

## List of Filing Guideline Changes effective April 1, 2015:

### Filing Guidelines in General:

1. Approval Process: clarify that when the office is closed, the lapse of days is not counted. This is important especially in December during the holiday closure.

Once the filing material 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 full filing within sixty (60) days from the date that the filing material is complete. **The clock stops during office holiday closure.**

### Filing Guidelines PPV FULL FILING:

1. 4.b: clarify that discount rate used cannot be lower than the Board's approved risk free rate

For each coverage and sub-coverage listed above, payment patterns must be developed for purposes of discounting claims. Insurers must show the interest rate selected by coverage for discounting purposes and the rationale for the selection. **The selected discount rate must not be lower than the Board approved risk free rate published in the latest industry benchmark schedule.**

2. 4.e: clarify that insurers who charge less than the approved rates must use undiscounted premium for rate indication.

**In case an insurer charges less than the approved rates, the premium must be brought to the undiscounted basis.**

3. 4.f: clarify that expenses must also be on a direct basis. This is to prevent double counting related to cost of capital and remove reinsurance cost.

**Direct expenses (i.e., prior to any reinsurance transactions) should be the basis for ratemaking and must not include insurer's costs to the Risk Sharing Pools or Facility Association Residual Market risk business.**

4. 4.f: clarify that the actual expense of the insurer should be used when the insurer is affiliated under an insurer group.

In the case that an insurer belongs to an insurer group, the actual expense for the insurer should be used, instead of using the expense allocated from the insurer group.

5. 4.f.1: clarify that all the fixed expenses must be allocated across all the coverage, instead of basic coverage only.

Exposure variable expenses must be allocated across all the coverage.

6. 4.g.: clarify that the 7% ROP is by coverage, and allow FA to charge the same profit provision since they are approved to charge cost of capital now.

The AIRB has established 7% of premium as a target pre-tax profit provision by coverage (including Facility Association). All insurers must submit their rate indications based on target profit provision as a percentage of premium.

7. 4.j: clarify that the 3 years of actual experience should be the most recent data available to insurers

The indicated rate change should be based on at least three consecutive years of the most recent actual experience. An appropriate weight should be applied to each year based on actuarial judgement. If these weights are different from the insurer's prior filing, the change must be disclosed, explained, and supported.

8. 4.j: clarify that proposed rate changes should be in the same direction and same relative magnitude as the indication by coverage. This is to prevent insurers from being selective.

Proposed rate changes should be in the same direction and same relative magnitude as the indicated rate change direction at the coverage level. For example, if the indicated rate change for TPL is positive and the indicated rate change for AB is negative, the AIRB expects a proposed increase in the rates for TPL and a proposed decrease in the rates for AB, even though both TPL and AB are required basic coverage. In the case where a discrepancy is present, explanations should be provided.

9. 4.o: add this section to clarify that endorsements are regulated

#### **4.o. Endorsement**

##### **4.o.1 Revision to Current Endorsements**

Insurers must provide own loss experience to support the changes. If own experience is not available, insurers are required to provide information that is used in its decision-making to set the rates.

##### **4.o.2 Introduction of New Endorsements**

Insurers may introduce new endorsements into their rating programs if the endorsement has been approved by the Superintendent of Insurance.

If insurers are employing a Standard Endorsement Form, no approval from the Superintendent of Insurance is needed. Insurers are only required to provide supporting materials for the pricing.

If insurers are introducing a non-standard endorsement (Conditionally Approved Endorsement), the form has to be approved by the Superintendent of Insurance before it is submitted to the AIRB for rate approval. Supporting materials for its pricing is also required.

#### Filing Guidelines PPV SIMPLIFIED FILING:

1. Clarify that the 3% threshold is conditional on being supported by the latest full filing. 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.**

#### Appendix A – PPV Full

Tab A1: additional information for **contact person** and **mailing address**

Tab A6: **6a** is now asking for dislocation for policies with basic and **SEF 44** only not taking into account any previous rate changes that would affect renewal policies prior to any rate capping

Tab A9: removed the previous question 7g (asking for profiles for policyholders who will be receiving the biggest increase and decrease before any capping)

Tab A10: moved the previous question 7g to be an independent question whether or not the insurer is proposing to cap premium dislocation.

Tab A11: renamed previous Tab A10 to be A11.

Tab A12: renamed previous Tab A11 to be A12.

#### Appendix A – PPV Simplified

Duplicate the appendix based on the one for PPV Full filing, except for tab A1, which is simplified filing specific.

Appendix B - Certificate of Officer:

- Clarify that insurers can still charge less than the approved rates
  - 10. If the filing is approved, all premiums (including discounts, surcharges and other components comprising such premiums) quoted and charged by the Insurer will at all times and in all material aspects accurately reflect and conform to the filing as approved, whether such premiums are calculated manually or otherwise. **However, the Alberta Insurance Act allows insurers to charge less than the approved premiums.**
- Adopt CARR's certificate, which adds a sentence to encourage communication between insurers and GISA regarding data accuracy.

**I confirm that any data changes that are ultimately approved in this application will be reviewed both internally and, if needed, with the General Insurance Statistical Agency and/or its data provider (currently IBC) to ensure that the required data can be properly and correctly delivered for inclusion in the Automobile Statistical Plan**