
Newfoundland & Labrador
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

AUTOMOBILE INSURANCE
FILING GUIDELINES

CLEAR
FEBRUARY 26, 2020

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1.0 GENERAL INFORMATION

These CLEAR Filing Guidelines are available for use when an insurer is **ONLY** proposing to adopt a Board approved version of the Canadian Loss Experience Automobile Rating (“CLEAR”) tables.

Any rate filing that seeks other changes beyond the adoption of a new CLEAR table must be made using the Mandatory, Mandatory Simplified or Expedited Approval filing options. Any insurer that uses a Manufacturer’s Suggested Retail Price (“MSRP”) rating table should contact Board staff to discuss.

The Board posts the approval of the current year of CLEAR on its website at which time insurers can submit a filing to adopt the most recent version. The Board encourages insurers using CLEAR tables to file for approval to adopt the most recent version as soon as possible.

There is a natural rate group drift based on the CLEAR methodology which takes into consideration the annual changes in the vehicle rate groups that are assigned and the additional premium that is collected as a result of policyholders replacing older vehicles with newer vehicles. The Board publishes annual benchmark CLEAR base rate adjustment factors to assist insurers in reflecting this rate group drift when it approves new CLEAR tables. Insurers may use the Board’s benchmark factors without the need for additional support when filing for CLEAR updates. Insurers are not required to use the Board’s benchmark factors but justification for the use of alternate factors must be provided. Please see the Benchmark Schedule found on the Board’s website for the most recent CLEAR base rate adjustment factors.

Proposed rates filed under the CLEAR Filing Guidelines require prior approval of the Board which will generally occur **within 30 days** from the date the Board receives the filing. The Board will prohibit the rates where it determines, as per Section 10 of Newfoundland and Labrador Regulation 56/19 (“NLR 56/19”), that the proposed rates:

- a) are not just and reasonable in the circumstances;
- b) would impair the solvency of the insurer;
- c) are excessive in relation to the financial circumstances of the insurer; or
- d) violate the *Automobile Insurance Act*, the *Insurance Companies Act* or the respective regulations under these Acts.

The CLEAR Filing Guidelines and all associated exhibits may be downloaded from the Board’s website at www.pub.nl.ca/insurance.htm.

1.1 Board Mandate

The Board has regulatory responsibilities related to automobile insurance with respect to:

- a) rates;
- b) risk classification systems; and
- c) underwriting guidelines.

Sections 49 and 51 of the *Automobile Insurance Act* require insurers to file the rates and rate changes it proposes to charge for automobile insurance with the Board. Section 50 of the *Automobile Insurance Act* prohibits insurers from charging rates that have not been approved by the Board.

Section 96.2(4) of the *Insurance Companies Act* requires an insurer to file with the Board the risk classification system it intends to use in determining rates for each coverage and category of automobile insurance with the Board.

Section 96.1(4) of the *Insurance Companies Act* requires an insurer to file the underwriting rules it intends to use to decline to issue, terminate or refuse to renew a contract, or refuse to provide or continue a coverage or endorsement.

1.2 Mandatory Filing Schedule

The Board has established a mandatory rate filing schedule in accordance with Section 9(1) of NLR 56/19. Insurers are required to file for approval of its rates and risk classification system within **three years of the date of last filed rates** for each category of automobile insurance it writes and **every three years thereafter**. Filings are required under the mandatory schedule even if the proposal is for no change in rates.

The date of the last filed rates refers to:

- a) the date of the most recent Board Order for a Category 2 or Category 3 IAO rate filing approved under the former regulations, or
- b) the date of the most recent Board Order for a Mandatory or Mandatory Simplified rate filing under the current regulations.

Rates approved by the Board under the CLEAR filing category do not qualify for the purposes of the mandatory filing schedule.

1.3 Confidentiality

Rate filings will be treated as confidential in view of existing privacy legislation and will only be released in accordance with the *Access to Information and Protection of Privacy Act* (“ATIPPA”). In particular, a person seeking the release of information not subject to routine disclosure must make a request under ATIPPA within the context of the provisions of the legislation.

1.4 Review Timeline

The Board will generally approve, prohibit or vary rates under the CLEAR filing process **within 30 days** from the date the Board received the filing.

The review timeline will commence on the day the filing is received by the Board provided it is found to be complete. A filing will not be considered complete until all required documentation and information sufficient to permit a full review has been filed in accordance with the CLEAR Filing Guidelines. Incomplete filings may result in a delay in the review process or the filing being returned to the insurer.

1.5 Effective Dates

The proposed effective dates for both new business and renewals must be no earlier than 30 days following receipt of a CLEAR filing by the Board.

