



Filing Directive No. IRAC-I-003  
January, 2006

## Notice to All Insurers Transacting Automobile Insurance In Prince Edward Island

### Automobile Insurance Rate Filings

Private Passenger, Commercial & Miscellaneous Vehicles

---

## • Introduction

This directive is to assist insurers in the preparation of rate submissions to the Commission and covers both new and ongoing filings. Its purpose, as well, is to:

- provide background information on automobile insurance rate regulation in Prince Edward Island; and
- summarize the legislative and filing requirements regarding automobile insurance rate submissions.

## • Background

In December of 2003, legislative amendments to the *Insurance Act* of Prince Edward Island (the "*Act*") introduced auto insurance rate regulation in Prince Edward Island. Regulatory authority over the rates of every insurer carrying on the business of automobile insurance in the province of Prince Edward Island is vested in The Island Regulatory and Appeals Commission (the "Commission").

## • Ongoing Legislative Requirements

In accordance with the *Act*, rate filings:

1. must be filed with the Commission at least once every 12 months from the date of last filing [\[see 258.3\(1\)\]](#);
2. must include the risk classification system used by the insurer to determine its rates, any other information required by the Commission, and the proposed date that rates are to become effective [\[see 258.3\(2\)\]](#); and
3. must have an effective date of not less than 60 days after the insurer files its rate submission [\[see 258.3\(3\)\]](#).

The date of last filing, as referred to under Item 1, is considered to be the date that the last filing was received by the Commission.

The disclosure and filing requirements appended to, and forming part of this directive, vary depending on the nature of the filing. In order to minimize delays, insurers are asked to ensure that filings are complete.

For ease of reference, the auto insurance rates-related sections of the *Act* are appended to this Directive.

## • Investigation of Rates

It is noted that the *Act* gives the Commission authority to investigate rates charged or proposed to be charged where it considers the rates to be excessive, inadequate or discriminatory. In the event that an investigation is deemed warranted by the Commission, a Notice of Investigation will be issued to the insurer. The Notice of Investigation will indicate to the insurer which, if any, rates may be charged during the period of investigation. Following the completion of its investigation, the Commission may, by Order, require the insurer to make any change or changes to its rates, or to charge the rates, the Commission considers proper. The Commission may also, by notice, discontinue an investigation.

It is the intention of the Commission to continue to work cooperatively with the industry and, where possible, to adopt regulatory approaches that will mitigate costs. The Commission acknowledges the industry's assistance in this area.

Questions concerning this filing directive should be emailed to [insurance@irac.pe.ca](mailto:insurance@irac.pe.ca). While email questions are preferred, phone inquiries may be directed to:

Allison MacEwen  
Assistant Director  
902-892-3501

Heather R. Walker  
Research Analyst  
902-892-3501

**DATED** at Charlottetown, Prince Edward Island, this 23rd day of January, 2006.



Donald G. Sutherland  
Director  
Technical & Regulatory Services



## IRAC-I-003

# Disclosure & Filing Requirements

January, 2006

### • Disclosure Requirements

The following is required to constitute a complete rate filing and **must be filed as part of any initial or annual filing**:

1. the name, title, company name, address, telephone number, fax number and email address of the individual submitting the filing;
2. a letter signed by an officer of the company on whose behalf the filing is being made granting the individual identified under number 1 the authority to submit the filing. The letter must contain the full name of the company as licensed with the Superintendent of Insurance of Prince Edward Island; and
3. in the event of rate changes, a complete description of the purpose and scope of the filing, including specific identification of any changes in definitions of risk classification categories, including discounts and surcharges; or alternatively, a declaration of a proposal to continue current rating rules.

### • Filing Requirements

#### First-time or Initial Filings (New Entrant into the P.E.I. Market)

First-time or initial rate filings must include:

1. the insurer's current rate manual, including:
  - the risk classification system used by the insurer;
  - all underwriting rules and guidelines;
  - all discounts and surcharges currently in use; and
  - any other rate provisions or considerations that may be taken into account in arriving at the cost of insurance, including, but not limited to, accident forgiveness provisions;

2. the rates the insurer proposes to charge for automobile insurance and the effective date;
3. a detailed comparison of the insurer's class of use codes against the statistical plan requirements for the province of Prince Edward Island; and
4. for comparative purposes, insurers are directed to file their rates using the rating profiles adopted by the New Brunswick Board of Commissioners of Public Utilities in the Board's Information Bulletin No. 2003-1, dated, August 22, 2003, with the necessary changes to reflect the Prince Edward Island statistical territory.

## Filings Where Rates Remain the Same

Where an insurer proposes to continue to charge the rates currently in effect and there are no changes to:

- its current rate manual;
- any discounts or surcharges;
- its risk classification system; and
- its underwriting rules and guidelines,

the insurer's filing must include:

1. a declaration stating that the insurer proposes to continue to charge the current rates in effect with no changes.

