



Nova Scotia Regulatory and Appeals Board

Rate Filing Requirements for Automobile Insurance

Section 155B – Overall Decrease

Effective: Dec 1, 2020 (updated to conform with other filing requirement formats)

Applicability

These guidelines are only available for use when the Company proposes to file a schedule of rates that result in an overall rate decrease in accordance with the “*Rate Decrease Filing Regulations*”. That is, the Company proposes changes to rates such that the overall average premium for the Company’s current book of business decreases when the new rates are applied, whether a premium dislocation cap is applied or not.

Please note, the *Rate Decrease Filing Regulations* state that an application made under 155B cannot include any of the following:

- (i) **risk-classification system changes,**
- (ii) **introduction or elimination of discounts or surcharges, or changes to eligibility criteria for discounts or surcharges,**
- (iii) **rating rule changes,**
- (iv) **rating algorithm changes,**
- (v) **introduction or elimination of, or changes to, a discount program based on group membership.**

The Board views the addition of, and the removal of a discount or surcharge as a risk-classification system change. Such changes, including changing an existing differential to 1.000, which essentially removes the element of the rating variable from the risk-classification system, cannot be included in a section 155B application.

Cover Letter

A cover letter should accompany the filing outlining the nature of the filing being made. The cover letter must state that the filing is being made under section 155B of the *Insurance Act (Act)* and must also disclose if the proposal includes a premium dislocation cap as described in the *Rate Decrease Filing Regulation* or not.

If the proposed changes result in no individual seeing an annual increase of more than the allowed 2% without a capping mechanism, the filing can still be treated as a filing “with cap”. In this case, the cap is implicit in the proposal and not a mechanical process.

Simplified Version

In certain circumstances, the Board may waive some elements of these filing requirements. The Company should consult with the Board Staff in advance of filing, to discuss the need to reduce the information requested. Should the Director advise the Company to use a simplified version, the cover letter should include a statement that the Company is following this advice.

Questions:

Any questions about these filing requirements should be sent to:

Clerk of the Board

**Pamela
McGarrigle**

Pamela.McGarrigle@novascotia.ca;
or

Director, Insurance Advisory Services

Barry Cotnam

Barry.Cotnam@novascotia.ca

Filing Format

This application to the Board will be fully electronic or paperless. Subject to any technical notes published by the Board, a schedule of rates under section 155B of the *Act* should consist of the following files, each with no password protection, containing the information sections as outlined below, in the categories and order outlined below to constitute a complete filing.

Part 1: Non-Confidential Information (Format: One PDF File)

Section	Description
N-1	Certificate of Officer – Appendix B
N-2	Contact Person Information
N-3	Copy of Non-Confidential Pages from <i>“S155B Overall Decrease – Summary of Info XL-2020.xls”</i>
N-4	Revised Automobile Insurance Manual Pages (if applicable)

Part 2: Confidential Information (Format: One PDF File)

Section	Description
C-1	Description of Proposed Changes
C-2	Copy of Confidential Pages from <i>“S155B Overall Decrease – Summary of Info XL-2020.xls”</i>

Part 3: Summary Information (Format: Excel Spreadsheets)

File	Description
<i>S155B Overall Decrease – Summary of Info XL-2020.xls</i>	Summary Information Spreadsheet

The three required electronic files must be forwarded at the same time to the NSRAB generic mailbox at Board@novascotia.ca. For large files, please contact the general office phone number to ensure the mailbox can handle the file size.

The confidential files noted above reflect the Board’s position on the portions of an application which will routinely be kept confidential. (i.e. not routinely disclosed). Companies requesting confidentiality of additional sections of the filing must submit their request in the covering letter stating the reasons. The Board will review the request.

Given the simplified nature of this type of application, the Company is NOT required to file updated rating profiles.

A *Section 155B -Overall Decrease* application will NOT qualify to reset a mandatory filing deadline.

Part 1 – Non-Confidential Information

Section N-1: Certificate of Officer

A scan of the original signed certificate, or a digitally signed certificate, of an authorized officer of the Company must accompany 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 Company.

A copy of the required form of the Certificate of Officer can be found on the Board’s website (use file “**Appendix B - Certificate of Officer**” under the “**Section 155B – Overall Decrease**” filing requirements).

The Certificate of Officer must identify a person authorized by the Company to act as the contact person for the Company for this application.

Section N-2 - Contact Person Information

The Company must set out the name, title, company name, business address, telephone number, fax number and e-mail address of the individual authorized to act as contact person on behalf of the Company. The named contact person must be prepared to respond to Board questions and accept correspondence from the Board on behalf of the Company relating to this filing. All questions on the filing will be directed to this individual and all questions or replies to the Board dealing with the filing must be channeled through this person.

The contact person must be able to respond to correspondence with the Board by email.