In the event an insurer requires a change to its proposed effective dates following the issuance of a Board Order, the Board must be notified of this change in advance.

1.6 Costs

All costs associated with the rate review process will be recovered as part of the Board’s annual assessments to Industry. The Board will no longer invoice insurers for company specific rate filings on a case-by-case basis.

1.7 Filing Submission

Filings made under the CLEAR Filing Guidelines must be submitted electronically to ito@pub.nl.ca. A hard copy is not required.

Board staff will determine if the filing requires actuarial review and will forward the filing documentation to its consulting actuaries accordingly. Insurers are not required to copy the Board's consulting actuaries when filings are initially submitted.

2.0 CLEAR FILING REQUIREMENTS

The steps required to update to the most recent CLEAR tables approved by the Board will depend on the individual circumstances of the insurer. The following requirements must be considered prior to the preparation of a filing made under the CLEAR Filing Guidelines:

1. The most recent CLEAR table may be adopted with no adjustments to base rates required if an insurer received Board approval of a filing with rate group drift reflected, with a renewal effective date within nine months prior to the Board's acceptance date of the most recent CLEAR table. Insurers who adopted IAO rates effective for renewal business on a date that falls within the nine-month window can also use this approach.
2. Insurers that are currently using a CLEAR table from the previous publication year¹ but have not made a filing in accordance with (1) above may adopt the most recent CLEAR rate group table by applying the Board's benchmark CLEAR base rate adjustment factors.² An insurer may also forego use of the Board's benchmark factors and propose to use its own factors by providing detailed calculations of all applicable steps in the filing.
3. Insurers that are using an earlier version of the CLEAR table, or are proposing to adopt CLEAR for the first time, should contact Board staff to determine how to proceed. In such cases, direct contact with the Board's actuarial consultants may be recommended to determine the appropriate base rate adjustment factors to be used.

Please note, CLEAR base rate adjustments resulting in rate decreases are mandatory and must be applied in accordance with the above requirements. Those adjustments resulting in rate increases are optional and may be applied at the insurer's discretion.

When an insurer receives approval from the Board to utilize the most recent rate group tables, this approval extends to include the use of any new vehicle rate group assignments added to the table during the year. Insurers are not required to file for approval of each vehicle update issued by IBC provided they have received Board approval to use the most recent set of tables available.

¹ For example, if the insurer is proposing to move from 2019 CLEAR to 2020 CLEAR.

² See the Board's Benchmark Schedule for current CLEAR base rate adjustment factors.

Insurers proposing to introduce modifications to a CLEAR rate group table or associated differentials issued by IBC should contact Board staff prior to submission of a filing to determine how to proceed.

3.0 FILING FORMAT

All CLEAR rate filings must be submitted in the following format:

| Section | Description |
|----------------|--------------------------------------|
| 1 | Cover Letter |
| 2 | Table of Contents |
| 3 | Certificate of the Officer |
| 4 | Rate Exhibits |
| 5 | Dependent Categories (if applicable) |
| Appendix A | Rate Filing Summary |
| Appendix B | Rating Examples |

Section 1 – Cover Letter

The cover letter should provide details on the filing being submitted including, but not limited to, a summary of the proposed changes by coverage, the rationale for the proposed changes, the overall rate level impact with and without capping, and the proposed effective dates.

Section 2 – Table of Contents

The table of contents must show the main headings noted above plus the key headings within each of the sections. It must be detailed enough to allow the reader to quickly isolate key information.

Section 3 – Certificate of the Officer

A scan of an original signed certificate of an authorized officer of the insurer must be included in each filing. Authorized officers are the President, CEO, COO, CFO, any Vice-President, the Treasurer, or the Corporate Secretary or Chief Agent for Canada, for the insurer.

The Certificate of the Officer must identify a person authorized by the insurer to act as the contact person for the insurer. All filing correspondence will occur between this person, Board staff and the Board’s consulting actuaries.

Section 4 – Rate Exhibits

Exhibits illustrating current and proposed rating algorithms, base rates and differentials, clearly identified as either current or proposed, must be disclosed in this section, including any explanatory material in support of the proposed changes.

The following subsections **must be included** in the filing even if there are no proposed changes to the element:

4.a. Algorithm

Exhibits illustrating current and proposed algorithms must be disclosed in this section.

4.b. Base Rates

Exhibits illustrating current and proposed base rates must be disclosed in this section.

4.c. Differentials

Exhibits illustrating current and proposed differentials must be disclosed in this section.

4.d. Calculation of Final Rates

The filing must identify by coverage the impact of implementing the new CLEAR table. Insurers should reference Section 2.0 of these guidelines to confirm the steps required to calculate the final rates.

