

Guidelines for Private Passenger Rating Program Simplified Filing

A. GENERAL INFORMATION

Section 602 of the *Insurance Act* and Sections 2 and 5 of the *Automobile Insurance Premiums Regulation* require insurers to make application and obtain prior approval for revisions to an existing rating program for private passenger vehicles.

Filing Requirements

These guidelines for a Simplified Filing may be used instead of the Guidelines for Private Passenger Rating Program – Full Filing, provided the proposed changes meet one or more of the following conditions:

- a) The increase in overall rate level cannot exceed **+3.0%** in one policy year. The threshold applies to the change in rate level for all coverage, not by individual coverage. The 3.0% or any remaining balance of the available +3.0% for one policy year can be carried over to a second policy year. A cumulative +6.0% is available over the three policy years following a full filing. A full filing is required if an insurer requests increases exceeding +6.0% or three years has elapsed since the last full filing. The proposed rate changes must be supported by the latest full filing.
- b) The proposal is for a decrease in overall rate level and otherwise meets criteria for a simplified filing.
- c) The proposal is to recoup a voluntary decrease implemented under b. in the period prior to a required full filing.
- d) The proposal is to change existing differentials for rating variables (including base rate) with no increase greater than **+10.0%**.
- e) The proposal is to introduce less than 20% dislocation to any policyholder prior to capping.
- f) there is no change in rating criteria or the rating algorithm with the exception of a new discount for which there is no offsetting increase in premium for any policyholder other than as permitted under a, c and d.
- g) The change is limited to the introduction of or revised pricing of coverage under a standard or conditionally approved endorsement.
- h) The proposal is to adopt an AIRB approved version of the Canadian Loss Experience Automobile Rating (“CLEAR”) tables.
- i) The proposal is to update underwriting manual with eligibility rule changes.

The AIRB is prepared to exempt insurers that write only fleet or experience rated risks from the full filing requirements.

With respect to CLEAR, the Board will approve each version of the rate group tables beginning with the tables developed for use in 2015. The AIRB will post the approval of the current year CLEAR tables on its website at which time insurers can make application to adopt the most recent versions. For the immediate future, insurers can adopt those versions of CLEAR that are available through VIC, though the AIRB has not issued explicit approval for those tables. The AIRB will allow insurers to use alternate methods other than CLEAR table to set rate groups. The insurer that uses an alternate method to set rate groups is required to seek approval from the Board of the method first.

In the case where the rating program of a category of automobile insurance required to be filed under Other than Private Passenger Automobile is dependent upon the insurer's private passenger automobile rates, the information for the dependent category can be submitted with the private passenger automobile insurance filing. Otherwise, use the *AIRB Guidelines for Other than Private Passenger Full Filing* or *AIRB Guidelines for Other than Private Passenger Simplified Filing*.

Filing Format

Subject to the guidelines set forth in Section C, the filing should contain the informational sections, as outlined below, and in the order outlined below:

Section	Contents
1.	Table of Contents
2.	Summary of Information (Appendix A)
3.	Certifications of the Officer (Appendix B)
4.	Rating Algorithm
5.	Base Rates, Rating variable Differentials
6.	Rating Rules
7.	Calculation of Rate Level Change
8.	Dependent Categories
9.	Proposed Manual Pages
10.	Rating Examples (Appendix C)

Approval Process

Filings must be submitted electronically by email to airb@gov.ab.ca or secure document transfer system. The full filing must be compiled into a PDF document. Electronic copies must clearly identify each such requirement, each starting on a separate page within the document(s). Pages must be numbered using “<Section>.<Page>” format (e.g., 4.5 represents the 5th page of section 4).

The filing cover letter must set out the name, title, insurer name, business address, telephone number, facsimile number and e-mail address of the individual authorized to act as contact on behalf of the Insurer. The named contact person must be prepared to respond to questions posed by AIRB or its consulting actuary and accept correspondence from either on behalf of the insurer relating to this filing.

An email will be sent to the insurer within two (2) business days to acknowledge receipt of a filing. 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.

Once a filing is complete, the AIRB will notify the insurer and proceed to review the technical components of the filing. The AIRB may request further information from the insurer. The AIRB’s target is to provide a decision on a simplified filing within thirty (30) days of when the filing is complete. The clock stops during office holiday closure.

