



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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DIRECTIVE A.I. 2011-04

ISSUED: September 1, 2011

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

SUBJECT: Expense Provisions for Automobile Insurance Rate Filings

The Board hereby advises that it has updated its Filing Guidelines to include specific direction to insurers in respect to general expense provisions, standard commissions, contingent commissions and reinsurance expenses in connection with Category 2 rate filings. These guidelines come into effect immediately and supersede all previous versions.

A general expense provision of 27% will be accepted by the Board for use by insurers filing Category 2 rate filings. This expense provision will generally be accepted as reasonable by the Board. Insurers wishing to include an expense provision higher than the guideline expense will be required to provide documentary evidence and full justification to support the selected expense level as reasonable.

As part of the general expense provision established above the Board will accept a standard commission expense of 12.5% as reasonable. The Board will not accept a standard commission expense above 12.5% unless it is demonstrated through documentary evidence and full justification that inclusion of a higher expense is reasonable.

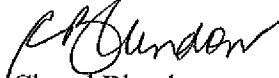
The Board will not accept contingent commissions in any form as part of a filing unless it is demonstrated through documentary evidence and full justification that inclusion of the expense is reasonable.

The Board will not accept the inclusion of reinsurance expenses in any form as part of a filing unless it can be demonstrated through documentary evidence and full justification that inclusion of the expense is reasonable.

An updated version of the Filing Guidelines, including tabs and exhibits, may be downloaded from the Board's website at www.pub.nl.ca/insurance.htm. The filing requirements regarding selected expense levels can be found on page A7 of the document entitled "Guidance for Preparing Rate Level Indications" located in Appendix A.

If you have any questions regarding this matter please contact Mr. Ryan Oake, Regulatory Advisor, at roake@pub.nl.ca.

Yours truly,



Cheryl Blundon
Board Secretary