

DECISION

**2019 NSUARB 114
M09305, M09306 and M09307**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF APPLICATIONS by **INTACT INSURANCE COMPANY, TRAFALGAR INSURANCE COMPANY and NOVEX INSURANCE COMPANY** for approval to change their rates and risk-classification systems for miscellaneous vehicles

BEFORE: Jennifer L. Nicholson, CPA, CA, Member

APPLICANTS: **INTACT INSURANCE COMPANY, TRAFALGAR INSURANCE COMPANY and NOVEX INSURANCE COMPANY**

FINAL SUBMISSIONS: July 30, 2019

DECISION DATE: September 6, 2019

DECISION: **Applications are approved.**

I INTRODUCTION

[1] Intact Insurance Company (Intact) and its smaller sister companies, Trafalgar Insurance Company (Trafalgar) and Novex Insurance Company (Novex) are related companies and use the same rates and risk-classification systems. Therefore, they will all be considered together in this decision. The Board will refer to Intact throughout the decision for simplicity, but comments will apply to Trafalgar and Novex as well.

[2] The companies applied to the Board to maintain their respective rates and make changes to their risk-classification systems for miscellaneous vehicles. These vehicles include motorcycles, all-terrain vehicles (ATVs), snow vehicles, motorhomes, antique and classic vehicles and trailers and camper units.

[3] The Board must consider whether the proposed rates and changes to the risk-classification systems are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*. The Board is satisfied that the applications meet these requirements and approves the proposed changes to the companies' rates and risk-classification systems.

II ANALYSIS

[4] Intact applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of these applications, the companies received and responded to Information Requests (IRs) from Board staff. Board staff also prepared a report to the Board with recommendations on the applications (Staff Report). Before providing the Staff Report to the Board, Board

staff shared it with Intact. The companies reviewed the report and informed Board staff that they agreed with the recommendations.

[5] The companies did not provide actuarial indications because such an analysis of the small books of business would not provide meaningful results. Instead, the companies provided comparisons of their premiums to those produced by the most recently approved rates for IAO Actuarial Consulting Services Inc. (IAO) for miscellaneous vehicles [2019 NSUARB 41] for a series of five profiles per vehicle. The Board allows this type of comparison to replace actuarial support in these types of applications, particularly for miscellaneous vehicles.

[6] The companies selected five profiles for each type of vehicle. The selected profiles are not necessarily representative of the risks the companies write, but rather allow for the companies to show a wide range of deductibles and coverages making the comparisons more robust.

[7] Intact proposed no changes to its rates for all miscellaneous vehicles. Based on the review of the comparisons provided, the Board finds the proposal to maintain rates reasonable.

Motorcycles

[8] Intact proposed to maintain motorcycle rates but proposes changes to its underwriting rules and its risk-classification systems.

[9] Intact proposed several changes to underwriting rules. Two changes add new eligibility criteria to the Select Rider Discount. To be eligible for the discount, the applicant/named insured cannot have had a cancellation for non-payment of premium in

the preceding 36 months. As well, there must have been prior motorcycle insurance. Intact explained the additions harmonize the Nova Scotia criteria with that used in other jurisdictions. These changes to the eligibility criteria are risk-classification changes.

[10] Intact removed its minimum retained premium and indicated that a revised list of motorcycles the companies do not insure will be provided in the revised manual. Intact also made a few minor changes to correct the labelling of the NSEF 19. None of the proposed changes violate the *Insurance Act* or its *Regulations*.

[11] Board staff recommend approval of the proposal to maintain rates, and of the proposed underwriting rule and risk-classification system changes for motorcycles. The Board agrees.

All-Terrain Vehicles

[12] Intact proposed to maintain the ATV rates.

[13] Intact proposed some changes to underwriting/rating rules for ATVs. The first change adds dune buggies to the list of ATVs that Intact will not write. Intact views them as too risky.

[14] Additional changes include removal of the minimum retained premium, updates to available coverages, available deductibles and the minimum deductibles and updating the vehicle code listing to reflect the 2020 model year. The changes do not violate the *Regulations*.

[15] Board staff recommend Board approval of the proposed changes to rating rules and the proposal to leave rates unchanged for ATVs. The Board agrees.

