



NOVA SCOTIA UTILITY AND REVIEW BOARD

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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.

COVID-19 and Rate Indications

During the COVID-19 pandemic, many insurers provided premium relief to policyholders through various temporary mechanisms. These mechanisms included rate capping, rate reductions, rebates or refunds, and forgiveness of fees associated with late payments. The Nova Scotia Utility and Review Board approved these mechanisms using a simplified rate filing process.

Eventually, insurers will use premium, claims and expense data from the pandemic period when developing rate level indications for future rating programs. The Board has concerns that these temporary measures could distort the calculation of indicated rate level needs. To address such concerns when determining rate indications, insurers must take steps to ensure these mechanisms do not distort the rate level needs for rating programs that will be effective after the pandemic.

Insurers must include a full description of the COVID-19 relief measure(s) taken and the time-period the measure(s) were in effect. This description must include an estimated impact to written and earned premiums and expenses for each affected accident half year, beginning with 2020-1.

Insurers must not include policyholder-initiated deletion of coverage actions in the estimate of insurer-initiated relief because these actions will affect both premiums and loss amounts.

Insurers must calculate the on-level premiums and premium trends in a manner which removes or unwinds the impact of any associated premium relief. Insurers must provide support for the change to the current rate level premiums and explain how it considered and unwound the adjustments specific to COVID-19.

When selecting the prospective non-claims expense provision, insurers must consider any unusual changes in the actual expense level during the period impacted by COVID-19. Insurers must demonstrate the selected expense provision is an appropriate prospective provision that is not distorted by the impact of COVID-19.

Claim amounts and claims handling expenses may be unusual (i.e., low) during the period impacted by COVID-19. To the extent this is true, the insurer must consider the weight (if any) to apply to the impacted experience period when using historical experience to forecast the claim amounts and claim handling expenses for the prospective rating program period.

The Board expects that only in very rare circumstances would insurers have sufficient experience to develop loss trends using only their own experience. Where insurers use company-specific data to support the selection of trend factors, insurers must demonstrate the period impacted by COVID-19 does not distort the analysis.

The Board understands that Nova Scotians may have permanently changed their working and driving habits as a result of Covid-19. As a result, the post-pandemic normal for automobile insurance may be quite different from the normal observed before the pandemic. These changes may introduce additional uncertainty when considering and adjusting for the impacts of Covid-19. Companies will exercise actuarial judgment when determining when the adjustments to the data for the impacts of Covid-19 are no longer required. The Board expects companies to disclose such judgments, when taken.

Questions

Any questions or concerns relating to COVID-19 premium relief and rate indications can be directed to the following Board staff:

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