

DECISION

**2018 NSUARB 8
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NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT



- and -

**IN THE MATTER OF APPLICATIONS by TRAFALGAR INSURANCE COMPANY,
NOVEX INSURANCE COMPANY, AND INTACT INSURANCE COMPANY for approval
to modify their respective endorsements for private passenger vehicles**

BEFORE: Roberta J. Clarke, Q.C., Member

APPLICANTS: TRAFALGAR INSURANCE COMPANY
NOVEX INSURANCE COMPANY
INTACT INSURANCE COMPANY

FINAL SUBMISSIONS: January 5, 2018

DECISION DATE: January 15, 2018

DECISION: Applications are approved.

I INTRODUCTION

[1] Trafalgar Insurance Company (Trafalgar), Novex Insurance Company (Novex), and Intact Insurance Company (Intact) (collectively, Companies) each filed supporting documents and materials (Applications) with the Nova Scotia Utility and Review Board (Board) for approval to modify their respective endorsements for private passenger vehicles (PPV). The Applications, dated December 11, 2017, were filed electronically on December 12, 2017. Trafalgar, Novex and Intact are related companies.

[2] Information Requests (IRs) were sent to Intact on behalf of the Companies on December 18, 2017, and responses were received on December 19, 2017. Each Company revised its Application on December 19, 2017. Additional IRs were issued on December 21, 2017, to which Intact responded on December 22, 2017.

[3] As a result of a review by Board staff, a staff report dated January 5, 2018, (Staff Report) was prepared, and provided to the Companies for review on that date. Intact responded later that day, indicating that the Companies had reviewed the Staff Report and had no comments.

[4] The Board did not deem it necessary to hold an oral hearing on the Applications.

II ISSUE

[5] The issue in these Applications is whether the proposed change to each Company's endorsements will result in rates which are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*.

III ANALYSIS

[6] Each of the Companies sought approval to change endorsements for PPV. The Applications were made in accordance with the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Endorsements (Rate Filing Requirements)*.

[7] The proposed effective dates are March 13, 2018, for new business and April 13, 2018, for renewal business.

[8] Currently, Intact and Novex use the same rates and risk-classification system, with the only exception being that Novex offers a group discount, which Intact does not offer. Trafalgar rates are based on Intact rates, although they do not match exactly.

[9] The changes proposed in these Applications do not apply to each of the Companies. All three Companies proposed revisions to their premium structures for one of their endorsements, which result in changes to their Endorsement Bundles; Intact and Novex only proposed to add a new coverage to an endorsement; and, Trafalgar alone proposed a change to one of its endorsements to align with the premium and coverage offered by the other two Companies.

Endorsement Changes

NSEF#43R/43R(L) – Limited Waiver of Depreciation

[10] Each of the Companies currently charges a flat premium of \$25 for this endorsement. It waives depreciation on repair or replacement of a vehicle due to loss resulting from an insured peril in the first 24 months in which the vehicle is in service. If the 24-month period ends mid-policy term, the period is extended to the end of the policy term.

[11] The Companies proposed to replace this premium with one that varies by the Collision Rate Group that is assigned to the insured vehicle and by the year for which the coverage is purchased. The premium will increase as the rate group, and the associated value of the vehicle, increase.

[12] The premiums proposed match those of one of their main competitors, based on a review which Intact undertook of four of its major competitors in the Nova Scotia market. The premium proposal is close to what the Companies use in Ontario, although in the first year the premiums will be lower to remain competitive.

[13] The Companies also proposed to change the eligibility requirements for this endorsement:

- For a demonstrator vehicle to remain eligible, the number of kilometers it could have been driven is to be lowered from 12,000 to 5,000 to ensure a lower rate of depreciation. The vehicle would be viewed as a “new” vehicle.
- The coverage will no longer be available to Executive Driven vehicles because the Companies consider that they are driven for extended periods making the depreciation too large to allow them to be considered a “new” vehicle.
- Coverage will be restricted to where the insured is the original owner or lessee of the vehicle. This is to clarify that once the vehicle is sold or leased to a third party it is no longer a “new” vehicle.
- The requirement for the vehicle to be covered by Third Party Liability is to be removed, as the Companies said that some clients buy or lease vehicles seasonally. When, for example, a vehicle is parked for the winter, if the client amends the policy to provide for physical damage only coverage through those months instead, the endorsement will now remain available.

