
Newfoundland & Labrador
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

AUTOMOBILE INSURANCE
FILING GUIDELINES

ADOPT IAO RATES
FEBRUARY 26, 2020

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1.0 GENERAL INFORMATION

These IAO Filing Guidelines are available for use by insurers proposing to adopt IAO rates that have been approved by the Board. These guidelines may also be used to introduce modifications such as discounts, surcharges, liability limits, deductibles, rate group table updates and endorsements by insurers that are proposing to adopt or are currently using IAO rates. Insurers are strongly encouraged to contact Board staff to discuss any proposed modifications prior to submitting a rate filing.

Proposed rates filed under the IAO Filing Guidelines require prior approval of the Board. The Board will prohibit the rates where it determines, as per Section 10 of Newfoundland and Labrador Regulation 56/19 (“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 which may be used by insurers in the rate filing process. Insurers must confirm they are referencing the most recently accepted 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 IAO Filing Guidelines and all associated exhibits may be downloaded from the Board’s website at www.pub.nl.ca/insurance.htm.

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 with the Board the risk classification system it intends to use in determining rates for each coverage and category of automobile insurance with the Board.

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.

1.2 Categories of Automobile Insurance

The following categories of automobile insurance are used for the purposes of the IAO 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.

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.

Proposed changes to the various types of vehicles included under Miscellaneous Vehicles, Public Vehicles and Other Vehicles may be filed separately, or bundled and submitted as a single filing under each respective category. For example, a single Miscellaneous Vehicles filing could include changes to multiple vehicle types including motorcycles, all-terrain vehicles and snowmobiles.

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 fleet¹.

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 under the current regulations.

Insurers using IAO rates are required to submit a filing at least once every three years for each category of insurance in accordance with the mandatory schedule even if no changes are proposed.

1.4 Prohibited Elements

1.4.1 Underwriting Rules

Section 96.1 of the *Insurance Companies Act* and associated regulations prohibit insurers from using underwriting rules based on the following:

- a) age, sex or marital status;
- b) not at fault losses;
- c) insured has inquired as to coverage or has advised of an accident for which no payment of indemnity was made;
- d) nonpayment of premium, other than first payment, where a dishonored payment was replaced within 30 days of its original date;
- e) insured has been declined or refused insurance by another insurer;
- f) lapses in insurance coverage of less than 24 months, with specific exceptions;
- g) insured does not have another insurance policy of any kind with the insurer;

¹ "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.

- h) insured is or was insured through Facility Association;
- i) vehicle age, except that the insurer may require a satisfactory inspection certificate be provided where the vehicle is eight years or older;
- j) the length of time the applicant or a person insured under a contract has held a valid driver's license for the type of vehicle being insured;
- k) the lack of a driver training program unless otherwise required by law; and
- l) credit information.

In addition, an insurer is prohibited from using any underwriting rule which;

- a) is subjective;
- b) is arbitrary;
- c) bears little or no relationship to the risk to be borne by the insurer in respect of an insured; or
- d) is contrary to public policy.

The Board may from time to time notify insurers in a general circular of specific underwriting rules it deems to be in violation of these legislative provisions.

1.4.2 Risk Classification System

Section 96.2 of the *Insurance Companies Act* and associated regulations prohibit insurers from using the following as elements in any risk classification system:

- a) age, sex, and marital status with the exception of discounts to insureds aged 55 years and older;
- b) not at fault losses;
- c) insured has inquired as to coverage or has advised of an accident for which no payment of indemnity was made;
- d) nonpayment of premium, other than the first payment, if amount is paid within 30 days it was due;
- e) insured has been declined or refused insurance by another insurer;
- f) lapse in insurance coverage of less than 24 months, with specific exceptions;
- g) any element associated with an excluded driver or the claim of a driver subsequently excluded; and
- h) credit information.

In addition, insurers are prohibited from using a risk classification system that:

- a) is not just and reasonable in the circumstances;
- b) is not reasonably predictive of the risk;

- c) does not distinguish fairly between risks; or
- d) is otherwise prohibited in the regulations.

The Board may from time to time notify insurers in a general circular of specific elements of a risk classification system it deems to be in violation of these legislative provisions.

1.5 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.

1.6 Review Timeline

As per Section 10 of NLR 56/19 the Board shall approve, prohibit or vary rates under the IAO filing process within 90 days from the date the Board received the filing. The Board may extend the time period by a maximum of 90 days if required.

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 IAO Filing Guidelines. Incomplete filings may result in a delay in the review process or the filing being returned to the insurer.

