



NOVA SCOTIA UTILITY AND REVIEW BOARD

Information Bulletin: INS-20-04

December 1, 2020

This publication is not a legal document. It contains general information and is provided for convenience and guidance in applying the *Insurance Act*, R.S.N.S. 1989, c. 231, (*Act*), as amended, and *Regulations*. In all circumstances, reference should be made to the legislation.

Changes to Board's Filing Requirements

The Nova Scotia Utility and Review Board (Board) reviewed its various rate filing requirements and approved some updates and additions. This bulletin outlines these changes. Each filing requirement being updated are addressed separately.

The Board published the new requirements on **December 1, 2020**. Given the nature of the changes, filings under the changed requirements on or after **January 1, 2021** must use the new requirements. The Board, however, realizes that the process for developing an application may take several months. Should a company believe it cannot process such a filing under the revised requirements, the company should approach Board staff to determine if an exception may be made to allow filing under current rules.

Section 155B – Overall Rate Decreases

With the increased use of these requirements during Covid-19, the Board reviewed these filing requirements. That review resulted in changes to modernize the requirements to bring them more in line with the format used for other filing requirements and to reduce the information required.

The following summarizes the key changes being made:

- (a) A filing under these requirements will have a separate non-confidential and confidential section to facilitate proper processing within the Board case management system;
- (b) The required Summary of Information (or Appendix A) was changed from Word to Excel;
- (c) An explanation that a proposal that results in no individual seeing an increase of more than 2% without the use of a formal cap may be filed as a "With cap" version subject to the shorter timelines and processes, because the proposal includes an "implicit cap" was added;
- (d) An explanation that a filing under these requirements will not qualify to reset a mandatory filing deadline was added;
- (e) Some components of the information requested were removed; and
- (f) The requirement to file revised rating profiles was removed.

These revised filing requirements can be found on the Board's website (nsuarb@novascotia.ca).

Section 155G – Prior Approval - Minor

For small books of business, the Board recognizes that actuarial analysis may not provide meaningful results. While the Board cannot waive the requirement to file in accordance with the *Mandatory Filings of Automobile Insurance Rates Regulations*, it can choose the form of information required to meet a mandatory filing.

For companies choosing to adopt IAO Actuarial Consulting Aon Reed Stenhouse Inc. (IAO) rates for its small books, the Board created a simplified filing requirement **Section 155G – Adopt IAO Rates**. The Board required a company who chose not to use IAO rates, to file a **Section 155G Prior Approval** or major filing even for small books of business.

The Board is aware that other jurisdictions (e.g., Newfoundland and Labrador, Alberta) currently provide a simplified filing approach for books of business where the total annual premium falls below a certain threshold. The information required in such instances is significantly reduced.

The Board has developed a new set of filing requirements, **Section 155G – Prior Approval–Minor**, to reduce the amount of information required to be submitted in order for the Board to meet its statutory obligation to review mandatory filings for small books of business. These filing requirements will be available to books of business that fall below¹ the following total annual premium thresholds:

Vehicle	Annual Written Premium Threshold
Private Passenger Automobiles	<i>Excluded from Section 155G - Prior Approval-Minor</i>
Commercial Vehicles	\$1,000,000
Interurban Vehicles	\$750,000
All-Terrain Vehicles	\$750,000
Motorcycles	\$750,000
Snow Vehicles	\$500,000
Taxis	\$500,000
Motorhomes	\$500,000
Antiques	\$500,000
Other Public Vehicles ²	All rates may be filed through Section 155G - Prior Approval-Minor
Other Vehicles ³	All rates may be filed through Section 155G - Prior Approval-Minor

¹ If the annual written premium level for any vehicle type is greater than the applicable annual written premium threshold, the Company must file rates for that vehicle type in accordance with the Board’s *“Rate Filing Requirements for Automobile Insurance - Section 155G – Prior Approval”*.

² Other Public Vehicles refers to any public vehicle type not captured in the table.

³ Other Vehicles refers to any vehicle category or vehicle type not captured in the table.

The Board excludes private passenger vehicles from these guidelines because most companies with small books of private passenger vehicles utilize **Section 155G – Adopt IAO Rates**. As well, the industry volume of private passenger vehicles would allow for a meaningful actuarial analysis to be produced. The same is not true for most of the classes included in the threshold table. A private passenger vehicle filing, other than those adopting IAO rates, must be filed using the **Section 155G – Prior Approval** filing guidelines.

A company seeking to introduce rates for a class of vehicles for the first time, also must use the **Section 155G-Prior Approval** guidelines and not these new requirements.

