

## Information Bulletin 07-08

July 10, 2007

This bulletin highlights determinations by the Nova Scotia Insurance Review Board (the Board) that affect industry. This publication is not a legal document. It contains general information and is provided for convenience and guidance in applying the *Insurance Act* (Chapter 231 of the Revised Statutes of Nova Scotia, 1989, as amended), and Regulations. In all circumstances reference should be made to the legislation.

### Filing Requirements – Adoption of New CLEAR Tables

Those insurers using the CLEAR rate group system or a form of CLEAR for assigning vehicle rate groups as part of its risk classification system must submit a filing **within two months** of the Board's announcement that the new tables, as published by the Vehicle Information Centre of Canada (VICC), are approved for use in Nova Scotia.

Based on the CLEAR methodology, there is a natural rate group drift 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 for newer vehicles.

Insurers are asked to submit a filing under one of the following processes:

1. Where an insurer has had a rate filing pursuant to the Board's rate filing requirements for automobile insurance which included complete actuarial rate level indications (with premium drift included) approved with a renewal effective date within the nine months immediately prior to the Board's approval of CLEAR tables, the insurer is required to file updated vehicle rate group tables and profiles using the "Rate Filing Requirements for Automobile Insurance – Section 155G-CLEAR"; or
2. Where an insurer has not had a rate filing pursuant to the Board's rate filing requirements for automobile insurance which included complete actuarial rate level indications (with premium drift included) approved with a renewal effective date within the nine months immediately prior to the Board's approval of CLEAR tables, the insurer must:
  - a) file, using "Rate Filing Requirements for Automobile Insurance – Section 155G-CLEAR", adjustments to base rates, updated vehicle

rate groups and updated risk profiles, and the insurer must use the CLEAR benchmark loss trends (identified by the Board) and rate group drift (estimated by the VICC); or

- b) file, using the “Rate Filing Requirements for Automobile Insurance – Section 155G-Prior Approval”, adjustments to base rates, updated vehicle rate groups and updated risk profiles, providing detailed actuarial assumptions to arrive at the base rate adjustments.

To qualify for filing under “Rate Filing Requirements for Automobile Insurance-Section 155G-CLEAR”, the following conditions for filing apply:

- Base rate change to physical damage coverages only, not due to off-balancing differential or discount changes, that is uniform by territory (to take into account rate group drift);
- No changes to territorial relativities;
- No other changes to differentials or risk classification elements;
- No changes to discounts, surcharges and rating rules; and
- No changes to the rating algorithm.

Annually, the Board will issue an information bulletin indicating that the new CLEAR table has been approved and identifying the CLEAR benchmark loss trends and rate group drift assumptions for Nova Scotia. The effective date of the approval will be the date of the information bulletin.

Donna Boutilier  
Executive Officer