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## P04 Automobile Insurance Rating Program Approvals

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### **Policy:**

Every insurer licensed to undertake automobile insurance in Alberta must file its rating program with the Board and obtain the prior approval of the Board to either establish a new rating program to enter the market or to revise an existing rating program.

The Board has developed guidelines for filings. The guidelines are available on the AIRB website ([airb.alberta.ca](http://airb.alberta.ca)).

### **Procedures:**

The Board will review both Full and Simplified Filings based on the criteria that the rate level is not excessive and that the risk-classification system is just, reasonable and reasonably predictive of risks.

The Board may require a Full Filing where there has been no request for a revision to a rating program within the past three years, or at the Board's discretion.

Full Filings entail an actuarial analysis that is required in the following circumstances:

- where the insurer has not submitted a full filing within the past three years, or
- where the insurer proposes an increase in rate level or existing relativities in excess of the Board's current administrative thresholds, or
- where the insurer proposes to introduce additional rating variables other than discounts, or
- where the insurer proposes changes to its algorithm, or
- where the insurer does not currently have an approved rating program and proposes to establish a rating program to enter the market, or
- where the Board decides it is appropriate.

Simplified Filings respond to increases in rate level up to the Board's current administrative threshold. The percentage for one annual period can be carried over to a second annual period without requiring a Full Filing.

Simplified Filings are less rigorous than Full Filings with the intention to accommodate the routine minor maintenance of rating programs that are integral to a competitive market. Simplified Filings provide an efficient tool for other minor adjustments that might redistribute premium, amend pricing for endorsements, adjust discounts, and update Vehicle Information Centre CLEAR rate group tables or rate group tables based on alternate methods.

An insurer may withdraw a Full or Simplified Filing, other than one submitted to comply with the requirement for a Full Filing every three years or one that the Board has specifically requested the insurer to submit.

The Board has established guidelines specifying the manner and form for Full and Simplified filings. The Board's target is to render decisions within 60 days for Full Filings and 30 days for Simplified Filings from when the filing is deemed complete.

The *Insurance Act*, section 602 (5) permits an insurer to charge a premium for basic coverage that is less than the premium determined in accordance with the rating program approved by the Board. This does not preclude an insurer from also charging less for additional coverage.

**Authority:**

*Insurance Act Section 602(1, 2)*

**602(1)** *No insurer may charge or collect from an insured or an applicant for a contract an amount for basic coverage or additional coverage unless*

- (a) the amount is based on a premium calculated under a rating program of the insurer approved by the Board or an amount determined by the Lieutenant Governor in Council under subsection (3), and*
- (b) with respect to basic coverage, the amount is equal to or less than the maximum premium determined under the regulations.*

**(2)** *The Board may, subject to the regulations, approve rating programs for basic coverage and additional coverage.*

*Automobile Insurance Premiums Regulation*

**Required approvals**

**2(1)** *No insurer may charge or collect a premium for basic coverage or additional coverage unless the insurer's rating program with respect to that coverage has been approved in accordance with this Regulation.*

**(2)** *The Superintendent may prohibit the use of any rating variable in an insurer's rating program.*

**Initial filing by existing insurers**

**3(1)** *An insurer who on coming into force of this section is licensed in Alberta to undertake the class of automobile insurance and who offers basic coverage or additional coverage, or both, must, in accordance with the Board's policies and procedures, file with the Board its rating program.*

**(2)** *A rating program of an insurer referred to in subsection (1) in effect on the coming into force of this section is deemed to be approved by the Board for the purpose of section 2, but is subject to a review under section 7.*

**New insurers**

**4(1)** *An insurer that, under the Act,*

- (a) becomes, on or after the coming into force of this Regulation, licensed in Alberta to undertake the class of automobile insurance and intends to offer basic coverage or additional coverage, or both, or*
- (b) is licensed in Alberta to undertake the class of automobile insurance and is only offering basic coverage or additional coverage but, on or after the coming into force of this Regulation, intends to begin offering both basic coverage and additional coverage must, in accordance with the Board's policies and procedures, file with the Board its rating program for basic coverage or additional coverage, or both, as the case may be.*

**(2)** *A rating program filed in accordance with subsection (1) has no effect until it is approved by the Board under section 7.*

**Approval of changes to ratings programs**

**5(1)** *An insurer must, subject to the Board's policies and procedures file with the Board any proposed changes to its rating program.*

**(2)** *Proposed changes to a rating program required to be filed under subsection (1) have no effect until they are approved by the Board under section 7.*

**Further filings**

**6** *In addition to a requirement to file a rating program under section 3, 4, or 5, an insurer must, in accordance with the Board's policies and procedures, file with the Board the insurer's current rating program.*

**Approval of rating programs**

**7(1)** *Where an insurer files a rating program or changes to a rating program under this Regulation, the Board may, with respect to the filing, approve, reject or require changes to the rating program or to the proposed changes.*

**(2)** *If the Board rejects or requires changes to a rating program, the Board must promptly serve on the insurer a written notice of the Board's decision, and give reasons for the decision.*

**Approved by the Board: June 27, 2014**

**Effective date: July 1, 2014**

Approved:

original signed  
Honourable Doug Horner  
President of Treasury Board  
Minister of Finance

Date: July 22, 2014