
Newfoundland & Labrador
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

AUTOMOBILE INSURANCE
FILING GUIDELINES

SUPPLEMENTAL FILINGS
FEBRUARY 1, 2021

Table of Contents

1.0	GENERAL INFORMATION	1
1.1	Board Mandate	2
1.2	Categories of Automobile Insurance	2
1.3	Mandatory Filing Schedule	3
1.4	Prohibited Elements	4
1.4.1	Underwriting Rules	4
1.4.2	Risk Classification Systems	5
1.5	Confidentiality	5
1.6	Review Timeline	6
1.7	Effective Dates	6
1.8	Costs	6
1.9	Filing Submission	6
1.10	Manual Pages	7
2.0	FILING FORMAT	7
	Section 1 – Cover Letter	7
	Section 2 – Table of Contents	7
	Section 3 – Certificate of the Officer	8
	Section 4 – Support	8
	Risk Classification Changes	9
	Discount/Surcharge Changes	9
	Endorsement Changes	9
	Rate Group Table Changes (including CLEAR)	10
	Section 5 – Rating and Underwriting Rule Changes	11
	Section 6 – Rate Exhibits	11
	6.a. Algorithm	11
	6.b. Base Rates	11
	6.c. Differentials	11
	6.d. Discounts and Surcharges	12
	6.e. Calculation of Final Rates	12

6.f. Calculation of Rate Level Change 12

6.g. Rate Capping 12

Section 7 – Dependent Categories (If applicable)..... 13

Appendix A – Rate Filing Summary..... 13

Publication 14

1.0 GENERAL INFORMATION

The Supplemental Filing Guidelines may be used by all insurers, including Facility Association, to propose various rating program changes between mandatory full filings. Permitted changes include:

- minor risk-classification changes¹;
- introduction, elimination or changes to discounts, surcharges or endorsements;
- rate group table updates²;
- rating algorithm changes;
- rate capping changes; and/or
- rating and underwriting rule changes.

The Supplemental process may not be used by insurers to propose base rate changes³. Filings for base rate changes must be made in accordance with the Mandatory, Mandatory Simplified or Expedited Approval processes. Insurers should also refrain from proposing significant alterations to existing risk classification systems under the Supplemental process (e.g. extensive new segmentation proposals).

Proposed changes filed under the Supplemental Filing Guidelines require Board approval, which will generally occur **within 90 days** from the date the Board receives the filing. The Board will prohibit the changes where it determines, as per Section 11(4) of 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 Supplemental Filing Guidelines and all associated exhibits may be downloaded from the Board's website at www.pub.nl.ca/insurance.htm.

¹ See page 8 for details.

² Filings solely for CLEAR rate group table updates must be filed in accordance with the CLEAR Filing Guidelines.

³ Off-balancing of base rates will be permitted in certain circumstances. Please see Section 4 – Support.

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 the risk classification system it intends to use in determining rates for each coverage and category of automobile insurance with the Board. Where the Board determines that an insurer's risk classification system, or an element of the risk classification system, is prohibited under Section 96.2(3) of the *Insurance Companies Act*, the insurer will be ordered to bring its risk classification system or its filing into compliance.

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 with the Board. Where the Board determines that any underwriting rule is prohibited under Sections 96.2(2) or Section 96.2(5) of the *Insurance Companies Act*, the insurer will be notified that it is prohibited from using the rule.

1.2 Categories of Automobile Insurance

The following categories of automobile insurance are used for the purposes of the Supplemental Filing Guidelines as per Section 2 of NLR 56/19:

Private Passenger Automobiles - means an automobile used for the purposes listed under the heading "Type of Use-Private Passenger" in the Automobile Statistical Plan prepared under Section 82 of the *Insurance Companies Act*.

Commercial Vehicles - means a vehicle designed or used primarily to transport materials, goods, tools or equipment in connection with an occupation or business. Proposals for Interurban Vehicles may be included as part of a Commercial Vehicles filing.

