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ISSUED: November 25, 2009

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

SUBJECT: Updates to Automobile Insurance Profit Guidelines

Following consultation with industry participants, the Board has adopted the following profit margin provisions as accepted for use in Category 2 automobile insurance rate filings:

- Target after-tax return on equity of 10%;
- Premium to surplus ratio of 2.0:1; and
- Return on investment in the range of 2.8%-4.0%.

Other profit margin provisions will be considered, but rationale for any deviations must be provided.

For a complete set of filing guidelines, filing tabs and exhibits please refer to the Board's website at www.pub.nl.ca.

Questions regarding the foregoing may be directed to the undersigned.

A handwritten signature in black ink, appearing to read 'R. Byrne'.

Robert S. Byrne, B.Comm., CIP., CD.
Director of Regulatory and Advisory Services