes in methodologies and assumptions as part of an Expedited Approval filing.

Section 5 – Rate Exhibits

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 5.a. - 5.d. **must be included** even if there are no proposed changes to the element.

5.a. Algorithm

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

5.b. Base Rates

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

5.c. Differentials

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

5.d. Discounts and Surcharges

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

5.e. Calculation of Final Rates

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

5.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, are used to calculate the overall rate level change on a per coverage basis. This calculation must reconcile with the Proposed Overall Rate Level Change in Appendix A – Rate Filing Summary before any renewal capping.

5.g. Rate Capping

Rate capping may be considered in minimizing rate dislocation for renewal policyholders. Any capping procedure and associated rules for eligibility must be fully described in this section. The disclosure should include the rationale for imposing the cap, how the cap is applied, the length of time the cap will apply, how long it will take for the impact of the cap to be exhausted, and how the cap will be removed.

Insurers are encouraged to review other options regarding their proposal and avoid rate capping procedures, where appropriate.

Any proposed capping procedures should generally be applied on a vehicle premium basis and no negative rate capping is permitted.

Capping procedures should generally apply for a maximum of two annual renewal cycles, however insurers can request a longer capping period provided that justification for the longer period is provided.

Insurers must take into account the impact that proposed rate changes will have on consumers. Information on rate dislocation is required in Appendix A - Rate Filing Summary.

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

Insurers are required to track all policies where capping has been applied, along with the reason for the capping.

Section 6 – Dependent Categories (If applicable)

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

- a) a list of all dependent categories impacted by the proposed changes;
- b) the rate level effects of the proposed changes;
- c) the calculations that validate the rate level effect of the proposed changes; and
- d) a copy of the rating rule that stipulates the linkage to the dependent category of automobile insurance.

Insurers should state whether the relationship between the dependent category and the category being filed has changed or not. If the relationship has changed, the insurer should explain the rationale for and the impact of the proposed change.

Appendix A – Rate Filing Summary

The “Rate Filing Summary – Expedited Approval” Excel template is available for download on the Board’s website. This file should be sent as a separate document in the rate filing package and identified as Appendix A in the file name.

The Rate Filing Summary contains certain key information on the nature of the proposed rate level and/or rating program changes. All data used in the Rate Filing Support section (Section 4) should reconcile to the information presented in the Rate Filing Summary.

Only tabs relevant to the proposed changes in the rate filing need to be completed. Any tabs or input fields that are not applicable may be denoted as “n/a” or left blank.

For Miscellaneous Vehicles, Public Vehicles and Other Vehicles, where more than one vehicle class may be included in the filing submission, **a separate Rate Filing Summary must be completed for each class of vehicle for which there are changes proposed.** For example, for Miscellaneous Vehicles, a separate Rate Filing Summary would be required for motorcycles, all-terrain vehicles, snowmobiles, etc.

Publication

Section 13 of NLR 56/19 requires the Board to publish specific information pertaining to rate applications within 30 days of approving, prohibiting or varying rates. This information has been included in the “Publication” tab in the Rate Filing Summary Excel document. The information in

the Publication tab will be exported to pdf format and published to the Board's website with the corresponding Board Order.

A separate publication form must be completed for each vehicle class included in the filing.

Appendix B – Rating Examples

The rating examples Excel templates are available for download on the Board's website. The applicable files should be sent as separate documents in the rate filing package and identified as Appendix B in the file name.

This section sets out rating examples covering the categories of automobile insurance using the Canadian Automobile Insurance Rate Regulators' harmonized profiles. There are separate templates for Private Passenger, Commercial, Miscellaneous and Taxi.

These profiles are to be used for all filings that require rating examples. Insurers must file with the Board those rating examples that would be affected by the filing. These profiles will be published to the Board's website, with the accompanying Board Order, in accordance with Section 13 of NLR 56/19.

The rating examples must be completed according to the risk description specified. Insurers must provide both current and proposed rating criteria for each of the rating examples as required. Rating territories must be those as defined in the insurer's Automobile 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 must 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 must be converted to an annual basis.
- All risks must 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.
- If the insurer does not write a particular limit or deductible level for a described profile, provide the premiums using the closest limit/deductible and note the applicable limit/deductible on the profile.
- 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. Also, the total policy premium combining all operators must 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.
- Unless stated explicitly in the profile, do not assume the operator has progressed through the graduated licensing system.