



**Nova Scotia Regulatory
and Appeals Board**

Rate Filing Requirements for Automobile Insurance

Section 155H – Expedited Approval

Effective: February 28, 2017

Applicability

These guidelines are only available for use when a company proposes to file as schedule of rates that result in an overall, all coverages combined change that does not exceed the percentage prescribed by the Nova Scotia Regulatory and Appeals Board (“NSRAB”). The prescribed percentage is published on the NSRAB website where these guidelines are found (as well as in the list of information bulletins).

Please note, that an application made under Section 155H Expedited Approval 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; or
- (v) introduction or elimination of, or changes to, a discount program based on group membership,;

Filing Format

This application to the Nova Scotia Regulatory and Appeals Board (“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	Certificate of Officer & Actuary – Appendix B
N-2	Contact Person Information
N-3	Copy of Non-Confidential Pages from “S155H Exp App – Summary of Info XL-2017.xls”
N-4	Financial Data (Spreadsheet Only)

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

Section	Description
C-1	Support for Discount/Surcharge Changes
C-2	Copy of Confidential Pages from “S155H Exp App – Summary of Info XL-2017.xls”

Part 3: Summary Information (Format: Excel Spreadsheets)

File	Description
S155H Exp App – Summary of Info XL-2017.xls	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 larger files, please contact the NSRAB general office phone number (902-424-1333) to ensure the mailbox can handle 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 files noted above reflect the NSRAB’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 NSRAB will review the request.

Part 1 – Non-Confidential Information

Section N-1: Certificate of Officer & Actuary (if required)

A scan of the original 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. The signature should be in blue ink so that it can be verified as an original signature.

If the documentation in support of the expedited approval application includes an actuarial analysis more recent than the last filing, a scan of the original signed certificate of a Fellow of the Canadian Institute of Actuaries must also accompany the filing.

A copy of the required forms of the Certificate of Officer and Certificate of Actuary can be found on the NSRAB's website (use file "Appendix B - Certificate of Officer/Actuary" under the Section 155H – Expedited Approval 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 NSRAB questions and accept correspondence from the NSRAB on behalf of the Company relating to this 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-3 - Summary of Information (Appendix A)

The section contains a copy of the non-confidential pages completed in the spreadsheet "S155H Exp App – Summary of Info XL-2017.xls". The first tab of this spreadsheet includes 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)-(e) may apply.
- In responding to Question NC-2, proposed effective dates are to be listed for both new and renewal business. If there are any changes to the proposed effective dates, the Company must notify the NSRAB. In determining renewal dates, the notice periods in the *Act* must be taken into consideration.

Section N-4: 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 2016. The years in the sample table below should be adjusted as a new OSFI P&C-1/2 becomes available.

Selected Financial Information

	2012	2013	2014	2015	2016	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).*

A spreadsheet with this information can be found in the file “Appendix D – Financial Information” under the Section 155H – Expedited Approval filing requirements.

Part 2 – Confidential Information

Section C-1 - Support/Justification for Proposed Rates

The Company must provide support for changes to the base rates filed under section 155H of the *Act*. However, to reduce the amount of work required for this simplified filing, the support will take the form of a comparison of proposed rates changes to the indications (and approved rates change) from the most recent mandatory filing or a more recent set of indications, if available. There is no requirement to produce indications specifically for this application.

The rate indications provided, at a minimum, must detail changes for third party liability (and/or its component), accident benefits, uninsured automobile, collision, comprehensive, all perils (if offered), specified perils and SEF 44 (underinsured automobile), **even if a rate level change is not proposed for each of these coverages.**

The proposed changes generally are expected to be in the direction of the indications, after consideration is given to the rates ordered by the NSRAB, in the last mandatory filing if those indications are provided. If newer indications are used, the changes should be in the direction of those indications.

The NSRAB understands that rate level indications are but one piece of information used by companies in establishing the proposed premium level. As such, a Company may deviate from its rate level indications. However, the Company must provide the NSRAB with sufficient information concerning the reasons for the deviation.

The NSRAB understands that in some circumstances actuarial data is limited and 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, and supportive information from other jurisdictions, etc.

An application under Section 155H may not include the addition/deletion of, or changes to, risk-classification factors, including the discounts (including group discounts), surcharges, rate group tables, or other rating variables (including territorial definitions). Rating rules and rating algorithm also cannot be changed using a Section 155H application. The Company must file any such change under Section 155G-Prior Approval guidelines (unless other Section 155G guidelines apply). The level of differentials for existing risk-classification factors can be changed under an application made under these filing requirements.

The application 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-balancing performed.

The application must clearly describe and show how the rate level impact of changes to base rates, differentials and discounts or surcharges, in combination with any off-balance which may be applied, are used to calculate the overall rate level change as well as the per coverage basis change. This calculation must reconcile with the Proposed Overall Rate Level Change from Question C-2a from Section C-2 (see below).

Any proposed rate capping procedure must be fully described in this section.

When other categories of automobile insurance are dependent on the category for which this application is submitted, the Company must identify the dependent categories. The Company should state whether the relationship between the dependent category and the category being filed has changed or not. If the relationship has changed, the Company should explain the rationale for and the impact of the proposed change.

Please note given the simplified nature of an application made under these filing required, rating profiles are not required.

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

The section contains a copy of the non-confidential pages completed in the spreadsheet “S155H Exp App – Summary of Info XL-2017.xls”. The second tab of this spreadsheet includes the confidential information.

Specific instructions to complete Appendix A are outlined below:

- In responding to Question C-1, the indicated rate level change for each coverage, and on an all coverages combined basis, must be disclosed. If the indications are from the last mandatory filing, the appropriate box should be checked. If the indications are more recent, the date that analysis was completed should be entered.
- In responding to Question C-1, the impact of **all** proposed changes to rates, including base rate changes, differential changes, and discount or surcharge changes, must be disclosed under the proposed rate level change column. The impact by coverage must be disclosed.
- In responding to Question C-1, the premium weights must be disclosed in percentage terms and must be at the current rate level.
- In responding to Question C-2 a, 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 C-1 are from the last mandatory filing, at least one of the columns in this question must be the change approved in the last mandatory filing (even if it was more than eighteen months ago). The column containing these changes should be identified.
- In responding to Question C-2b, the *Average Cumulative Rate Change* is calculated by:
 - taking the *All Coverages Combined Rate Level Change* from the response to Question C-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 C-2a,
 - and then using the following formula:

$$\left[\prod_{\text{all } i, d} (1 + i) (1 - d) \right] - 1$$

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 C-6a through C-6c), the Company must reflect any capping procedure that has been identified in the response to Question C-5.
- In responding to Question C-6a and C-6b, the two tables should be mutually-exclusive. A risk that only carries compulsory coverages should be counted in C-6a while a risk with any optional coverage should be included in C-6b. No risk should be included in both tables.