

P09 Rate Capping

Policy:

The Board considers rate capping (positive and negative) as a tool that insurers can choose to employ to manage dislocation. Rate capping can only apply to two annual renewal terms following the implementation of the specific rating program. No further capping exercise can apply to the particular rating program (e.g., private passenger) until any existing capping exercise is exhausted. However, insurers can request a longer capping period if the need is supported. The AIRB may approve a longer period after careful analysis.

Procedure:

Rate capping is limiting the increase or decrease to the policyholder's premium that would otherwise occur due to the combined effect of changes in base premiums and relativities or changes to the algorithm. Rate capping is most often applied on a per vehicle basis for all coverage excluding endorsements. The two-year limit on capping is to avoid the consequences of capping one rating program rolling over indefinitely to subsequent filings, potentially obscuring the determination of the correct premium.

Authority:

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.

Approved by the Board: June 27, 2014

Effective date: July 1, 2014