



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. 2019-07**

**ISSUED:** December 19, 2019

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

**SUBJECT:** Rate Filing Process and Filing Guidelines

Changes to the *Automobile Insurance Act* and associated Automobile Insurance Regulations (“NLR 56/19”) come into effect on January 1, 2020. Among these changes are new rate filing categories, a mandatory rate filing schedule, changes to the Board’s review process, and new publication requirements. This Directive contains general instructions and requirements for insurers to file rate changes in accordance with the legislated changes.

**New Filing Guidelines**

The Board is releasing new guidelines to be used by insurers for filing automobile insurance rates in the province. These guidelines come into effect on January 1, 2020 and supersede all previous versions, with the exception of the Reform Filing Guidelines<sup>1</sup>.

The Board has established guidelines for three new filing categories developed in accordance with the parameters set out in NLR 56/19: Mandatory, Mandatory Simplified and Expedited Approval. A brief overview of each of the new filing categories is presented as follows:

<b>Rate Filing Category</b>	<b>Overview</b>
Mandatory	<ul style="list-style-type: none"><li>• Filings made in accordance with the mandatory schedule set out in NLR 56/19.</li><li>• Full actuarial support is required in the form and format established by the Board in the Mandatory Filing Guidelines.</li></ul>
Mandatory Simplified	<ul style="list-style-type: none"><li>• Filings made in accordance with the mandatory schedule set out in NLR 56/19.</li><li>• Full actuarial support is not required due to limited available data, or where the level of written premium is below a certain threshold.</li><li>• Support for proposed rates may be provided in a form and format determined by the insurer as set out in the Mandatory Simplified Filing Guidelines.</li></ul>

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<sup>1</sup> The Reform Filing Guidelines may be used by automobile insurers to file mandatory reform changes up to July 15, 2020.

Expedited Approval	<ul style="list-style-type: none"> <li>• Optional filings submitted by insurers in the interim between mandatory filings.</li> <li>• Limited rating program changes that must result in overall average rate changes and dislocation amounts within predetermined thresholds.</li> <li>• Board decision is mandated within 30 days of receipt as set out in NLR 56/19.</li> <li>• Support is required in a form and format determined by the Board as set out in the Expedited Approval Filing Guidelines.</li> </ul>
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Filing guidelines and associated exhibits for each of the new rate filing categories can be downloaded from the Board's website at [www.pub.nl.ca/insurance.htm](http://www.pub.nl.ca/insurance.htm).

The Board will also implement new filing processes for: (a) insurers only wishing to implement CLEAR updates, and (b) insurers wishing to adopt IAO advisory rates. The Board will issue filing guidelines for these processes in a future Directive.

### **Mandatory Filing Schedule**

The Board has established a new mandatory rate filing schedule in accordance with Section 9 of NLR 56/19 which requires insurers to file for approval of its rates and risk classification system within **three years of the date of last filed rates** for each category of automobile insurance it writes, and **every three years thereafter**. Filings are required under the mandatory schedule even if the proposal is for no change in rates.

The date of the last filed rates refers to:

- a) the date of the most recent Board Order for a Category 2 or Category 3 IAO rate filing approved under the former regulations, or
- b) the date of the most recent Board Order for a Mandatory or Mandatory Simplified rate filing under the current regulations.

Rates accepted by the Board on a file and use basis under the former Category 1 or CLEAR Simplified filing categories do not qualify for the purposes of the mandatory filing schedule, nor do rates approved by the Board under the new Expedited Approval filing category.

Insurers that have not filed rates for a type of vehicle within the last three years prior to January 1, 2020 will be required to submit a Mandatory or Mandatory Simplified filing in accordance with the following schedule:

<b>Category of Insurance</b>	<b>Filing Deadline</b>
Private Passenger Automobiles	August 1, 2020
Commercial Vehicles	September 1, 2020
Miscellaneous Vehicles	October 1, 2020
Public Vehicles and Other Vehicles	November 1, 2020

Additional details regarding the mandatory filing schedule can be found in Section 1.3 of the filing guidelines for each of the new filing categories.

## Review of Proposed Rates

Under the former regulations (“NLR 81/04”) all proposed rate increases were assessed by the Board on the basis of whether a proposed rate was too high. The Board was required to prohibit or vary any rate that it determined to be too high based on specific grounds stipulated in NLR 81/04. All proposed rate decreases were required to be accepted by the Board on a file and use basis. These requirements have been eliminated with the repeal of NLR 81/04.

In accordance with NLR 56/19 the Board is now required to determine whether to approve, prohibit or vary all rates filed by insurers. The Board will prohibit the rates where it determines that the proposed rates:

- a) are not just and reasonable in the circumstances;
- b) would impair the solvency of the insurer;
- c) are excessive in relation to the financial circumstances of the insurer; or
- d) violate the *Automobile Insurance Act*, the *Insurance Companies Act* or the respective regulations under these Acts.

## Profit Provision

The Board has revised its profit provision guidelines to be used by insurers to derive its rate indications. Previously, the Board generally accepted the following as reasonable in rate filings: (a) target after-tax return on equity of 10.0%; (b) premium to surplus ratio of 2:1; and (c) return on investment in the range of 2.8%-4.0%.

All insurers must now derive their rate indications based on a target profit provision stated as a percentage of premium, with the same provision for all coverages. The guideline profit range as a percentage of premium that the Board will generally accept as reasonable in rate filings is 5%-6%.

## Publication

Section 13 of NLR 56/19 requires the Board to publish specific information pertaining to rate filings within 30 days of approving, prohibiting or varying rates. This information has been outlined in an excel template included in the filing guidelines and is to be completed by all insurers, including Facility Association, and filed with each rate filing. The information in the publication excel template will be exported to pdf format and published to the Board’s website with the corresponding Board Order. Further details and instructions regarding publication can be found in the filing guidelines documentation and associated exhibits.

Should you have any questions regarding any of the above please contact Mr. Ryan Oake, Regulatory Advisor, at [roake@pub.nl.ca](mailto:roake@pub.nl.ca) or 709-726-1097.

Yours truly,



Cheryl Blundon  
Board Secretary