



**Nova Scotia Regulatory
and Appeals Board**

Rate Filing Requirements for Automobile Insurance

Section 155G – Adopt IAO Rates

Effective August 16, 2013

Applicability

These guidelines are available for use when a company is proposing to adopt IAO published rates that have been approved by the Nova Scotia Regulatory and Appeals Board (“NSRAB”), with or without modifications to reflect:

- a) differences in return on equity assumptions (i.e. lower target than IAO),
- b) differences in expense assumptions compared to IAO indications, or
- c) to maintain or introduce some element not included in the IAO rates (i.e. discounts, surcharges, liability limits, minimum deductibles, etc.).

Filing Format

This application to the NSRAB will be fully electronic or paperless. Subject to any technical notes published by the NSRAB, the filing 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	Table of Contents
N-2	Certificate of Officer – Appendix B
N-3	Contact Person Information
N-4	Rating Rule Changes and Revised Manual Pages
N-5	Financial Data (Spreadsheet Only)
N-6	Copy of Pages from “Summary – 155G IAO Non-Confidential”

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

Section	Description
C-1	Table of Contents
C-2	Support for Adoption of Rates and Modifications (if any)
C-3	Copy of Pages from “Summary – 155G IAO Confidential”

Part 3: Summary Information and Rating Profiles (Format: 3 Excel Spreadsheets)

File	Description
Summary – 155G IAO Non-Confidential	Non-Confidential Summary Information Spreadsheet
Summary – 155G IAO Confidential	Confidential Summary Information Spreadsheet
Rating Profiles – Non-Confidential	Completed Rating Profiles

The five required electronic files must be forwarded at the same time to the NSRAB generic mailbox at board@novascotia.ca.

For larger files, please contact the NSRAB general office phone number (902-424-1333) to ensure the mailbox is capable of handling the file size. In lieu of email, the “Send Files to the Board” option on NSRAB website (<https://nserbt.ca/nsrab>) can be used.

The confidential sections noted above reflect the Board’s position on the portions of an application which will routinely be kept confidential.

Part 1 – Non-Confidential Information

Section N-1: Table of Contents

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

Section N-2: Certificate of Officer

A scan of the original signed certificate of an authorized officer of the Company must accompany each filing. A copy of the required form of the Certificate of Officer can be found on the NSRAB's website ("Certificate of Officer – S155G – Adopt IAO Rates"). 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. The signature should be in blue ink so that it can be verified as an original signature.

The Certificate of Officer must identify a person authorized by the Company to act as the contact person for the Company in accordance with section N-3.

Section N-3: 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 NSRAB questions and accept correspondence from the NSRAB on behalf of the Company relating to the filing. All questions on the filing will be directed to this individual and all questions/replies to the NSRAB dealing with the filing must be channeled through this person.

The contact person must be able to accept and respond to correspondence from or to the NSRAB by email.

Section N-4: Rating Rule Changes and Revised Manual Pages

Rating rules are those rules or definitions by which a risk is assigned to a specific rating cell or is assigned a discount or surcharge. Examples include rules by which territory, vehicle use or driving record are assigned. Rating rules are part of a Company’s risk classification system and must be filed according to these requirements.

Rate manual pages that describe changes to rules or definitions must be included with the filing.

An updated rate manual with the approved rates and risk classification system must be submitted electronically within 30 days of approval, See Information Bulletin INS-13-03 for details.

Section N-5: Financial Data

The following table must be completed using the information from the pages listed. An Excel sheet with the table can be found on the NSRAB’s website (“Summary of Financial Information”). Note, the most recent year in the sample is 2012. The years in the sample table below should be adjusted as a new OSFI P&C-1/2 becomes available.

Selected Financial Information

	2008	2009	2010	2011	2012	Source: OSFI P&C-1/2
ROE						p10.60, r48
Claims Ratio						
Year of Account						p10.60, r30
Year of Accident						p10.60, r31
Company - Automobile Total						
Incurred Claims & Adj Expenses (A)						p67.30, c19 r29*
Earned Premiums (B)						p67.20, c19 r29*
Ratio (A)/(B)						
Nova Scotia - Automobile Total						
Incurred Claims & Adj Expenses (C)						p67.30, c03 r29*
Earned Premiums (D)						p67.20, c03 r29*
Ratio (C)/(D)						
Expense Ratio						p10.60, r33

** Please note, if pages 67.10-67.30 are on a consolidated basis for your company, please provide the equivalent numbers on a non-consolidated basis (and please note this).*

Section N-6 - Pages from “Summary – 155G IAO Non-Confidential.xls”

This section consists of pages printed from the noted spreadsheet and is required to facilitate the placement of the information into the NSRAB case management system. Details on the completion of the spreadsheet can be found in Part 3 of these requirements.