## Filings Where Proposed Rates are Reduced

Where an insurer proposes to reduce the rates currently in effect, the insurer's filing must include:

1. the relevant amendments to the insurer's current rate manual, including any changes to:
  - the risk classification system used by the insurer;
  - the insurer's underwriting rules and guidelines;
  - discounts and surcharges currently in use; and
  - any other rate provisions or considerations that may be taken into account in arriving at the cost of insurance, including, but not limited to, accident forgiveness provisions;
2. the rates the insurer proposes to charge for automobile insurance, and the proposed effective date;
3. an explanation of the changes proposed to the rates, risk classification system (if any), and underwriting rules and guidelines (if any), together with the percentage change in rates and the reasons for the change; and
4. completed rating profiles used by the Commission in its initial 2003-2004 filing process. These profiles are the same as those adopted by the New Brunswick Board of Commissioners of Public Utilities in the Board's Information Bulletin No. 2003-1, dated, August 22, 2003, with the necessary changes to reflect the Prince Edward Island statistical territory.

## Filings Where Proposed Rates are Increased

Where an insurer proposes to increase the rates currently in effect, the insurer's filing must include:

1. relevant amendments to the insurer's current rate manual, including any changes to:
  - the risk classification system used by the insurer;

- all underwriting rules and guidelines;
  - all discounts and surcharges currently in use; and
  - any other rate provisions or considerations that may be taken into account in arriving at the cost of insurance, including, but not limited to, accident forgiveness provisions;
2. the rates the insurer proposes to charge for automobile insurance, and the proposed effective date;
  3. a detailed explanation of the changes proposed to the rates, risk classification system (if any), and underwriting rules and guidelines (if any), together with the percentage change in rates and the reasons for the change;
  4. a detailed comparison of the insurer's class of use codes against the statistical plan requirements for the province of Prince Edward Island; and
  5. completed rating profiles used by the Commission in its initial 2003–2004 filing process. These profiles are the same as those adopted by the New Brunswick Board of Commissioners of Public Utilities in the Board's Information Bulletin No. 2003–1, dated, August 22, 2003, with the necessary changes to reflect the Prince Edward Island statistical territory.

### **Other – Discounts/Surcharges, CLEAR Updates, Etc.**

Please note that changes of this nature are subject to review by the Commission as they constitute an amount payable by an insured for automobile insurance. Companies are reminded to provide notification of the requested changes and their potential impact, as well as any material in support of the proposal, along with copies of any rate manual updates and suitably amended rating profiles, if applicable.



## Legislative Authorities—Re: Rate Filings & Rate Investigations

### *Insurance Act:*

#### Definitions

**258.1** (1) In this section and sections 258.2 to 258.9

#### Commission

(a) "Commission" means the Island Regulatory and Appeals Commission established under the *Island Regulatory and Appeals Commission Act* R.S.P.E.I. 1988, Cap. I-11;

#### discriminatory

(b) "discriminatory" means, in respect of rates, rates that are based on a risk classification system that

(i) is not just and reasonable in the circumstances,

(ii) is not reasonably predictive of the risk, or

(iii) does not distinguish fairly between risks;

#### insurer

(c) "insurer" includes the Facility Association;

#### rates

(d) "rates" means rates, surcharges, premiums or any other amount payable by an insured for automobile insurance;

#### risk classification system

(e) "risk classification system" means the elements used for the purpose of classifying risks in the determination of rates for a coverage or category of automobile insurance, including the variables, criteria, rules and procedures used for that purpose.

#### Application

(2) This section and sections 258.2 to 258.9 apply to every insurer carrying on the business of automobile insurance in the province. 2003,c.1,s.4.

#### Supervision by Commission

**258.2** (1) The Commission has the general supervision of the rates an insurer charges or proposes to charge for automobile insurance.

#### Application of Act

(2) The provisions of the *Island Regulatory and Appeals Commission Act* R.S.P.E.I. 1988, Cap. I-11 extend and apply to the Commission in the exercise of its powers, and in the performance of its duties, under this Act.

#### Assessment and forms

(3) For greater certainty, the Commission may

(a) levy an assessment on insurers under section 15 of the *Island Regulatory and Appeals Commission Act* R.S.P.E.I. 1988, Cap. I-11; and

(b) prescribe forms for the purpose of obtaining information authorized to be obtained under this Act. 2003,c.1,s.4.

#### Requirement to file rates

**258.3** (1) Every insurer shall file with the Commission the rates it proposes to charge for automobile insurance at least once every 12 months from the date of its last filing.

#### Information, date specification

(2) When an insurer files its rates under subsection (1), it shall

(a) provide to the Commission the risk classification system used by the insurer to determine its rates and any other information required by the Commission; and

(b) specify the date on which it proposes to begin to charge those rates. 2003,c.1,s.4.

#### Date specification period

(3) The date specified under clause (2)(b) shall be no less than sixty days after the insurer files the rates in accordance with subsection (1).