Miscellaneous Vehicles - means any of the following vehicle classes when used for personal use only: (i) motorcycles, (ii) all-terrain vehicles, (iii) mopeds, (iv) snowmobiles, (v) trailer homes, (vi) antique cars, and (vii) classic cars.

Public Vehicles - means an automobile used primarily to provide transportation services to the public and includes ambulances, daily rental vehicles, funeral hearses, private buses, public buses, school buses and taxis.

Other Vehicles - means any vehicle type that does not meet the definition of Private Passenger Automobiles, Commercial Vehicles, Miscellaneous Vehicles or Public Vehicles as defined above.

A separate filing must be submitted for each category of automobile insurance.

- There is an exception to this guideline for Supplemental filings. Where an insurer proposes changes that are uniformly applicable to multiple categories of insurance, a separate filing for each category is not required. For example, if an insurer proposes to introduce a new endorsement through the Supplemental process that is applicable to both Private Passenger Automobiles and Miscellaneous Vehicles, this change may be submitted as a single Supplemental filing.

Proposals for multiple vehicle classes within the same category may be bundled and filed as a single filing. For example, a single Miscellaneous Vehicles filing could include proposals for motorcycles, all-terrain vehicles and snowmobiles. **Insurers are strongly encouraged to bundle filings where possible.**

As per Section 9(6) of NLR 56/19, insurers are not required to file the rates proposed to be charged for automobile insurance relating to a fleet⁴.

1.3 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.

⁴ "Fleet" refers to a group of at least 5 automobiles that meet the criteria as set out in Section 2(c) of NLR 56/19.

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 approved under the current regulations.

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

1.4 Prohibited Elements

1.4.1 Underwriting Rules

Section 96.1 of the *Insurance Companies Act* and associated regulations prohibit insurers from using underwriting rules based on the following:

- a) age, sex or marital status;
- b) not at fault losses;
- c) insured has inquired as to coverage or has advised of an accident for which no payment of indemnity was made;
- d) nonpayment of premium, other than first payment, where a dishonored payment was replaced within 30 days of its original date;
- e) insured has been declined or refused insurance by another insurer;
- f) lapses in insurance coverage of less than 24 months, with specific exceptions;
- g) insured does not have another insurance policy of any kind with the insurer;
- h) insured is or was insured through Facility Association;
- i) vehicle age, except that the insurer may require a satisfactory inspection certificate be provided where the vehicle is eight years or older;
- j) the length of time the applicant or a person insured under a contract has held a valid driver's license for the type of vehicle being insured;
- k) the lack of a driver training program unless otherwise required by law; and
- l) credit information.

In addition, an insurer is prohibited from using any underwriting rule which:

- a) is subjective;
- b) is arbitrary;
- c) bears little or no relationship to the risk to be borne by the insurer in respect of an insured; or

- d) is contrary to public policy.

The Board may from time to time notify insurers in a general circular of specific underwriting rules it deems to be in violation of these legislative provisions.

1.4.2 Risk Classification Systems

Section 96.2 of the *Insurance Companies Act* and associated regulations prohibit insurers from using the following as elements in any risk classification system:

- a) age, sex, and marital status with the exception of discounts to insureds aged 55 years and older;
- b) not at fault losses;
- c) insured has inquired as to coverage or has advised of an accident for which no payment of indemnity was made;
- d) nonpayment of premium, other than the first payment, if amount is paid within 30 days it was due;
- e) insured has been declined or refused insurance by another insurer;
- f) lapse in insurance coverage of less than 24 months, with specific exceptions;
- g) any element associated with an excluded driver or the claim of a driver subsequently excluded; and
- h) credit information.

In addition, insurers are prohibited from using a risk classification system that:

- a) is not just and reasonable in the circumstances;
- b) is not reasonably predictive of the risk;
- c) does not distinguish fairly between risks; or
- d) is otherwise prohibited in the regulations.

The Board may from time to time notify insurers in a general circular of specific elements of the risk classification system it deems to be in violation of these legislative provisions.