Facility Association is prohibited from filing under the **Section 155G - Prior Approval–Minor** filing requirements and must file using the **Section 155G – Prior Approval** guidelines. For a vehicle class with very few vehicles, the Board encourages Facility to approach Board staff to discuss the potential to simplify the information required under those filing requirements.

The Board will allow filings, where the Company is eligible to file under these requirements, to meet the mandatory filing deadlines. A Company must provide a mandatory filing, when due, even if the proposal is for no change in rates.

Any type of change to the risk-classification system or rates may be filed for approval under these filing requirements. The Board developed several simplified filing requirements to address specific changes (e.g., *Section 155G – Discounts & Surcharges*, *Section 155G – Endorsements*) but even changes that can be addressed under other simplified filing requirements may be made under the **Section 155G – Prior Approval–Minor** filing requirements.

While the Company is required to file to meet the mandatory filing deadlines, the Board believes that ***the Company should regularly review its indicated rate levels and current rate levels for all categories of automobile insurance and file if changes are necessary rather than waiting for the mandatory filing deadline.***

These new filing requirements can be found on the Board's website.

Section 155G Prior Approval

The Board is making minor changes to the information required in the Summary of Information (or Appendix A) for these filing requirements. The changes impact the two dislocation tabs in the Excel Sheet (i.e., tabs CONF-8 and CONF-9). The Board will receive a better understanding of the number of risks experiencing changes in excess of +/- 20% by expanding the bands required to be shown in the table. In addition, tables showing bands of dollar variances have been added.

Both these changes will produce dislocation tables that are the same as those currently required for filings in Alberta and Newfoundland and Labrador.

Another change, included in tab CONF-9 or the capped dislocation tables, will apply the Board's verification check for the use of negative capping. The Board requires that the premium foregone under a positive, or premium increase, cap must exceed the extra premium collected under a negative, or premium decrease, cap. If this requirement is not met, the Board will not allow a capping mechanism that caps premium decreases. The tab will highlight violations of this requirement.

The new dislocation tables will be required in files on or after January 1, 2021. The Board recognizes that filings may already be in progress. The Board will allow a filing with the old tables to avoid missing a mandatory filing deadline early in 2021. Board staff, however, may issue an information request requiring the new tables to be completed during the review process.

The new Summary of Information, with these changes, can be found on the Board's website.

Section 155H – Expedited Approval – Prescribed Percentage

Section 155H of the *Act* provides for an insurer to apply for expedited approval of a proposed rate change. To be eligible, the average of the proposed rates cannot exceed the average of the current rates being charged by the insurer by more than a percentage that is prescribed by the Board.

The Board considered advice surrounding prospective loss cost and premium trends as well as the current level of rate adequacy as evidenced by industry (Insurance Bureau of Canada/General Insurance Statistical Agency) statistics. Based upon this review, the Board chose to leave the prescribed percentages under subsection 155H(1) of the *Act*, unchanged at:

Private Passenger Vehicles:	5% on an “All Coverage Combined” Basis
Commercial Vehicles & Interurban Vehicles:	3% on an “All Coverage Combined” Basis
All Other Vehicles:	0% on an “All Coverage Combined” Basis

An insurer can make an application for a rate change under Section 155H of the *Act* if the “all coverages combined” rate change is less than or equal to the above percentage. Such an application does not require the production of current actuarial indications but rather may rely on such indications provided in the last mandatory filing deadline. No risk-classification system changes may be made in such an application; only rates may be changed.

The Board will continue to limit the use of Section 155H Expedited Approval applications to once between mandatory filings.

Section 155G – Usage Based Insurance (UBI) Discount Programs

The Board is aware that the Financial Services Regulatory Authority of Ontario (FSRAO) recently removed its UBI guidance. The goal was to allow more competition and foster innovation. The change would allow companies to apply to use usage-based insurance programs that included surcharges, when in the past such programs had to be discount only. The Board understands, from recent industry articles, that such surcharges may be required for innovative approaches such as pay-as-you-go insurance programs.

The Board will leave its UBI guidance in place at this time. While this guidance states that a UBI program must be discount only, the Board will entertain proposals that seek to introduce surcharges as part of an innovative product, on a case by case basis. Companies are encouraged to reach out early to Board staff to discuss such programs to determine what support would be required to apply for such a product.

The Board will periodically review this decision, considering the volume of proposals for such innovative products. The Board will revise the UBI filing requirements should the reviews suggest that changes are necessary.

Questions

Any questions or concerns relating to the Board filing requirements may be directed to the following Board staff:

Barry Cotnam, Director, Insurance Advisory Services (Barry.Cotnam@novascotia.ca); or
Lisa Wallace, Clerk (Lisa.Wallace@novascotia.ca).

Peter W. Gurnham, Q.C. Chair,
Nova Scotia Utility and Review Board