In the event that an insurer proposes to use its own CLEAR base rate adjustment factors, detailed calculations of all applicable steps to determine such factors must be provided in this section.

The filing must clearly describe and show how current manual territorial base rates are transformed into proposed manual territorial base rates through the application of the proposed rate change in combination with any off-balance.

In those circumstances where an insurer proposes the adoption of CLEAR Accident Benefits or DCPD rate groups for the first time, the impact must be off-balanced through base rates. The details of this calculation must be shown in this section.

4.e. Dislocation and Capping

Insurers must take into account the impact that proposed rate changes will have on consumers. Information on rate dislocation is required in Appendix A - Rate Filing Summary.

Rate capping may be considered in minimizing rate dislocation for renewal policyholders. Any capping procedure and associated rules for eligibility must be fully described in this section. The disclosure should include the rationale for imposing the cap, how the cap is applied, the length of time the cap will apply, how long it will take for the impact of the cap to be exhausted, and how the cap will be removed.

Insurers are encouraged to review other options regarding their proposal and avoid rate capping procedures, where appropriate.

Any proposed capping procedures should generally be applied on a vehicle premium basis and no negative rate capping is permitted.

Capping procedures should generally apply for a maximum of two annual renewal cycles, however insurers can request a longer capping period provided that justification for the longer period is provided.

Insurers must provide the “uncapped” overall rate level change along with the “capped” overall proposed rate level change in a filing where capping is proposed.

Insurers are required to track all policies where capping has been applied, along with the reason for the capping.

Section 5 – Dependent Categories (If applicable)

For those categories of automobile insurance or vehicles types that are dependent on the rate filing submitted, please provide the following:

- a) a list of all dependent categories impacted by the proposed changes;
- b) the rate level effects of the proposed changes;
- c) the calculations that validate the rate level effect of the proposed changes; and
- d) a copy of the rating rule that stipulates the linkage to the category of automobile insurance.

Insurers should state whether the relationship between the dependent category and the category being filed has changed or not. If the relationship has changed, the insurer should explain the rationale for and the impact of the proposed change.

Appendix A – Rate Filing Summary

The “Rate Filing Summary – CLEAR” Excel template is available for download on the Board’s website. This file should be sent as a separate excel document in the rate filing package and identified as Appendix A in the file name.

Rate Filing Summary

The Rate Filing Summary is an Excel document that contains certain key information on the nature of the proposed rate level and/or rating program changes. All data used in Section 4 should reconcile to the information presented in the Rate Filing Summary.

Publication

Section 13 of NLR 56/19 requires the Board to publish specific information pertaining to rate applications within 30 days of approving, prohibiting or varying rates. This information has been included in the “Publication” tab included in the Rate Filing Summary Excel document. The information in the Publication tab will be exported to pdf format and published to the Board’s website with the corresponding Board Order.

A separate publication form must be completed for each vehicle type for which a Rate Filing Summary form is required.

Appendix B – Rating Examples

The rating examples Excel templates are available for download on the Board’s website. The applicable files should be sent as separate documents in the rate filing package and identified as Appendix B in the file name.

This section sets out rating examples covering the categories of automobile insurance using the Canadian Automobile Insurance Rate Regulators’ harmonized profiles. There are separate templates for Private Passenger, Commercial, Miscellaneous and Taxi.

These profiles are to be used for all filings that require rating examples. Insurers must file with the Board those rating examples that would be affected by the filing. These profiles will be published to the Board’s website, with the accompanying Board Order, in accordance with Section 13 of NLR 56/19.

The rating examples must be completed according to the risk description specified. Insurers must provide both current and proposed rating criteria for each of the rating examples as required. Rating territories must be those as defined in the insurer's Automobile Insurance Manual.

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 must 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 must be converted to an annual basis.
- All risks must 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 of the coverages.
- If the insurer does not write a particular limit or deductible level for a described profile, provide the premiums using the closest limit/deductible and note the applicable limit/deductible on the profile.
- If the insurer provides group discounts, provide the individual non-group rate plus the rates with the highest discount applied.
- For multiple operator risks, provide premiums by coverage by operator using separate sheets. Also, the total policy premium combining all operators must be submitted.
- If, based on the insurer's underwriting rules, a risk profile described in a specified rating example is not written, that fact is to be indicated, and rates need not be provided for that example. However, the insurer must explain why the rating example is not appropriate under the circumstances.
- 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.
- Include the premiums for all perils only if collision and comprehensive are not offered.
- Unless stated explicitly in the profile, do not assume the operator has progressed through the graduated licensing system.