



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
120 Torbay Road, P.O. Box 21040, St. John's, Newfoundland and Labrador, Canada, A1A 5B2

DIRECTIVE A.I. 2019-06

ISSUED: November 5, 2019

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

SUBJECT: Reform Filing Guidelines

Changes to the *Automobile Insurance Act* (the “Act”) and associated Automobile Insurance Regulations (“NLR 56/19”) come into effect on January 1, 2020. This Directive contains requirements for insurers to file for approval of mandatory reform changes including:

- (a) the introduction of Direct Compensation Property Damage (“DCPD”) for all vehicles; and
- (b) the increase in the deductible applicable to all pain and suffering awards from \$2,500 to \$5,000.

In order to expedite the approval of (a) and (b) noted above, the Board has implemented a simplified “Reform” filing option that will allow the Board to receive applications and provide decisions in a timely manner, while still giving insurers sufficient time to develop, implement and test systems for the reform changes. A set of “Reform Filing Guidelines” have been created for filing these changes.

The Reform Filing Guidelines provide step-by-step procedures for splitting existing Board approved Third Party Liability rates into rates for Bodily Injury, Property Damage-Tort and DCPD sub-coverages, as well as reflecting the deductible increase into Bodily Injury rates. **No other rating program changes, other than (a) and (b) noted above, may be proposed by insurers availing of the Reform filing option.**

The Reform Filing Guidelines include guideline allocation factors applicable to changes (a) and (b) noted above that were developed by the Board’s consulting actuaries, Oliver Wyman Limited. A report titled “*Reform Cost Estimates - October 21, 2019*” summarizing the development of these factors can be found on the Board’s website. While insurers may propose the use of different reform factors, sufficient appropriate information to support the deviation from the guideline factors must be provided.

Applications made under the Reform Filing Guidelines must be submitted electronically to ito@pub.nl.ca. Proposed effective dates must be no sooner than 30 days following the date of filing, and no earlier than January 1, 2020.

The Board typically requires a separate rate filing for each category of automobile insurance for which there are changes proposed. However, the Board has waived this requirement for insurers using the

Reform filing option. Insurers may file for (a) and (b) noted above for all applicable categories of automobile insurance in a single Reform filing.

Insurers are not required to use the Reform filing option for the implementation of (a) and (b) noted above. Insurers may instead choose to include these changes as part of a Mandatory or Expedited Approval filing. Filing Guidelines for both the Mandatory and Expedited Approval processes will be released by the Board in a future Directive prior to January 1, 2020.

All insurers must submit a filing for (a) and (b) noted above for all applicable categories of automobile insurance by **July 15, 2020**.

The Reform Filing Guidelines and associated exhibits can be downloaded from the Board's website at www.pub.nl.ca/insurance.htm.

If you have any questions regarding this matter please contact Ryan Oake, Regulatory Advisor, at 709-726-1097 or roake@pub.nl.ca.

Yours truly,

A handwritten signature in blue ink that reads "C Blundon". The signature is fluid and cursive, with a long horizontal stroke at the end.

Cheryl Blundon
Board Secretary