NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by CUMIS GENERAL INSURANCE COMPANY for approval to modify its rates and risk-classification system for miscellaneous vehicles

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

APPLICANT: CUMIS GENERAL INSURANCE COMPANY

FINAL SUBMISSIONS: June 9, 2016

DECISION DATE: June 23, 2016

DECISION: Application is approved
INTRODUCTION

[1] CUMIS General Insurance Company ("CUMIS" or "Company") filed supporting documents and materials ("Application") with the Nova Scotia Utility and Review Board ("Board") for approval to modify its rates and risk-classification system for certain classes of miscellaneous vehicles ("MV"). The Application, dated April 29, 2016, was filed electronically on April 29, 2016, and the original documents were received on May 2, 2016.

[2] Information Requests ("IRs") were sent to the Company on May 20, 2016, and responses were received on May 23, 2016.

[3] As a result of a review by Board staff, a staff report dated June 9, 2016 ("Staff Report") was prepared. The Staff Report was provided to the Company for review on June 9, 2016. The Company responded on the same date, indicating that it had reviewed the Staff Report and had no comments with respect to the Staff Report; however, it provided a correction to the Application for vehicle rate group factors for mopeds.


II ISSUE

[5] The issue in this Application is whether the proposed rates and changes to the risk-classification system are just and reasonable and in compliance with the Insurance Act ("Act") and its Regulations.
III ANALYSIS

[6] The Company sought approval to change its rates and its risk-classification system for certain classes of MV. The Application covered the following classes of vehicles: all-terrain vehicles; motorcycles; mopeds; motor homes; camper units; snow vehicles; and utility and camper trailers. The Application was made in accordance with the Board’s *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval* (“Rate Filing Requirements”). The Company’s mandatory filing date was May 1, 2016.

[7] The proposed effective date is December 1, 2016, for both new business and renewal business.

Rate Level Changes

[8] The Company proposed to change its rates and risk-classification system for all classes of MV covered in this Application, with the exception of motorcycles. The Company underwrites only a small number of MV, most of which is done on an accommodation basis for its private passenger vehicle customers. Therefore, the Company proposed to adopt the rates and risk-classification systems (except for discounts and surcharges) approved by the Board for its sister company, Co-operators General Insurance Company (“CGIC”), in two recent decisions [2015 NSUARB 176] and [2015 NSUARB 200]. The Company is seeking to align its rates and risk-classification systems with those of CGIC, except for motorcycles.

[9] The Company stated in response to Board IR-1(b) that it and its sister companies, CGIC and COSECO Insurance Company, are undertaking a review of the motorcycle algorithm, as a result of which they propose to delay any changes in
motorcycle rates, pending the outcome of the review. The current rates for motorcycles would not change at this time. This would avoid the possibility of customers being impacted twice within a relatively short period of time. The Board considers this a reasonable course of action. The Board understands that no changes in the risk classification system are proposed for motorcycles in this Application.

[10] Board staff questioned why, as mopeds are considered by some insurers to be similar to motorcycles, and thus similarly rated, CUMIS did not choose to maintain moped rates. In response to Board IR-1(c), the Company stated that it was not known whether mopeds will be included in the motorcycle review. Rather than making no changes now and subsequently finding that mopeds were not included, CUMIS considered it prudent to move mopeds to the CGIC rates and risk-classification system as part of this Application. Again, the Board considers this a reasonable course of action.

[11] The Application did not include any actuarial analysis because of the very small number of MV insured. Such an analysis would not be meaningful in the Company's view. Instead, CUMIS compared its current and proposed rates to those approved by the Board for IAO Actuarial Consulting Service Inc. ("IAO") in its decision [2015 NSUARB 150]. The Board has permitted other companies to use similar comparisons in other mandatory applications and accepts the recommendation of Board staff to do so in the circumstances of this Application.

[12] As CGIC had done in its initial application, the Company compared the average premiums that its current and proposed rates would produce to those that would result from a re-rating of the CUMIS business using IAO premiums. For all-terrain vehicles, and snow vehicles the average premiums using the proposed rates were lower than both the current average premiums charged by the Company and the average IAO
premium. For mopeds, the resulting average premium would be higher than both the current and IAO average premiums. For motorhomes, the premium resulting from the proposed change would be lower than the current premium but considerably higher than the IAO average premium. While for trailers and campers, there is no comparison to the IAO average premium as IAO bases its premiums on the towing vehicle, the proposed change would produce a significantly higher average premium than the current average premium.

[13] The Board understands from the information provided by CUMIS that some of these results are caused by rates for particular coverages differing significantly between the Company, CGIC and IAO. The Board also understands that it appears that there are instances where the Company may not have been charging rates for certain coverages and certain classes of MV that appropriately reflect the risk to which the Company was exposed. The proposed move to CGIC rates and risk-classification systems should address such situations.

[14] Based on the circumstances of CUMIS, and its stated desire to align itself with the rates of its sister company, CGIC, the Board finds that proposed changes, and the decision to make no changes to motorcycles at this time, will result in just and reasonable rates. They are, therefore, approved.

**Territorial Differentials**

[15] The Company does not rate MV by territory so no territorial analysis was undertaken or required.
Rate Manual Review

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

IV FINDINGS

[17] The Board finds that the Application complies with the Act and Regulations, as well as the Rate Filing Requirements.

[18] The financial information submitted by the Company satisfies the Board, pursuant to Section 1551(1)(c) of the Act, that the proposed changes are unlikely to impair the solvency of the Company.

[19] The Board finds the proposed rates are just and reasonable.

[20] While the Application did not include full actuarial indications, the Board finds it qualifies to set the new mandatory filing date for MV for the Company to May 1, 2019.

[21] The Board approves the effective date of December 1, 2016, for new business and renewal business.

[22] The Company is required to file an electronic version of its updated Rate Manual within 30 days of the issuance of the Order in this matter.

[23] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 23rd day of June, 2016.

Roberta J. Clarke