



NOVA SCOTIA UTILITY AND REVIEW BOARD

Information Bulletin: INS-12-01

January 23, 2012

This publication is not a legal document. It contains general information and is provided for the convenience and guidance in applying the *Insurance Act* (Chapter 231 of the Revised Statutes of Nova Scotia, 1989) (the “Act”), and Regulations. In all circumstances reference should be made to the legislation.

Phase 1 - Automobile Insurance Reform (Effective April 1, 2012)

As part of the *Fair Automobile Insurance (2011) Act* which received Royal Assent on December 15, 2011, the government introduced a number of reforms that are being implemented in two phases. The first phase of reforms is effective April 1, 2012, with the second set effective April 1, 2013.

This Bulletin addresses questions received by the Nova Scotia Utility and Review Board (the “Board”) regarding how companies can file to reflect the impact of the reforms which are effective April 1, 2012.

A. Increase in Section B Benefits

Section B benefits will increase to the level of the current benefits offered under SEF#48 on April 1, 2012. However, companies are statute-barred from applying to the Board to reflect the increased benefits by increasing rates or adjusting risk-classification systems, unless such changes are only effective on or after April 1, 2013.

The link <http://www.gov.ns.ca/just/regulations/rg2/2012/ja1312.pdf> is to the *Royal Gazette Part II* where NS Reg 327/2011, whose provisions relating to rate increases for mandatory accident benefits, can be found on page 15.

Therefore, the Board will not permit companies to reflect the increased benefits in premiums at this time if the effective date is before April 1, 2013.

B. Prohibition on Premium Increase if No Claim is Made

The government added the following to the prohibited risk-classification factors through NS REG 327/2011.

- (h) any of the following that do not result in a claim for payment or indemnification under a contract by an insured:
- (i) an inquiry made by an insured about coverage under a contract, or
 - (ii) a notification made by an insured of an incident that involves the insured.

The intent of this regulation is to allow a driver to report collisions to their insurance company without a fear of premium increases if no claim for damages is made.

The Board anticipates that this change will have little or no impact on rates. Until credible experience under the new regime emerges, the Board will not approve requests by companies to adjust rates to reflect any impact of the change in the prohibited risk-classification factors.

Pursuant to subsection 155C (3) of the *Insurance Act*, companies are not required to apply for approval if a risk-classification system change is made to comply with the revised *Regulations*. However, such changes must be filed with the Board (subsection 155C (4)). This filing can be done in the form of a rate/underwriting manual update.

C. Volunteer Fire Department Levy (“VFL”)

The government introduced an annual 50¢ levy on each vehicle insured by an automobile insurer. The levy will help to cover the costs incurred by volunteer fire departments who respond to motor vehicle accidents.

In the unlikely event that a company chooses to apply to the Board to recover this small levy, the attached rate filing requirements should be followed. The effective date of such a change cannot be prior to April 1, 2012.

Appendix A: Rate Filing Requirements – Volunteer Fire Department Levy

Applicability

These guidelines are available in the unlikely event that a company wishes to reflect the Volunteer Fire Department Levy (“VFL”) established in Phase 1 of the 2011 reforms and initially set at 50¢ per insured vehicle.

Filing Format

This application to the Nova Scotia Utility and Review Board (“NSUARB”) will be fully electronic or paperless. Subject to any technical notes published by the NSUARB, the filing should consist of a letter including the information outlined in the next section, an Adobe PDF file, with no password protection.

The required electronic file must be forwarded NSUARB generic mailbox at uarb.board@gov.ns.ca.

Should the Company need to amend the application, the Company must send a complete revision of the application reflecting the amended sections. This will ensure the Board is dealing with the correct version.

On September 28, 2004, the NS Insurance Review Board (“NSIRB”) issued a decision (04-006) for the generic hearing on confidentiality. In accordance with that decision and given the nature of this filing, the NSUARB does not view any of the information requested as confidential.

Information Requested

The letter to the Board, which constitutes the application, must include the following information:

- a) A stated desire by the Company to charge its clients for the VFL;
- b) An indication that only the levy amount (i.e. 50¢) will be charged to clients (i.e. there will be no inclusion of profit or administrative expense);
- c) A description of how the fee will be reported to the client and how it will be collected (i.e. how the rating algorithm is changing to reflect the charge); and
- d) An estimate of the number of vehicles that will be subject to the levy and the annual amount of the levy that will be assessed based upon this estimate.

A contact person should be identified in case some of the information is not clear or is incomplete.

Processing

- a) Board staff will review the file to determine if it is complete. If not, staff will contact the Company to provide the missing information or clarification required.
- b) Once the file is complete, Board staff will provide the assigned panel with a recommendation to either approve or reject based upon the information provided.
- c) A Board decision will be issued within 15 business days of the date of the recommendation.