Part 2 – Confidential Information

Section C-1: Table of Contents

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

Section C-2 - Support for Adoption of Rates and Modifications (if any)

C.2.a. Support for Using IAO Rates

In order to adopt IAO rates, the Company must explain why it is appropriate, in the circumstances, for the Company to adopt the IAO rates rather than conducting an analysis of the Company experience or the industry experience to produce indications. All reasons should be presented and discussed so that the NSRAB has sufficient information to decide whether to allow the use of the IAO rates.

If the Company currently uses IAO rates, this fact should be highlighted. If the circumstances, under which the Company was approved to adopt IAO rates have not changed, the Company should explain this fact.

C.2.b. Modification for Variances in Target Return on Equity (“ROE”)

Depending upon whether the Company proposes to make modifications to the IAO rates based upon these differences, one of the following sub-sections will apply. Note, the NSRAB will only accept adjustments to reflect lower ROE targets than those selected by IAO.

C.2.b.1. No Change Proposed

The Company should simply state that it is not proposing an adjustment for the difference (if any) between the IAO selected target return on equity and the Company’s regular target return on equity in this section.

C.2.b.2. Change Proposed

The Company must provide details of how the adjustment for the difference in return on equity has been made. The information must be detailed enough so that NSRAB can determine the accuracy of the calculation.

C.2.c. Modification for Variances in Expense Ratios

Depending upon whether the Company proposes to make modifications to the IAO rates based upon these differences, one of the following sub-sections will apply.

C.2.c.1. No Change Proposed

The Company should simply state that it is not proposing an adjustment for any difference between the IAO selected expenses ratios and the Company's expense ratio in this section.

C.2.c.2. Change Proposed

The Company must provide details of how the adjustment for the difference in expense ratios has been made. The information must be detailed enough so that NSRAB can determine the accuracy of the calculation.

C.2.d. Other Modifications

If the Company proposes any other modifications to the rates and risk-classification system approved by the NSRAB and published by IAO, these changes must be described in this section.

Where the Company is merely continuing existing discounts, surcharges, liability limits, etc., that were approved by the NSRAB and the Company currently offers, this fact need merely be stated.

If any changes (introduction, modifications, or deletions) are proposed, this section should include

- a) the rationale for why the changes are being made,
- b) an explanation of how any rates/differentials for the changes were determined,
- c) an estimate how many clients are impacted by the changes, and
- d) a note as to whether the changes were off-balanced, including calculation details.

C.2.d. Future Intentions regarding IAO Rates

The Company should indicate whether it plans to apply to use the new IAO rates immediately after the NSRAB approval or whether the Company will simply adopt the current IAO rates whenever it is required to make a mandatory filing with the NSRAB.

Section C-3 - Pages from "Summary – 155G IAO Confidential.xls"

This section consists of pages printed from the noted spreadsheet and is required to facilitate the placement of the information into the Board's case management system. Details on the completion of the spreadsheet can be found in the next section (Part 3) of these requirements.

Part 3 Summary Information and Rating Profiles

Summary – 155G IAO Non-Confidential.xls (Excel File)

The Company should download a copy of file "Summary – 155G IAO Non Confidential.xls" from the NSRAB website and complete it.

The spreadsheet is self-explanatory with a number of dropdown boxes to assist with its completion.

The NSRAB views all information included in this spreadsheet as being non-confidential and subject to routine disclosure.

Summary – 155G IAO Confidential.xls (Excel File)

The Company should download a copy of file "Summary – 155G IAO Confidential.xls" from the NSRAB website and complete it.

The spreadsheet is self-explanatory with a number of dropdown boxes to assist with its completion.

The NSRAB views all information included in this file as being confidential and is not subject to routine disclosure.

Rating Profiles – Non Confidential (Excel File: Appendix C)

Appendix C sets out rating examples covering the categories of automobile insurance. A separate Appendix C excel spreadsheet exists for private passenger automobiles, commercial vehicles and miscellaneous vehicles. The NSRAB has adopted the Canadian Automobile Insurance Rate Regulators ("CARR") harmonized profiles that were developed in conjunction with Insurance Bureau of Canada ("IBC").

The Company must file those rating examples that are affected by the filing.

The rating examples must be completed according to the risk description specified. The Company must provide both current and proposed rating criteria for each of the rating examples. The rating territories must be those defined in the Company's rate 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 this.
- Clearly identify all applicable surcharges/discounts that apply to each of the coverages.
- If the Company 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 Company 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. In addition, the total policy premium combining all operators must be submitted.
- If, based on the Company'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 Company must explain why the rating example is not appropriate under the circumstances.
- If a rating example does not describe a unique rate, the Company 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.