



NOVA SCOTIA UTILITY AND REVIEW BOARD

Information Bulletin: INS-20-02

March 27, 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.

COVID-19 Situation

Board Operations

As Canada and Nova Scotia take steps to fight the COVID-19 pandemic, the Nova Scotia Utility and Review Board has also taken steps to ensure the safety of its employees and its stakeholders. With most staff and Board members able to work remotely, the Board anticipates the process of filing, reviewing, and issuing decisions on Automobile Insurance matters will continue relatively unchanged. Board staff can be reached at their normal telephone numbers or email addresses.

Mandatory Filing Dates

The Board recognizes that insurance companies may be operating in similar work-from-home arrangements that may result in some delays in responding to information requests or in preparing mandatory filings. While the Board expects companies to meet their scheduled mandatory filing dates, the Board will entertain a request to extend the deadline, if the request is made well before the filing deadline. Companies seeking extensions should send an email to the Board explaining the reasons for the extension and the new date requested. The Board will review the request and the circumstances and will inform the company of its Decision.

Reducing the Impact of Rate Changes During COVID-19 Pandemic

The Board is aware of the financial hardship that Nova Scotians may experience as a result of the attempts to flatten the COVID-19 curve. The Board is also aware insurance companies may be looking for ways to soften or delay the impacts of currently approved rate increases for its customers during this stressful time. The Board, while still having concerns about companies not taking full indicated rate increases, respects these attempts to assist Nova Scotians facing additional financial burdens. The Board will work with companies seeking to reduce the impacts of premium increases arising from approved rate and risk-classification changes.

The Board is not mandating that a company make any changes to rates in these circumstances. The Board is also unaware of the Superintendent of Insurance or the Government of Nova Scotia mandating changes either. The Board is merely expressing its willingness to work with companies looking to make such changes, so those changes can be implemented as quickly as possible.

Changes to Premium Dislocation Capping of Increases

Some companies who received approval for rate or risk-classification system changes included a premium dislocation cap, which limited the premium increases a client would see at renewal. The cap serves to spread the required increase over a few renewals to limit the immediate impact of the risk-classification changes. In some cases, however, the cap would still allow for a relatively large increase at renewal, as the company seeks to align better the premium charged with the risk posed.

To address COVID-19 financial concerns of its clients, a company may approach the Board to lower the capping percentage on renewal increases. For example, a company may ask the Board to temporarily change its approved 30% cap on renewal increases to a 5% cap on renewal increases. Such a request may be made under Section 155B of the *Insurance Act* and the *Rate Filing Decreases Regulations*, N.S. Reg. 101/2008 (*Regulations*).

With the proposed change, clients with current renewal increases in excess of the proposed new cap level will benefit from a lower premium than the Board approved for use. Clients with increases at or below the proposed new cap, will see no change in the approved premium. Any new business clients will also pay the approved premiums. As a result, the proposed change implicitly includes a cap that will limit increases to no more than 2% as outlined in the *Regulations*. The *Regulations* state that once the Board deem the application to be complete, the company may implement the change on the date of the Board letter, or the date selected by the company in the application.

To facilitate a change to the premium increase cap, the Board will allow the use of a simplified version of its “*Rate Filing Requirements for Automobile Insurance - Section 155B - Overall Decrease*”. An acceptable file will include the following:

- A digitally signed copy of the S155B Overall Decrease – Certificate of Officer, as this is required under the *Regulations*, where the officer checks the “does contain cap” box, given there is an implicit cap involved in the change; and
- A letter explaining
 - what the company wants to do (i.e., lower the premium dislocation cap from x% to y%);
 - why the company is proposing the change;
 - what the likely impact is on Nova Scotian drivers;
 - when they expect to implement the change; and
 - when they would likely remove the change.

Given the COVID-19 pandemic is somewhat fluid, the company may not know exactly when the revised cap will be removed. In these circumstances, the company should still estimate the end date. The company should state that the end date may have to move, and should commit to notifying the Board of the ultimate end-date at least two weeks before the company plans to return to the previously approved cap.

Board staff will review the application. If incomplete, Board staff will request any missing information required to complete the file. Once Board staff deems the file complete, a letter approving the change will be sent to the Company.

Introducing a Premium Dislocation Cap on Renewal Increases

Some companies have received approvals for rates and risk-classification changes, which did not include a premium dislocation cap on renewal premiums. All clients, in this case, would see the full impact of any changes at renewal.

Should a company wish to introduce a premium dislocation cap to reduce the financial burden of its customers, the Board will also allow a simplified filing in the form listed in the previous section.

The Board, however, will not entertain the introduction of a cap on renewal decreases to offset the cost of the premium dislocation cap in these circumstances for two reasons:

- The Board cannot be sure that no individual will see an increase of more than 2%; and
- The Board does not believe it is in the spirit of the relaxed filing requirements to allow a client to pay more than the approved renewal premium, solely because of a new cap.

Deferral of Effective Date of Rate Changes

A company may wish to delay the implementation of new rates and risk-classification system changes to avoid many clients experiencing a rate increase during the COVID-19 event. For files before the Board where a Decision has not been reached, the company can make a request to the Board to change the effective dates. The Board will incorporate the date change in its review.

If the Board has issued a Decision approving the new rates and risk-classification system and the effective dates have not yet been reached, the Board will allow a company to request a change of those effective dates to postpone the implementation. The company would simply send a letter to the Board making that request providing reasons. After review, the Board will issue an amended Order if appropriate.

In normal operations, the Board would only rarely make such an amendment because its role is essentially complete with the issuing of its initial Order. The Board is willing to make this option more readily available in these exceptional circumstances.

If the effective date has been reached, the Board encourages the company to consider one of the other two options detailed above to provide temporary relief to its clients, should it wish to do so.

Questions

Any questions or concerns relating to this bulletin regarding the COVID-19 situation, including the simplified filing requirements, can be directed to the following Board staff:

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

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