**permitted rates**

(4) Subject to subsections (3) and (5), an insurer may charge the rates it files in accordance with subsection (1) as of the date specified under clause (2)(b).

**Notice of investigation**

(5) Where, before the date specified under clause (2)(b), the Commission notifies the insurer that it intends to investigate the rates filed by the insurer under subsection (1), the insurer may not charge those rates unless

(a) the Commission notifies the insurer that the insurer may do so; or

(b) the rates are the same rates as those currently being charged by the insurer.

**Prohibited rates**

**258.4** (1) On and after the day this section comes into force, no insurer shall charge rates other than those rates the insurer

(a) is permitted to charge under subsection 258.3(4) or (5); or

(b) is required to charge by an order made under subsection 258.6(2).

**Transitional**

(2) Notwithstanding subsection (1), until April 1, 2004

(a) an insurer, other than the Facility Association, may continue to charge the rates that it is charging on the day this section comes into force; and

(b) the Facility Association may continue to charge the rates that were last approved by the Superintendent before the day this section comes into force.

**Initial filing**

(3) Every insurer providing automobile insurance in the province on the day this section comes into force shall file its rates under section 258.3 by January 15, 2004.

**Date specification**

(4) When an insurer files rates in accordance with subsection (3), the date which the insurer shall specify for the purposes of clause 258.3(2)(b) is April 1, 2004.

**Rebates**

(5) Where the rates charged by an insurer on and after April 1, 2004 are less than the rates charged by the insurer before that date, the insurer shall, not later than June 30, 2004, reimburse, on a pro rata basis, an insured in respect of any excess premium paid by the insured to the insurer on the remainder of a contract that is in effect on April 1, 2004.

**Credits for renewal**

(6) Where a contract that is in effect on April 1, 2004 expires on or before June 30, 2004, the insurer may credit the amount of the reimbursement, calculated pursuant to subsection (5), to the insured on the premium to be paid for renewal of the contract, but the insured is entitled to the reimbursement if the insured does not renew the contract with that insurer.

**Instalments**

(7) Where an insured is paying the insurer in instalments for a contract that is in effect on April 1, 2004, the insurer may credit the amount of the reimbursement, calculated pursuant to subsection (5), to the insured on the remaining instalments to be paid.

**Restriction on additional premiums**

(8) Where the rates charged by an insurer on and after April 1, 2004 are greater than the rates charged by the insurer before that date, the insurer shall not charge an insured any additional premium on a contract that is in effect on April 1, 2004. 2003,c.1,s.4.

**Information**

**258.5** The Commission may at any time require an insurer to provide information relating to rates filed by the insurer under subsection 258.3(1). 2003,c.1,s.4.

**Investigation**

**258.6** (1) Where at any time the Commission considers that the rates charged or proposed to be charged by an insurer may be excessive, inadequate or discriminatory, the Commission may investigate those rates.

**Orders**

(2) Where, after making an investigation under this section, the Commission determines that the rates charged or proposed to be charged by an insurer are excessive, inadequate or discriminatory, the Commission may, by order, require the insurer to make any change or changes to its rates, or to charge the rates, the Commission considers proper. 2003,c.1,s.4.

**Copies of orders and decisions**

**258.7** The Commission shall, after making an investigation under section 258.6, forward to the Superintendent a copy of all orders made by the Commission under subsection 258.6(2). 2003,c.1,s.4.

**Offences and penalties**

**258.8** (1) Every insurer or person who contravenes section 219.1 or a provision of section 258.3 or 258.4 or a provision of a regulation made under section 258.9 is guilty of an offence and is liable on summary conviction to a fine of not more than \$50,000 or to imprisonment for a term of not more than one year, or to both.

**Directors and officers**

(2) Where an insurer contravenes section 219.1 or a provision of section 258.3 or 258.4 or a provision of a regulation made under section 258.9, every director or officer of the insurer who directed, authorized, assented to or acquiesced or participated in the contravention is guilty of an offence against this Act and is liable on summary conviction to a fine of not more than \$50,000 or to imprisonment for a term of not more than one year, or to both, whether or not the insurer has been prosecuted, or convicted of an offence, for the contravention. 2003,c.1,s.4.

**Regulations**

**258.9** The Lieutenant Governor in Council may, after consultation with the Commission, make regulations

(a) prescribing a risk classification system or elements of a risk classification system that must be used by insurers or a class of insurers in classifying risks for a coverage or category of automobile insurance;

(b) prescribing elements of a risk classification system that insurers or a class of insurers are prohibited from using in classifying risks for a coverage or category of automobile insurance;

(c) requiring insurers or a class of insurers to use a prescribed risk classification system or the prescribed elements of a risk classification system in classifying risks for a coverage or category of automobile insurance; and

(d) prohibiting insurers or a class of insurers from using prescribed elements of a risk classification system in classifying risks for a coverage or category of automobile insurance. 2003,c.1,s.4.