

DECISION

**2025 NSUARB 31
M11955**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by **LLOYD'S UNDERWRITERS** for approval for changes to its rates and risk-classification system for miscellaneous vehicles

BEFORE: M. Kathleen McManus, K.C., Ph.D., Member

APPLICANT: **LLOYD'S UNDERWRITERS**

FINAL SUBMISSIONS: December 20, 2024

DECISION DATE: **February 10, 2025**

DECISION: **Application is approved.**

I INTRODUCTION

[1] Lloyd's Underwriters (Lloyd's) applied to the Nova Scotia Utility and Review Board to change its rates and risk-classifications for selected miscellaneous vehicles. This includes all-terrain vehicles (ATVs), snow vehicles, and motorcycles. The application followed the Board's "*Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval – Minor.*"

[2] The Board must consider whether the proposed rating structure is just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*. The Board is satisfied that Lloyd's application meets these requirements and approves the company's proposed rating structure.

II ANALYSIS

[3] Where the annual written premium amount for a miscellaneous vehicle class falls below a Board-approved threshold, a company can file under *Section 155G – Prior Approval – Minor*. The Board allows such applications to qualify to reset the mandatory filing deadline. Lloyd's met the criteria to use these filing requirements.

[4] Since the filing of this application, Lloyd's received and responded to an Information Request (IR) from Board staff. Board staff prepared a report to the Board with recommendations on the application (Staff Report). Before providing the Staff Report to the Board, Board staff shared it with Lloyd's. The company reviewed the report and informed Board staff that it agreed with the recommendations.

III PROPOSAL

[5] Lloyd's proposes changes to its rates for: All Perils and Comprehensive for ATVs and snow vehicles; Direct Compensation Property Damage for ATVs, snow

vehicles and motorcycles; Third Party Liability (i.e., Bodily Injury and Property Damage-Tort combined) for snow vehicles; and Nova Scotia Endorsement Form (NSEF) 44 Family Protection Endorsement for ATVs and snow vehicles. The company also proposes changes to deductibles, surcharges, underwriting rules and manual wordings.

Changes to All Perils and Comprehensive

[6] Lloyd's proposes setting All Perils and Comprehensive rates for ATVs equal to a constant percentage of vehicle value, where the percentage varies by coverage. This change would lower the All Perils rate for ATVs with a value of \$2,500 and the Comprehensive rates for ATVs with vehicle values between \$2,500 and \$5,000. No changes are proposed to the current All Perils and Comprehensive rates for snow vehicles.

[7] The company also proposes extending the maximum vehicle value in its premium table for Physical Damage and Direct Compensation Property Damage for ATVs and snow vehicles it from the current \$60,000 to \$75,000.

[8] Board staff recommends the Board approve these changes. The Board agrees.

Direct Compensation Property Damage

[9] Direct Compensation Property Damage (DCPD) coverage allows the insured to deal with their own insurance company when their vehicle is damaged in an accident for which they are not at fault. Lloyd's currently charges a flat rate for DCPD on ATVs, snow vehicles and motorcycles (trail bikes). Recognizing that as vehicle values increase, the severity of claims becomes larger, the company proposes new DCPD rates based upon the All Perils and Comprehensive rates which vary by vehicle value.

[10] Lloyd's proposes calculating DCPD rates by applying a flat percentage to the difference between the All Perils and Comprehensive rates. ATVs and motorcycles will use a higher flat percentage than snow vehicles. Lloyd's currently uses this approach and these flat percentages in Alberta. The company proposes adopting the Alberta flat percentages because of the lack of sufficient DCPD experience to develop Nova Scotia specific percentages.

[11] Board staff recommends the Board approve these proposed rates. The Board agrees.

Third Party Liability

[12] Lloyd's proposes increasing its Third Party Liability premiums for snow vehicles. The company applied a 12.5% increase to its current premiums for each of its available liability limits (i.e., \$500,000; \$1,000,000; and \$2,000,000) and then rounded the results to the nearest dollar. The resultant Third Party Liability rates proposed by Lloyd's for snow vehicles are below the industry average and its competitors' rates. Lloyd's will leave the Third Party Liability rates unchanged for ATVs and motorcycles.

[13] Board staff recommends the Board approve the proposed rates. The Board agrees.

Changes to NSEF 44

[14] NSEF 44 Family Protection Endorsement offers coverage to the insured's family for injuries or death caused by an underinsured driver. Lloyd's expects that as the liability limit increases, claim severity will increase. While the snow vehicle premiums recognize this expectation, Lloyd's proposes decreasing the premiums for limits of

\$500,000 and \$1,000,000 and increasing the premium for the \$2,000,000 limit for snow vehicles.