1.7 Effective Dates

The proposed effective dates for both new business and renewals must be no earlier than 90 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.

1.8 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.

1.9 Filing Submission

Filings made under the IAO 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.

2.0 FILING FORMAT

All IAO rate filings must be submitted in the following format:

Section	Description
1	Cover Letter
2	Table of Contents
3	Certificate of the Officer
4	Support for Adoption of IAO Rates and Modifications (if any)
5	Underwriting and Rating Rule Changes
6	Rate Exhibits
7	Dependent Categories (if applicable)
8	Rate Manual Pages
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

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, for 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 – Support for Adoption of IAO Rates and Modifications

4.a. Support for Adoption of IAO Rates

In order to use IAO rates, insurers must explain why it is appropriate in the circumstances to adopt the IAO rates rather than conducting an analysis of company specific experience or industry experience to produce indications. All reasons should be presented and discussed so that the Board has sufficient information to decide whether to allow the use of the IAO rates.

If the insurer currently uses IAO rates, this fact should be highlighted. If the circumstances under which the insurer was approved to adopt IAO rates have not changed, the insurer should explain this fact.

4.b. Support for Proposed Modifications

Any modifications to the rates and risk classification system approved by the Board and published by IAO must be described in this section.

Where the insurer is proposing to continue using existing discounts, surcharges, liability limits, endorsements, etc., that were previously approved by the Board and currently offered by the insurer, this fact should be stated.

If any introductions, modifications or deletions to the rates and risk classification system are proposed, the insurer must provide the following support:

- a) the rationale for why the changes are being made;
- b) an explanation of how any rates/differentials for the changes were determined;
- c) an estimate of how many policyholders are impacted by the changes; and
- d) a note as to whether the changes were off-balanced, including calculation details.

4.c. Future Intentions Regarding IAO Rates

The insurer should indicate whether it plans to apply to use any new IAO rates immediately after Board approval or whether the insurer will simply adopt the current IAO rates whenever it is required to make a mandatory filing with the Board.

Section 5 – Underwriting and Rating Rule Changes

5.a. Underwriting Rule Changes

Underwriting rules are those rules used to govern the decision to accept or decline a risk or a coverage, deductible level, or liability limit.

All additions, deletions and/or changes to underwriting rules must be filed in this section. Underwriting rules are subject to review, but are not “approved” by the Board. Insurers will be notified if any proposed underwriting rule is found to be non-compliant, otherwise they are accepted as filed.

Section 96.1 of the *Insurance Companies Act* and associated regulations prohibit insurers from using certain underwriting rules in the province. Please refer to Section 1.4 of this document for additional details.

5.b. 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 class are assigned. Rating rules are part of an insurer’s risk classification system and must be filed according to these requirements. Any rate level impact resulting from changes must be quantified and its impact should be reflected in the proposed rate level changes.

All rating rule changes are to be filed in this section. The required information must include: (i) a description of the proposed changes, (ii) the rationale for the proposed changes, (iii) the rate level effects of the proposed changes, if any, (iv) an estimate of the number of policies affected, and (v) the calculations that validate the rate level effect of the proposed changes based on the expected distribution of business.

Section 96.2 of the *Insurance Companies Act* and associated regulations prohibit insurers from using certain elements in its risk classification system in the province. Please refer to Section 1.4 of this document for additional details.

Section 6 – 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 6.a. - 6.d. **must be included** even if there are no proposed changes to the element.

6.a. Algorithm

Exhibits illustrating current and proposed algorithms for all coverages, including discounts and surcharges, must be disclosed in this section.

6.b. Base Rates

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

6.c. Differentials

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

6.d. Discounts and Surcharges

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

6.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.

6.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, and on a combined basis for all coverages. This calculation must reconcile with the Proposed Overall Rate Level Change in Appendix A – Rate Filing Summary before any renewal capping.

6.g. Dislocation and 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 7 – 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 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.

Section 8 – Rate Manual Pages

A proposed set of manual pages with rating rules, discounts, surcharges or definition changes must be provided with the filing.

Any changes or additions to the rating rules, definitions or text in the proposed rate manual should be denoted by a sidebar.

A final rate manual must be submitted electronically to ito@pub.nl.ca within 30 days after the rate filing has been approved.

Appendix A – Rate Filing Summary

The “Rate Filing Summary – Adopt IAO” 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.

Rate Filing Summary

The Rate Filing Summary is an Excel document that contains certain key information on the nature of the proposed rate level and/or rating program changes. All data used in Section 4 should reconcile to the information presented in the Rate Filing Summary.

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 included 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 type for which a Rate Filing Summary form is required.

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.