1.5 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.

1.6 Review Timeline

The Board will generally approve or prohibit changes filed under the Supplemental filing process within 90 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 Supplemental Filing Guidelines. Incomplete filings may result in a delay in the review process or the filing being returned to the insurer.

Filings submitted after 3 p.m. Newfoundland Time will be considered received on the next business day of the Board.

1.7 Effective Dates

The proposed effective dates for new business and renewals should generally be no earlier than 90 days following receipt of the filing by the Board. Contact with Board staff should be made prior to submitting a filing if an insurer wishes to propose earlier effective dates. The acceptability of earlier effective dates will depend on the nature of the proposed changes.

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.

1.8 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.

1.9 Filing Submission

Filings made under the Supplemental 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.

1.10 Manual Pages

Updated underwriting and rating manual pages must be submitted electronically to ito@pub.nl.ca within 30 days of filing approval.

2.0 FILING FORMAT

All Supplemental filings must be submitted in the following format:

Section	Description
1	Cover Letter
2	Table of Contents
3	Certificate of the Officer
4	Rate Filing Support
5	Rating and Underwriting Rule Changes
6	Rate Exhibits
7	Dependent Categories (if applicable)
Appendix A	Rate Filing Summary

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

The “Certificate of Officer - Supplemental” template is available for download on the Board’s website.

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, of 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 – Support

Insurers must provide rationale and detailed support for its proposed changes in this section. All support must reconcile with the information provided in Appendix A – Rate Filing Summary.

Insurers must provide a descriptive narrative explaining all ratemaking steps and the rationale behind any proposed changes. The Board will only consider factors that are presented by the insurer. These factors might include, but are not limited to, company specific data, industry data, competition, market share, business plans, etc. The rationale provided should be as detailed as possible in order to illustrate to the Board that the proposals are reasonable in the circumstances. Where judgment is applied, an explanation as to why a particular factor was judgmentally selected should be provided.

Insurers may not propose any changes to base rates under the Supplemental process except to off-balance all or part of the impact of other changes. If the insurer intends to use off-balancing, a description of the off-balancing procedures and the calculations of the changes to base rates must be provided.

The Board expects that insurers will utilize the same methodologies and consistently derived assumptions in each filing. Where methodologies or the process for developing assumptions are changed from prior filings, the insurer must provide the reasons for the changes, as well as the impact of the changes on the indicated rate levels.

Risk Classification Changes

Insurers may propose various minor changes to the risk classification system including, but not limited to:

- increased limit factors;
- expanded driving record offerings;
- changes to deductible offerings; and/or
- changes to differentials for existing risk classification factors.

Insurers should refrain from proposing significant alterations to the risk classification systems under the Supplemental process (e.g. extensive new segmentation programs). Such proposals should be filed under the Mandatory to Mandatory Simplified processes.

Where an insurer proposes to change, add or delete any risk classification factor, the ratemaking process must be outlined and the insurer must demonstrate that the proposal is reasonable in the circumstances. Where possible, insurers must provide company-specific loss experience to support the proposed changes. If company-specific experience is not available, insurers are required to provide the information and rationale used in its decision-making process for the proposal.

Discount/Surcharge Changes

Insurers must demonstrate that proposed changes, additions or deletions to discounts and surcharges are reasonable in the circumstances. Where possible, insurers must provide company-specific loss experience to support discount/surcharge changes. If company-specific experience is not available, insurers are required to provide the information and rationale used in its decision-making process for the proposal.

Endorsement Changes

Insurers must provide the following when endorsement changes are proposed:

- (a) endorsement wording (including approval from the Superintendent of Insurance, where applicable);
- (b) current (if applicable) and proposed premium;
- (c) qualification criteria; and
- (d) supporting justification.

If non-standard endorsement form wording is being used, the Board will require approval of that wording by the Superintendent of Insurance before addressing any proposed endorsement

premium. If an insurer uses a Standard Endorsement Form, no approval from the Superintendent of Insurance is needed. Where an approval letter from the Superintendent of Insurance is not included but is required, the rate filing will be deemed incomplete and may be returned to the insurer.

