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DIRECTIVE: A.I. 06-02

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**TO: INSURERS, INCLUDING FACILITY ASSOCIATION,
TRANSACTIONING THE BUSINESS OF AUTOMOBILE
INSURANCE IN THE PROVINCE OF
NEWFOUNDLAND AND LABRADOR BASED ON
CATEGORY 1 RATE FILINGS.**

SUBJECT: CATEGORY 1 AUTOMOBILE INSURANCE RATES

This bulletin is issued to provide direction to companies that filed a Category 1 rate filing in response to the 2005 automobile insurance reforms implemented by the Provincial Government on August 1, 2005.

Your attention is directed to the 2005 Filing Instructions and subsequent clarification bulletins issued thereafter in respect to the issue of "capping" and the interpretation of a Category 1 filing, in particular the effect on rates following August 1, 2006.

A Clarification to Directives A.I. 05-02 and A.I. 05-03 was issued August 18, 2005 and dealt specifically with this issue. This document states as follows:

"In an attempt to provide, to the extent possible, an opportunity for a Category 1 filing as stated in the directive, it is viewed as acceptable in the context of the appropriate regulations to allow capping of rate increases as long as there is no rate increase, which would mean existing customers would have the same or lower rates and new customers would be rated on the same basis as existing customers of the insurer and receive the same rates. **The cap on such rates cannot expire automatically following a stated**

time period and will be required to remain in place until such time as the insurer has justified revised rates with a full Category 2 filing.” (emphasis added)

In addition, Bulletin # A.I. 05-03 clearly states:

- **“Where rates are capped, the cap must remain in place until such time as a fully justified actuarial filing has been submitted to and dealt with by the Board.”** (emphasis added)

Unless there is a material change in the risk, an insurer may not increase a rate charged to any insured for any coverage for any reason unless and until a Category 2 rate filing has been made to the Board and approved.

For greater certainty, rates for new and renewing insureds of all classifications shall be no higher following August 1, 2006 than those prior to August 1, 2006 in the absence of a Category 2 rate filing approved by the Board.

Insurers wishing to implement increased rates for any coverage for any insured above those currently charged must submit a Category 2 rate filing.

Questions regarding this directive may be addressed to the Board’s Director of Regulatory and Advisory Services via email at rbyrne@pub.nl.ca or by phone to 709-726-0742 or by fax to 709-726-9604.