Once an insurer has received approval of its filing from the AIRB, it must file a copy of its rate manual, containing the revised rates and rating program, including rating rule changes, if applicable, in electronic format by email or secure document transfer system within 30 days. The electronic copy of the rate manual submitted to AIRB must be identical to any hard copies or versions that are being distributed to anyone, including brokers, agents or other vendors. The insurer is obligated to implement the changes in the filing no later than 120 days after the approval date.

B. GUIDELINES

These guidelines are for the Private Passenger Automobile (PPA) category only. See Section B. Guidelines for Private Passenger Full Filing for Definitions. The format of the filing should be as follows:

SECTION 1: TABLE OF CONTENTS

This section contains a listing of the contents of Sections 2 through 10 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.

SECTION 2: SUMMARY OF INFORMATION

The summary section contains certain key information on the nature of the proposed rate level. The form to be used is attached to this document as Appendix A.

SECTION 3: CERTIFICATE OF THE OFFICER

Each filing must be accompanied by a signed authorized Certificate of the Officer form. A copy of the Certificate of the Officer form is attached as Appendix B1. Authorized officers for the insurer are the President, CEO, COO, CFO, any vice-president, the treasurer, the corporate secretary and the Chief Agent for Canada.

SECTION 4: RATING ALGORITHM

Each insurer is required to file its current rating algorithm and proposed rating algorithm when introducing new discounts for any coverage. The rating algorithm must include the filing of all risk classification elements including discounts and surcharges.

SECTION 5: BASE RATES, RATING VARIABLE DIFFERENTIALS

a. Base Rates

Each insurer must file current and proposed base rates or territorial differentials for all coverage.

In order for AIRB to review the reasonableness of the rate level impact and verify the accuracy of the balancing procedure, companies must provide the current and proposed base rates or territorial differentials in EXCEL format.

In the case of rate group filing, insurers are not allowed to off-balance premium impact due to rate group updates to coverages that do not have rate group as a rating variable.

b. Differentials

Each insurer must file its current and proposed differentials for all coverage (including discounts).

c. Experience Data

The insurer may be required to provide raw data or analysis from the latest full filing to support the proposed changes.

SECTION 6: RATING RULES

Each insurer is required to file its current and proposed rating rules. 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 7: CALCULATION OF FINAL RATE LEVEL CHANGE

This section must clearly describe and show how the rate level impact of changes to base rates, rating variable differentials (including discounts and surcharges), and rating rule changes are used to calculate the current and proposed average rate and the overall rate level change on a per coverage basis. This calculation must reconcile with the Proposed Overall Rate Level Change from Questions 4a and 4b of Appendix A.

This section must also clearly describe and show how the rate level impact of changes to base rates, differentials, discounts and surcharges, and rating rule changes are used to calculate the current and proposed Average Rate on a by coverage basis.

Any analysis required to support the filing must be submitted in an Excel worksheet. The Excel worksheet must either include the formula in the respective cells as opposed to the just the value or the formulae and location of source data used in those calculations must be footnoted on each page of calculations.

SECTION 8: DEPENDENT CATEGORIES – OTHER THAN PRIVATE PASSENGER AUTOMOBILE

For those categories of automobile insurance that are dependent on the 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.

SECTION 9: PROPOSED MANUAL PAGES CONTAINING RATES AND RATING PROGRAMS

A proposed set of manual pages with rating rules, discounts, surcharges or definition changes must be provided with the filing. A proposed set of manual pages that contain the rates by territory and class, driving record, etc. is optional at the time of submitting 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 and complete set of manual pages in electronic format by email or secure document transfer system containing the approved rates and rating program must be submitted within 30 days after the rate filing has been approved. The electronic copy of the complete rate manual submitted to AIRB must be identical to any hard copies or versions that are being distributed to anyone, including brokers, agents or other vendors. The insurer is required to include a copy of the most current vehicle rate group tables in the complete manual or clearly reference the table in use by year and type.

SECTION 10: RATING EXAMPLES

Appendix C sets out twelve rating examples for private passenger vehicles. Each insurer must file with the AIRB those rating examples that would be affected by the filing. Also, the AIRB may require additional and/or different rating examples as a consequence of the review process. The rating examples must be provided in Excel format.

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 on an un-capped basis.

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 coverage.
- 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.

The Appendix C is optional at the time of submitting the filing. A final and complete set of Appendix C must be submitted within 30 days after the rate filing has been approved, together with the submission of the final version of manual pages.