

**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 implementation of a new or revisions to an existing rating program for private passenger vehicles.

**Filing Requirements**

The guidelines for a Simplified Filing may be applied provided the proposed changes meet all of the following conditions:

- a) A full filing, in accordance with Guidelines for Private Passenger Rating Program – Full Filing, has been completed within the last three years;
- b) The increase in overall rate level does not 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;
- c) The change to existing differentials for rating variables (including base rate) has an increase not exceeding **+10.0%**; and
- d) There is no more than **20%** dislocation to any policyholder prior to capping.

The AIRB may consider exempting insurers from submitting a full filing (Guidelines for Private Passenger Rating Program – Full Filing) under the following circumstances:

- I. A decrease or revenue neutral change in overall rate level is being requested and the filing otherwise meets criteria for a simplified filing under c and d above.
- II. The filing is requesting to recoup a voluntary decrease implemented under the previous rate filing, in the period prior to a required full filing, and otherwise meets criteria for a simplified filing under b, c, and d above.
- III. 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, and otherwise meets criteria for a simplified filing under b, c, and d above
- IV. The change is limited to the introduction of or revised pricing of coverage under a standard or conditionally approved endorsement, and otherwise meets criteria for a simplified filing under b and c above.
- V. The proposal is to adopt an AIRB approved version of the Canadian Loss Experience Automobile Rating (“CLEAR”) tables, and otherwise meets criteria for a simplified filing under b and c above
- VI. The insurer has limited exposures (under 1,000 exposures in total for type of business), and otherwise meets criteria for a simplified filing under b, c, and d above.

An insurer that only writes fleet or experience rated risks is exempt from submitting filings.

Insurers are required to submit a simplified filing to update underwriting manual with only eligibility rule changes and no rate impact. The filing is for information only to the AIRB and is reviewed by the Superintendent's office.

#### CLEAR Tables

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. The AIRB will allow an insurer to use alternate methods other than CLEAR tables to set rate groups. An insurer using an alternate method to set rate groups is required to seek prior approval from the AIRB.

#### Rate Capping

Further to the AIRB's Policy P09 – Rate Capping,

- Insurers who are introducing a new capping procedure are required to demonstrate that the after-capping rate change not exceeding the before-capping rate change.
- Insurers who had a filing(s) within the past policy year and are planning to continue with the previously approved capping procedure are required to demonstrate that the combined after-capping rate change not exceeding the before-capping rate change.

#### 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](mailto: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 5<sup>th</sup> 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 deemed 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 deemed 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.