



GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR

Department of Government Services
Consumer and Commercial Affairs Branch
Financial Services Regulation Division

Issue 8 - JULY 2005

Bulletin

TO ALL INSURANCE COMPANIES LICENSED FOR AUTOMOBILE INSURANCE

On March 16, 2005 and May 12, 2005, the Honourable Dianne Whalen, Minister of Government Services, announced additional automobile insurance reforms which will come into effect on August 1, 2005. These reforms include:

- a new rate setting process;
- the elimination of age, gender and marital status as rating elements;
- a 5 per cent reduction in premiums;
- the elimination of the prohibition on group rating;
- the introduction of a point of claim disclosure form;
- additions to the grounds which cannot be used to decline, terminate or refuse to renew coverage; and
- additions to the elements prohibited in a company's risk classification system.

The legislative changes to bring these reforms into effect are:

- Bill 26, *An Act to Amend the Automobile Insurance Act*;
- Amendments to the *Automobile Insurance Prohibited Underwriting Regulations*;
- and
- Amendments to the *Automobile Insurance Regulations*.

Please visit our web site at <http://www.gs.gov.nl.ca/> and go to the Insurance Reform Measures page.

NEW RATE SETTING PROCESS

The benchmark system for rate approvals has been eliminated.

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Insurance companies entering the marketplace must first file their proposed rates with the Public Utilities Board (PUB) and justify on an individual company basis that the rates are appropriate. Prior approval by the PUB is required before use.

For companies already in the marketplace proposed rate increases must be filed with the PUB and justified on an individual company basis. Prior approval by the PUB is required before use.

Where a company is decreasing its rates, the proposed decreases must be filed with the PUB but the new rates may be used 30 days after they have been filed.

AGE, GENDER AND MARTIAL STATUS

The *Automobile Insurance Prohibited Underwriting Regulations* have been amended to prohibit the use of age, gender and martial status as elements in an insurer's risk classification system effective August 1, 2005. This prohibition, however, does not apply to a discount based on the age of the driver where the driver is at least 55 years of age.

Transitional provisions allow insurers to continue to use age, gender and martial status for contracts issued or renewed on or after August 1 until new rates which are not based on these elements have been filed with the PUB. Companies are required to adjust any such contracts to the new rates retroactive to the effective date of the policy within 60 days of the new rates being permitted or approved for use in the marketplace.

In addition, Bill 26 stipulates that policies in effect on August 1, 2005, with premiums based on age, sex and martial status, must be re-rated and where the new premium is lower than the premium charged when the policy was entered into, a refund of the difference for coverage from August 1 to the policy expiry date must be issued. However, where a policy is being paid on a monthly basis the remaining payments may be adjusted and where there is less than three months remaining in the contract a credit may be issued toward renewal of the contract. Where a credit is issued and the contract is not renewed a refund must be issued.

The elimination of age, gender and martial status as rating elements is not to result in any increase in rates for drivers over the age of 25 and, on average, will result in reductions for drivers under the age of 25. As noted in the Honourable Dianne Whalen's News Release of May 12, 2005, reforms are based on the PUB's review as reported to Government in March 2005.

The elimination of these elements requires changes to the Type of Use - Private Passenger section of the Automobile Insurance Statistical Plan. Revised Type of Use Classes are attached to this Bulletin.

PREMIUM REDUCTIONS

Bill 26 states that effective August 1, 2005, the rates for all types of coverage charged by an insurer for private passenger automobile insurance as approved by the PUB shall be reduced by at least 5%. An insurer may, however, apply to the PUB for rates that have not been reduced by at least 5% and the PUB shall approve, prohibit or vary the proposed rates.

Insurers have until September 1, 2005, to file their new rates with the PUB. Where all rates are reduced by at least 5%, they can be used immediately. Where an application for other than at least a 5% decrease is filed, rates must first be approved by the PUB. Any reductions approved by the PUB will be retroactive to August 1, 2005.

Reductions apply to policies in force on August 1, 2005. The difference in premium for coverage from August 1 to the policy expiry date may be credited toward renewal of the contract. Where a credit is issued and the contract is not renewed a refund must be issued.

POINT OF CLAIM DISCLOSURE FORM

Effective August 1, 2005, insurance companies are required to provide a Point of Claim Disclosure Form to all claimants except for a glass breakage claim under Comprehensive Coverage. The form approved for use by Mr. Winston Morris, the Superintendent of Insurance, is attached to this Bulletin.

Disclosure is to be made immediately upon the insurance company or its adjuster, representative, agent or broker becoming aware of the claimant's name and contact information. The form is to be signed by the claimant as confirmation of receipt of the disclosure and an insurer is to make reasonable efforts to ensure they receive this confirmation back from the claimant. Disclosure and confirmation of receipt by electronic means is permitted.

PROHIBITED GROUNDS

Pursuant to paragraph 3. (1) (c) of the *Automobile Insurance Prohibited Underwriting Regulations*, the Honourable Dianne Whalen has approved the following as additions to the grounds which cannot be used to decline, terminate or refuse to renew or continue a coverage with effect from August 1, 2005:

1. The length of time the applicant or another person who is to be insured under the contract has held a valid driver's licence in Canada or the United States for the type of vehicle being insured; and

2. The applicant or another person who is to be insured under the contract has not completed a driver training program, unless the completion of such a program is required by law.

PROHIBITED ELEMENTS

Pursuant to paragraph 4. (1) (f) of the *Automobile Insurance Prohibited Underwriting Regulations*, the Honourable Dianne Whalen has approved the following as prohibited elements in an insurer's risk classification system with effect from August 1, 2005:

1. Any elements associated with an excluded driver where the named insured has stipulated that driver as an excluded driver in an Excluded Driver Endorsement pursuant to Section 19.1 of the *Automobile Insurance Act*; and
2. Any claim under a contract where the claim arose when the driver who is stipulated as an excluded driver in an Excluded Driver Endorsement pursuant to Section 19.1 of the *Automobile Insurance Act* was the operator of the automobile.

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