[15] Lloyd's currently charges a flat rate for all liability limits for ATVs. The company proposes following the same approach it uses for snow vehicles but will set premiums for ATVs for each of the available limits (\$500,000; \$1,000,000; and \$2,000,000) that will differ from the snow vehicle premiums.

[16] Lloyd's proposed no changes to the endorsement premiums for motorcycles.

[17] Board staff recognizes that Lloyds' proposed premiums are comparable to the industry and recommends the Board approve these changes for setting the premiums. The Board agrees.

Changes to Discounts and Surcharges

[18] Lloyd's proposes changes to the following, discussed below:

- Membership Discount;
- Deductible Discount;
- Equipment Modification Surcharge;
- Business Use Surcharge - Short Term Rentals;
- At Fault Accident Surcharge, and,
- Convictions Surcharge.

Membership Discount

[19] Lloyd's proposes changing the name of "Provincial Association Membership or Member Club Pricing Discount" to "Membership Discount," with no change to the premiums. Board staff recommends the Board approve this name change. The Board agrees.

Deductible Discount

[20] Lloyd's proposes introducing new levels of discounts for deductibles of \$1,000, \$2,500 and \$5,000 for physical damage coverage only, which would align with its offers in Alberta and New Brunswick. Board staff recommends the Board approve the proposed levels of discounts. The Board agrees.

Equipment Modification Surcharge

[21] Lloyd's proposes changing the name of "Performance Enhancement: Equipment Modification Surcharge" to "Equipment Modification Surcharge." The company also proposes removing the flat surcharge of 25% for units with turbos or performance enhancing equipment. The company proposes applying a 10% surcharge for factory installed turbos or performance enhancing equipment and a 35% surcharge for aftermarket installed turbos or performance enhancing equipment. This change reflects different levels of loss cost of the equipment. Lloyd's explained that factory installed turbos are designed to balance efficiency and performance, while aftermarket turbos are designed mostly for pure performance and horsepower gains, which warrant a higher surcharge.

[22] Board staff recommends the Board approve the proposed changes to this surcharge. The Board agrees.

Business Use Surcharge – Short Term Rentals

[23] Currently, Lloyd's applies a 150% surcharge where the vehicle is used for short term rentals. The company proposes lowering the surcharge to 50% for ATVs and snow vehicles, based on its experience in other provinces where there was enough data to support the lower level of surcharge. Lloyd's does not have enough data for

motorcycles (trail bikes) and therefore intends to maintain the 150% surcharge for motorcycles.

[24] Board staff recommends the Board approve the proposed changes to this surcharge. The Board agrees.

At Fault Accident Surcharge

[25] The company's At Fault Accident Surcharge examines the number of at-fault accidents in the past three years and assigns a surcharge. The company proposes reviewing the number of at-fault accidents in the last five years, instead of three years. Lloyd's follows this approach in other provinces, and it aligns with the industry. The company also proposes to update the wording to clarify that this surcharge will apply to all sections of the policy.

[26] Board staff recommends the Board approve the proposed changes to this surcharge. The Board agrees.

Convictions Surcharge

[27] Lloyd's Convictions Surcharge applies to vehicles with more than two minor convictions in the past five years. The company proposes to apply this surcharge to all convictions, not just minor convictions, in the past three years instead of five. This practice aligns with what the company has in other provinces and the industry.

[28] Board staff recommends the Board approve the proposed changes to this surcharge. The Board agrees.

Automobile Insurance Manual Review

[29] In addition to the changes proposed above, Lloyd's is modifying its underwriting and rating rules in the Manual. These changes will clarify existing wording

or ensure consistency with its Manual in other provinces. None of these changes will impact premiums or classify risks differently. Board staff reviewed these changes and the Manual on file and found no areas where the company appears to be in violation of the *Act* or its *Regulations*.

[30] Board staff recommends the Board approve the proposed changes to underwriting and rating rules. The Board agrees.

IV SUMMARY

[31] The Board finds that the application follows the *Act* and *Regulations*, as well as the *Rate Filing Requirements*.

[32] The Board finds the proposed rates are just and reasonable, and approves the changes effective March 15, 2025, for new and renewal business.

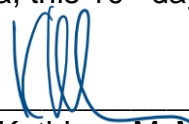
[33] The financial information supplied by Lloyd's satisfies the Board, under Section 155I(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of the company.

[34] The application qualifies to set a new mandatory filing date under the *Mandatory Filing of Automobile Insurance Rates Regulations*. The new mandatory filing date for Lloyd's for miscellaneous vehicles is November 1, 2027.

[35] The company must file an electronic version of its Automobile Insurance Manual, updated for the changes approved in this decision, within 30 days of the issuance of the Order in this matter.

[36] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 10th day of February, 2025.



M. Kathleen McManus