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Bulletin 01-07

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TO: ALL INSURANCE COMPANIES LICENSED FOR THE CLASS OF AUTOMOBILE INSURANCE

Attention: Chief Executive Officer

Re: Determining Years of Driving Record Following a Lapse in Automobile Insurance Coverage

Some insurance companies licensed in Alberta continue to reduce a person's "years of driving record" because the person did not maintain continuous automobile insurance coverage or was no longer a listed driver on someone else's automobile insurance policy – i.e. "lapse in coverage".

My office continues to receive numerous consumer inquiries related to insurers using a person's lapse in coverage for underwriting and rating purposes.

In accordance with section 792.1 of the *Insurance Act* (Act), I have interpreted by means of this Bulletin that a lapse in continuous automobile insurance coverage, of less than two years, is not an acceptable or valid underwriting criterion and any use of a person's lapse in automobile insurance coverage of less than two years is an unfair practice. Unfair practices are prohibited by section 509 (1) (c) of the Act. This section states:

> "No insurer, insurance agent or adjuster may commit any unfair, coercive or deceptive practice."

The purpose of this Bulletin is to advise insurance companies licensed in Alberta for the class of automobile insurance they may no longer use a person's lapse in coverage of less than two years duration for underwriting and rating purposes, unless the lapse resulted directly or indirectly from the suspension of the driver's license of that person. This applies to all automobile insurance coverages. Failure to comply with section 509 (1)(c) of the Act will result in an investigation and possible regulatory action which includes an administrative penalty of up to $10,000 for each contravention.

This Bulletin is effective April 1, 2007 to allow sufficient time for insurance companies to revise their underwriting policies and procedures with respect to lapse in coverage rating. In the near future, my staff will be contacting each licensed insurance company to confirm that steps have been taken to revise their underwriting policies and procedures in respect of this matter.

Any questions regarding this Bulletin may be forwarded to Mr. Arthur Hagan, Deputy Superintendent of Insurance, at 780-422-1592.

Original signed by:

Dennis Gartner
Superintendent of Insurance