Snow Vehicles

[16] Intact proposed to maintain snow vehicle rates and proposes changes to its underwriting/rating rules.

[17] Intact proposed adding snowmobiles designed to carry more than two people (i.e., more than one driver and one passenger) to the list of risks the companies will not write. As with dune buggies, the additional risk of more than one passenger is too great.

[18] Intact proposed the removal of the minimum retained premium and updated its minimum deductibles. Intact also proposed updating its vehicle code listing to include the 2020 model year.

[19] Intact supported the proposed changes to the underwriting/rating rules and the proposal to maintain rates for snow vehicles.

[20] Board staff recommend the Board approve these proposals and the Board agrees.

Motorhomes

[21] Intact proposed to maintain its motorhome rates and proposed changes to its underwriting/rating rules.

[22] The first proposed change increases the maximum length of motorhome that Intact will write from 35 feet to 40 feet. Vehicles over 40 feet in length must be referred to head office before coverage can be bound.

[23] Intact proposed to change the minimum deductible for motorhomes to \$500 for All Perils/Collision and \$250 for Comprehensive/Specified Perils. The companies also updated the tables showing available coverages and deductibles.

[24] Intact supported its proposed changes to underwriting/rating rules. Board staff recommend the Board approve these proposals and the Board agrees.

Antiques and Classic Vehicles

[25] Intact proposed to maintain rates for antique and classic vehicles.

[26] Intact proposed changes to its underwriting/rating rules. Most of the changes are minor or clarify current practices. Intact also proposed changes to eligibility for either Antique or Classic status. None of these changes violate the *Act* or its *Regulations*.

[27] Intact supported its proposal to leave rates unchanged as well as its proposed changes to underwriting/rating rules. Board staff recommend Board approval of these proposals and the Board agrees.

Trailers and Camper Units

[28] Intact proposed to maintain its trailer and camper unit rates.

[29] The companies proposed changes to their underwriting/rating rules. The first change makes it clear that only trailers and camper units used with a private passenger automobile for an owner's personal recreational purposes are allowed.

[30] Intact updated its risks and it will not write to include trailers or camper units that are valued at more than \$80,000, are in excess of 40 feet in length and are not written in conjunction with a new or existing automobile policy.

[31] Intact also removed the minimum retained premiums and made cosmetic changes to move definitions from one section of the manual to another.

[32] The companies proposed to waive the charge for Accident Benefits for all trailers. The premium for this coverage is currently waived if the trailer is added to a policy with an automobile but in all other cases, the charge is 100% of the applicable premium. Because trailers will now only be written on an automobile policy the “all other cases” charge would never apply.

[33] None of the proposed changes to underwriting/rating rules violate the *Act* or its *Regulations*.

[34] Intact supported its decision to leave the rates unchanged and the proposed underwriting/rating rules. Board staff recommend that the Board approve these proposals and the Board agrees.

SUMMARY

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

[36] The Board is satisfied that the companies’ proposals to maintain current rates while making some changes to underwriting rules and risk-classification systems for miscellaneous vehicles are just and reasonable and approves the changes effective January 1, 2020, for new business and February 1, 2020, for renewal business.

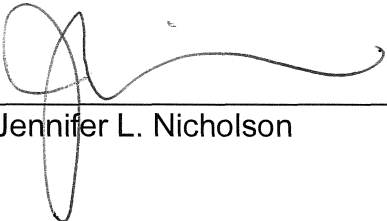
[37] The financial information supplied by Intact satisfies the Board, under Section 155l(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of the company.

[38] The applications qualify to set a new mandatory filing deadline under the *Mandatory Filing of Automobile Insurance Rates Regulations*. The new mandatory filing date for miscellaneous vehicles is July 1, 2022.

[39] Board staff reviewed the companies' Automobile Insurance Manuals filed with the Board and did not find any instances where the Manuals contravened the *Act* and *Regulations*. The companies must file an electronic version of their Manuals, updated for the changes approved in this decision, within 30 days of the issuance of the order in this matter.

[40] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 6th day of September, 2019.



Jennifer L. Nicholson