[14] Board staff recommend the approval of the new premium structure and the revised eligibility requirements for the Companies. The Board accepts the recommendation and approves the changes for each of the Companies.

Endorsement Bundles – Plus Pac Option A and Plus Pac Option C

[15] The Companies offer two bundled endorsement packages. Plus Pac Option A includes the NSEF43R/43R(L) – Limited Waiver of Depreciation and NSEF#20 – Loss of Use and NSEF#27 – Legal Liability for Non-Owned Automobiles. Plus Pac Option C includes those three endorsements as well as NSEF#35 – Emergency Service Expense Endorsement.

[16] Currently the flat premium structure for the Limited Waiver of Depreciation endorsement is included in the pricing for these bundles. The Companies proposed to replace the bundle pricing to reflect the proposed premium structure discussed above. The same eligibility requirements would apply as proposed for this endorsement alone.

[17] Since the Board approves the proposed changes for the endorsement as a stand-alone offering, it also approves the proposed changes to the bundle pricing and eligibility criteria.

Claims Advantage ® Endorsement

[18] The Claims Advantage ® Endorsement is offered by both Intact and Novex, but not by Trafalgar.

[19] Intact and Novex proposed to add Mass Evacuation coverage to this endorsement. It would provide a benefit in the event the insured loses the use of the insured vehicle because access to it is prohibited by a civil authority calling for a mass evacuation. The benefit provides for reimbursement for up to \$50 a day for the lesser of 30 days, or until the lifting of the evacuation order. The reimbursement would be for costs incurred for taxis, rental cars, or other replacement transportation.

[20] Intact provided a copy of the approval it received from the Superintendent of Insurance for the wording changes required to add the new coverage to the existing endorsement.

[21] Intact and Novex proposed to increase the premium for this endorsement by \$5 to compensate for the additional risk posed by the new benefit. While they were not able to provide direct support for the additional amount, it is the same amount added to the endorsement premium in Ontario and Alberta where this coverage and the premium have been approved.

[22] In its response to IR-1, Q.6, Intact explained how it determined the cost for the coverage stating, in part:

...Examples of events that prompted the introduction of this coverage are the wildfires in Western Canada and the residential home explosions in Mississauga, Ontario in December 2016. Given the limited historical experience available, considerable judgment was used in the determination of this cost.

[23] The Board understands that there is no experience in Nova Scotia which would assist in determining a reasonable quantification of the cost of this risk. The proposed premium increase is small and approval would harmonize the offering with other provinces. As a result, the Board accepts the recommendation of Board staff to approve the addition of the Mass Evacuation coverage and associated premium under the Claims Advantage ® Endorsement for Intact and Novex as proposed.

NSEF # 27 – Legal Liability for Damage to Non-Owned Automobiles

[24] Trafalgar proposed to make changes so that its endorsement offering for Legal Liability for Damage to Non-Owned Vehicles would align with the offerings by Intact and Novex.

[25] Trafalgar proposed to increase the coverage limit from \$45,000 to \$50,000, and to increase the premium by \$1.

[26] Board staff advised that the changes have been supported by Trafalgar and the Board accepts the recommendation to approve them.

Automobile Insurance Manual Review

[27] Board staff reviewed the Automobile Insurance Manual on file and found no instances where the Company is in violation of the *Regulations*. The Company proposed no changes to its Automobile Insurance Manual other than those necessary to effect the changes noted in this Decision.

IV FINDINGS

[28] The Board finds that the Applications comply with the *Act* and *Regulations*, as well as the *Rate Filing Requirements*.

[29] The financial information submitted by the Companies satisfies the Board, pursuant to Section 155(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of the Companies.

[30] The Board finds the proposed changes to the endorsements will result in rates that are just and reasonable. The Board approves the changes to the endorsements.

[31] The mandatory filing date for PPV for each of the Companies remains as April 1, 2019.

[32] The Board approves the effective dates of March 13, 2018, for new business and April 13, 2018, for renewal business.

[33] Each of the Companies is required to file an electronic version of its updated Automobile Insurance Manual within 30 days of the issuance of the Order in this matter.

[34] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 15th day of January, 2018.



Roberta J. Clarke .