

DECISION

**2022 NSUARB 6
M10413 and M10414**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF APPLICATIONS by **AVIVA INSURANCE COMPANY OF CANADA**
and **TRADERS GENERAL INSURANCE COMPANY** for approval to change their
respective risk-classification systems for miscellaneous vehicles

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

APPLICANTS: **AVIVA INSURANCE COMPANY OF CANADA**
TRADERS GENERAL INSURANCE COMPANY

FINAL SUBMISSIONS: January 11, 2022

DECISION DATE: **January 17, 2022**

DECISION: **Applications are approved**

I INTRODUCTION

[1] Aviva Insurance Company of Canada and Traders General Insurance Company are sister companies. Both companies applied to the Nova Scotia Utility and Review Board to change their respective risk classification systems by changing their underwriting rules for miscellaneous vehicles, specifically all terrain vehicles, motorcycles, motorhomes, private passenger trailers, and snow vehicles. The companies propose changes to the rules surrounding the binding authority of brokers, and the rules which specify when the companies will decline coverage.

[2] The Board must consider whether the proposed changes are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*. The Board is satisfied that both applications meet these requirements and approves the proposed changes.

II ANALYSIS

[3] Aviva and Traders each applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval – Minor (Rate Filing Requirements)*. A company may use these filing requirements where the annual written premium (AWP) for a class of vehicle must be less than the threshold established by the Board. For the types of miscellaneous vehicles underwritten by Aviva and by Traders, the information provided to the Board demonstrates that the AWP for each company is lower than the threshold amount specified in the *Rate Filing Requirements*. As a result, Aviva and Traders can apply for the changes in this manner. Applications under these *Rate Filing Requirements* allow a company to reset its mandatory filing date.

[4] Board staff reviewed the applications and 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 Aviva and Traders. The companies reviewed the report and informed Board staff that they agreed with the recommendations.

[5] Both companies propose changes to their respective underwriting rules. The proposed changes are the same for each company and are intended to align with each other, and with their rules in other Canadian jurisdictions. The changes also reflect the risks which the companies are willing to underwrite.

[6] For Broker Binding Authority rules, the proposed change restricts the ability of a broker to bind coverage for new risks or policies or to add coverages within specified geographic limits where a civil authority has issued an alert or evacuation order related to tsunamis, earthquakes, wildfires and flooding. Both companies advise that this change mirrors changes to habitation policies in the Atlantic Provinces. The restrictions apply to all types of miscellaneous vehicles covered in the applications, except motorhomes.

[7] Both companies also propose changes to the rules which apply when declining policies. In some cases, new rules are being proposed, and in others, only changes are sought. The changes relate generally to: the value of vehicles, where limits to coverage are proposed; the type of vehicle; and the use of the vehicle. All the proposed changes reflect and limit the risk tolerance of the insurer. No changes are proposed for declination rules for motorhomes.

[8] Board staff concluded that the proposed changes for Broker Binding Authority and for declination rules are reasonable. The Broker Binding Authority changes, as noted above, apply to all classes of miscellaneous vehicles, except motorhomes, and

only impact policies when an alert or evacuation order has been issued. For the declination rules, each company has only a small number of these types of vehicles insured. For some vehicle types, there are no policies which would be impacted by the proposed changes, and for others, the impact will be on only a few policies. The declination rule changes do not apply to motorhomes.

[9] Board staff have recommended that the Board approve the proposed changes as requested. The Board accepts this recommendation and approves all changes sought by both companies.

III SUMMARY

[10] The Board finds that the applications follow the *Act* and *Regulations*, as well as the *Rate Filing Requirements*.

[11] The Board finds the proposed changes are just and reasonable, and approves the changes effective June 1, 2022, for new business and renewal business for both Aviva and Traders.

[12] The financial information submitted by the companies satisfies the Board, under Section 155I(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of either company.

[13] Board staff have reviewed the Automobile Insurance Manuals for both companies and found no instances where the companies have been in violation of the *Insurance Act* or its *Regulations*. However, because changes are approved for the underwriting rules, each company is to file their respective revised Manual with the Board within 30 days of the date of the order issued in these matters.

[14] An application for approval under the *Rate Filing Requirements* applicable to these matters qualifies to set a new mandatory filing date under the *Mandatory Filing of Automobile Rates Regulations*. The mandatory filing date for miscellaneous vehicles for Aviva and for Traders is reset to January 2, 2025.

[15] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 17th day of January, 2022.



Roberta J. Clarke