Section N-3 - Summary of Information (Appendix A)

The section contains a copy of the non-confidential pages completed in the spreadsheet “**S155B Overall Decrease – Summary of Info XL-2020.xls**”. The first two tabs of this spreadsheet include the non-confidential information.

Specific instructions to complete the non-confidential tab of the spreadsheet are outlined below:

- In responding to **Question NC-1**, check **all** the items that are applicable to the application. While (a) & (b) are mutually exclusive, other changes (c)-(f) may apply.
- In responding to **Question NC-2**, list proposed effective dates for both new and renewal business. If there are any changes to the proposed effective dates, the Company must notify the Board. In determining renewal dates, the notice periods in the *Act* must be taken into consideration.
- In responding to **Question NC-3**, disclose the impact of all proposed changes to rates, including base rate changes, differential changes, and discount or surcharge changes, under the “**% Change Requested**” column.
- In responding to Question NC-4, enter the most recent year in the sample, if different than the current (i.e., 2019) and the remaining years in the sample table will adjust as needed.

Part 2 – Confidential Information

Section C-1 - Description of Proposed Rates

The Company must describe the changes that they are making to the rates they currently offer. At a minimum, detail must be provided for bodily injury, property damage-tort, direct compensation property damage (DCPD), accident benefits, uninsured automobile, collision, comprehensive, all perils, specified perils and SEF 44 (underinsured automobile), **even if a rate level change is not proposed for each of these coverages**. If existing discount, surcharge, or differentials are changed, these changes must be included in the description.

Where methodologies or processes used to develop assumptions change from prior filings, the Company must identify the changes made. Any change in either the approach or the underlying data source from the prior rate filing must be disclosed.

Where indications are provided, if the proposed rate or differential changes differ from those indications, the reasons for the deviation must be explained in detail.

The Board understands that in some circumstances the development of rate indications is not feasible. In these circumstances, the Company must provide other forms of support for the proposed changes including but not limited to market surveys, competitive position analysis, supportive information from other jurisdictions, etc.

Filings under section 155B should not include changes where the Board has issued simplified filing requirements, (e.g., “**Section 155G-CLEAR**”, “**Section 155G - Commercial Vehicles RG Tables**”. These changes should be separately filed according to those requirements.

When other categories of automobile insurance depend on the filed category, the Company must identify the dependent categories. The Company should state whether the relationship between the dependent category and the filed category will change. If the relationship changes, the Company should provide the rationale for, and the impact of, the proposed change.

Section C-2 - Summary of Information (Appendix A)

The section contains a copy of the confidential pages completed in the spreadsheet “**S155B Overall Decrease – Summary of Info XL-2020.xls**”. Tabs CONF-1 to CONF-6 in the spreadsheet include the confidential information.

Specific instructions to complete Appendix A are outlined below:

- In responding to **Question CONF-1**, the Company must disclose:
 - if used to support the proposed change, the indicated rate level change for each coverage, and on an all coverages combined basis;
 - the impact of **all** proposed changes to rates, including base rate changes, differential changes, and discount or surcharge changes; under the proposed rate level change column, by coverage; and
 - the premium weights in percentage terms and at the current rate level.

- In responding to **Question CONF-2a**, prior rate level changes must be shown. The *All Coverages Combined Rate Level Change* must be based on the on-level premium weights that were applicable at the time of the rate change. If the indications in **Question CONF-1** are from the last mandatory filing, at least one of the columns in this question must be the change approved in the that mandatory filing (even if it was more than eighteen months ago). The column containing these changes should be identified.
- In responding to **Question CONF-2b**, the *Average Cumulative Rate Change* is calculated by:
 - taking the *All Coverages Combined Rate Level Change* from the response to **Question CONF-1**
 - taking each *All Coverages Combined Rate Level Change* that occurred after January 1 of the year up to the proposed renewal effective date from the responses to **Question CONF-2a**,
 - and then using the following formula:

$$\begin{aligned} & \blacksquare \left[\prod (1 + i) (1 - d) \right] - 1 \\ & \blacksquare \text{ all } i, d \end{aligned}$$

where:

i = the proposed rate level increase or approved rate level increase(s) that occurred after January 1 of the year in which the proposed rate change is expected to be effective for renewal business; and

d = the proposed rate level decrease or approved rate level decrease(s) that occurred after January 1 of the year in which the proposed rate change is expected to be effective for renewal business.

- In responding to questions on dislocation (**Questions CONF-4a, CONF-4b, and CONF-4c**), the Company must reflect any capping procedure that has been identified in the response to **Question CONF-3d**.
- In responding to **Question CONF-4a** and **CONF-4b**, the two tables should be mutually-exclusive. A risk that only carries compulsory coverages should be counted in **Question CONF-4a**, while a risk with any optional coverage should be included in **Question CONF-4b**. No risk should be included in both tables.