Insurers must provide support for any endorsement premiums to be charged and explain why the proposed premium and premium calculation is reasonable in the circumstances. Where possible, insurers must provide company-specific loss experience to support the proposed endorsement premiums. If company-specific experience is not available, insurers are required to provide the information used in its decision-making process for the proposal.

Rate Group Table Changes (including CLEAR)

Please note that filings solely for CLEAR rate group table updates must be filed in accordance with the CLEAR Filing Guidelines.

Where an insurer proposes to update its current vehicle rate group table or implement a new rate group methodology, the ratemaking process must be outlined in detail.

The aggregate premium may be increased or decreased through the introduction of a new vehicle rate group table and/or changes to vehicle rate group methodology. Insurers must account for this through the use of off-balance procedures or by accounting for the premium change in its rate level. All data and/or judgements used in this process should be disclosed and supported.

Insurers who wish to include a CLEAR rate group table update as part of a Supplemental filing should refer to both the CLEAR Filing Guidelines and the Board's benchmark schedule for the current CLEAR base rate adjustment factors.

Where an insurer proposes to adopt a rate group table as published by IBC without alterations, it is not necessary to submit a copy of the table with the filing. In such cases, the insurer need only provide the table identification (i.e., year and type).

Where an insurer proposes to alter a published rate group table in any way, a copy of the proposed table must be provided with the filing, along with supporting justification for the proposed alterations. It is strongly recommended that insurers proposing alterations to rate group tables contact Board staff prior to submission of the filing to discuss.

Section 5 – Rating and Underwriting Rule Changes

Insurers must provide a summary of any rating and/or underwriting rule changes in this section.

The following information must be provided when rating rule changes are proposed:

- (a) a description of the proposed rule changes;
- (b) rationale for the proposed changes;
- (c) the rate level impacts (if any) of the proposed changes; and
- (d) an estimate of the number of policies affected.

Underwriting rules are subject to review, but are not “approved” by the Board. Insurers will be notified if any proposed underwriting rule is found to be non-compliant, otherwise they are accepted as filed.

Filings solely for underwriting rule changes may be made by way of a letter to the Board.

Section 6 – Rate Exhibits

Exhibits illustrating current and proposed rating algorithms, base rates, discounts/surcharges, 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.

To facilitate the review process, all of 6.a. - 6.g. **must be included** if there are proposed changes to any of the following elements. This section may be excluded if there are no proposed changes to any of the following elements.

6.a. Algorithm

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

6.b. Base Rates

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

Please note that insurers may not propose any changes to base rates under the Supplemental process other than those to off-balance all or part of the impact of other changes.

6.c. Differentials

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

6.d. Discounts and Surcharges

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

6.e. Calculation of Final Rates

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.

6.f. Calculation of Rate Level Change

The filing must clearly describe and show how the rate level impact of the proposed changes, in combination with any off-balance, are used to calculate the overall rate level change on a per coverage basis. This calculation must reconcile with the Proposed Overall Rate Level Change in Appendix A – Rate Filing Summary before any renewal capping.

6.g. Rate Capping

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 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.

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 7 – 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 dependent 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 – Supplemental” Excel template is available for download on the Board’s website. This file should be sent as a separate document in the rate filing package and identified as Appendix A in the file name.

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

Only tabs relevant to the specific proposed changes in the rate filing need to be completed. Any tabs or input fields that are not applicable may be denoted as “n/a” or left blank.

For Miscellaneous Vehicles, Public Vehicles and Other Vehicles, where more than one vehicle class may be included in the filing submission, a separate Rate Filing Summary must be completed for each class of vehicle for which there are changes proposed. For example, for Miscellaneous Vehicles, a separate Rate Filing Summary would be required for motorcycles, all-terrain vehicles, snowmobiles, etc.

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 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 class included in the filing.