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DIRECTIVE A.I. 2010-01

ISSUED: February 19, 2010

TO: All insurers, including Facility Association, transacting the business of automobile insurance in the province of Newfoundland and Labrador

SUBJECT: Rate Group Table Updates
Private Passenger and Commercial Vehicles

It has been brought to the attention of the Board that a number of automobile insurers operating in the province are rating certain vehicles for Collision and Comprehensive coverages based on rate group tables they have not filed with the Board for use. Many insurers using older rate group tables (i.e. prior to 2009) are contacting VICC directly to obtain the rate group assignment for vehicles where:

1. A new make/model of vehicle is introduced into the market; and/or
2. A new model year of an existing vehicle is introduced into the market.

Using VICC rate group assignments for the above cases without first filing the corresponding rate group table with the Board for approval is prohibited.

The vehicle rate group table used by an insurer bears directly on the premium payable by an insured for coverage. As a result, the table forms part of an insurer's risk classification system as defined under s.96.2(2) of the *Insurance Companies Act* (the "Act"). In accordance with s.96.2(4) of the *Act*, an insurer must file with the Board the risk classification system it intends to use in determining the rates for each coverage and category of insurance before it is put into effect.

Pursuant to s.96.2(5) of the *Act*, the Board hereby orders all insurers to suspend use of the process of rate group assignment described above where the insurer has not filed with and received approval from the Board for the corresponding rate group table on which the

assignment is based. This order is effective immediately to all new policies issued and to all in-force policies as they are renewed.

Private Passenger or Commercial insurers utilizing the MSRP rate group table may submit new tables to the Board on a file and use basis as they are issued by the VICC. Additional information with regard to this type of filing is located in section 2.10 of the Filing Guidelines found on the Board's website at www.pub.nl.ca/insurance.htm.

Private Passenger insurers utilizing the CLEAR rate group table may apply to the Board for use of updated rate groups in a comprehensive Category 2 actuarially justified filing, or by submitting a CLEAR Category 1 Simplified filing. Instructions for each of these filing categories is located in section 3.0 of the Filing Guidelines found on Board's website at www.pub.nl.ca/insurance.htm.

Please note that when an insurer receives approval from the Board to use the most recent rate group table (i.e. currently 2009 CLEAR and 2009 MSRP), this approval extends to include the use of any new vehicle rate group assignments added to the table during the year. Insurers are not required to file for approval of each vehicle update made by the VICC provided they have received Board approval to utilize the most recent CLEAR table.

In a situation where a vehicle does not have a VICC rate group assigned in the rate group table the insurer currently has filed with the Board, the insurer is to assign its own rate group based on List Price New until updated tables are filed and approved for use. Any insurer that does not currently have a price-based table can use the one contained in the Facility Association manual for their own purposes. A guidance document should be included in the underwriting manual of each insurer to display how unlisted vehicles will be assigned a rate group.

As provided in s.96.2(6) of the *Act*, insurers have the right to request a hearing before the Board in connection with this matter. Any such request must be made to the Board in writing, addressed to the undersigned, within 15 days of delivery of this directive.

Upon receipt of this directive you are required to notify the Board of compliance with the foregoing and provide copies of the notice sent to all agents/brokers advising of the requirements contained herein.

Should you have any questions regarding this matter please contact the Board's Director of Regulatory and Advisory Services, Mr. Robert Byrne, or the Board's Compliance Auditor, Mr. Ryan Oake.

Yours truly,



Cheryl Blundon
Director of Corporate Services