

DIRECTIVE: A. I. 06-01

ISSUED: February 15, 2006

TO: ALL INSURERS, INCLUDING FACILITY ASSOCIATION,
TRANSACTIONING THE BUSINESS OF AUTOMOBILE INSURANCE
IN THE PROVINCE OF NEWFOUNDLAND AND LABRDOR

SUBJECT: CLARIFICATION OF REQUIREMENTS REGARDING THE
IMPLEMENTATION OF CHANGES TO VEHICLE RATE GROUP
TABLES USED BY INSURERS.

Current legislation requires that all rates to be charged for automobile insurance in the province of Newfoundland and Labrador must be filed with, and where required, approved or deemed to have been approved by the Board of Commissioners of Public Utilities (Sections 48, 49 and 50 of the Automobile Insurance Act). Sections 7 thru 11 of the Automobile Insurance Regulations under the Automobile Insurance Act gives further direction in this regard.

For the information of all insurers, the following is provided to clarify Board requirements from insurers wishing to implement revised rate group tables for own damages coverages.

Effective immediately, the following will be required from all insurers wishing to implement revised rate group tables:

- A formal application seeking Board approval to implement new rate group tables for CLEAR, MSRP or another alternate methodology proposed by an insurer.
- The application will state the current type of rate group tables in effect and the date on which they were implemented.
- The application will state the type of rate group tables proposed to be implemented and the proposed implementation date.
- The application will include a copy of the proposed new rate group assignments.

- Where any existing insured will, as a result of the implementation of new rate group tables, experience **any** increase in the premiums charged for **any** physical damage coverage, a Dislocation Study is required to be filed.
- The dislocation study will canvass the insurer's current book of business, showing in 5% increments, the number of policyholders affected and the percentage of any increase or decrease for these policyholders.
- A minimum of 60 days is required between the receipt of an application and the proposed implementation date of new rate group tables.
- Company considerations, if any, to mitigate the impact of possible changes in rate group assignment on current policyholders with regard to premiums charged for physical damage coverages.
- Actuarial justification **and** rational for the implementation of revised rate group tables in the absence of any such justification having been provided to the Board by VICC for CLEAR or MSRP rate groups changes.

Insurers shall not implement any revisions to vehicle rate group assignments where such revision will cause any increases in any premium levels for physical damage coverage until approval for these revisions has been given by The Board of Commissioners of Public Utilities.

Questions regarding this directive may be directed to the Board's Compliance Auditor via e-mail at dseaward@pub.nl.ca, by telephone at 1-709-726-1097 or by fax at 1-709-726-9604, or, the Board's Director of Regulatory and Advisory Affairs via e-mail at rbyrne@pub.nl.ca by telephone at 1-709-726-0742 or by fax at 1-709-726-9604.