

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT



- and -

IN THE MATTER OF AN APPLICATION by **UNIFUND ASSURANCE COMPANY** for approval to maintain its rates and to modify its risk-classification system for miscellaneous vehicles

BEFORE: David J. Almon, Member

APPLICANT: UNIFUND ASSURANCE COMPANY

FINAL SUBMISSIONS: April 18, 2016

DECISION DATE: May 13, 2016

DECISION: Application is approved.

I INTRODUCTION

[1] Unifund Assurance Company (“Unifund” or “Company”) filed supporting documents and materials (“Application”) with the Nova Scotia Utility and Review Board (“Board”) for approval to maintain its rates and to modify its risk-classification system for miscellaneous vehicles, namely, all-terrain vehicles, motorcycles, snowmobiles, motorhomes and trailers and camper units. The Application, dated March 8, 2016, was filed electronically on March 9, 2016, and the original documents were received on March 10, 2016.

[2] Information Requests (“IRs”) were sent to the Company on March 17 and April 5, 2016, and responses were received on April 1 and 8, 2016.

[3] As a result of a review by Board staff, a staff report dated April 12, 2016 (“Staff Report”) was prepared. The Staff Report was provided to the Company for review on April 12, 2016. The Company responded on April 18, 2016, indicating that it had reviewed the Staff Report and had no comments.

[4] The Board did not deem it necessary to hold an oral hearing on the Application.

II ISSUE

[5] The issue in this Application is whether the rates and 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 maintain its rates and modify its risk-classification system for miscellaneous vehicles. 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 March 1, 2016. The Company did not request an extension and as such, the filing was late. Given the low volume of business and that the Application was filed before the Board followed up on the missed deadline, the file was not referred to the Superintendent of Insurance to pursue action on the violation of the *Mandatory Filing Of Automobile Insurance Rate Regulations*.

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

Rate Level Changes

[8] The Company proposes to make no direct changes to its base rates; however, it is making changes to its risk-classification system for all-terrain vehicles, motorcycles, snowmobiles, motorhomes and trailers and camper units. Specifically, Unifund is introducing a multi-line discount to all-terrain vehicles, motorcycles and snowmobiles and introducing an Experienced Rider discount for motorcycles only.

[9] The Company submitted that its volume of business for these vehicles is small, as it is written on an accommodation basis. Rather than provide an actuarial analysis of its own volume of business, due to the credibility concerns, the Company filed

evidence under Section 11 of the Rate Filing Requirements which allows a company to compare itself to the industry. Three options are available under this section:

- (a) analysis of the industry data;
- (b) comparison to rating bureau rates; or,
- (c) comparison to other companies' rates.

[10] Unifund elected to use option (c) and obtained average industry premiums to compare to its own average premiums over the past five years.

[11] The original Application provided tables comparing the overall, all-coverages combined average premiums, taken from General Insurance Statistical Agency ("GISA") data, for the past five years for both the industry as a whole and for Unifund. Through the IR process, Unifund provided similar information by coverage.

[12] Information provided shows that Unifund's average premiums have been relatively close to the industry. The one exception was motorhomes in 2010 and 2011, but those rates have improved. The relative differences for snowmobiles is larger than other vehicles but, as the Company argues, the accommodation nature of the business may result in different types of these risks being written for Unifund than for the industry.

[13] According to Board staff, the proposed introduction of discounts results in reductions for all vehicle classes which should further improve the relationship between Unifund and the industry's overall average premiums.

[14] Further, according to Board staff, the Unifund average premiums are reasonable relative to the industry average premium, inferring from that relationship that the current rates would be acceptable on this basis.

[15] To address some concerns that the lack of competitiveness of its rates for these vehicles, which are written on an accommodation basis, may possibly be hindering the sale of insurance on the underlying private passenger vehicle, Unifund proposed to introduce two new discounts, namely (a) Multi-Line Discount (motorcycles, ATVs and snowmobiles) and (b) Experienced Rider Discount (motorcycles only).

Multi-Line Discount

[16] Currently, Unifund offers a 5% discount for private passenger vehicles and motorhomes where the client also has an active homeowners/tenant/condominium policy with the Company or has a commitment to insure such property with Unifund at the next expiry of the current policy. The discount does not currently apply to all-terrain vehicles, motorcycles, or snowmobiles.

[17] The Company proposes to extend the discount to these miscellaneous vehicles, noting that such vehicles are only written if there is an underlying private passenger vehicle already insured, and therefore, the client is already receiving the discount on that vehicle. Unifund proposes that for all-terrain vehicles, motorcycles and snowmobiles, the discount will be 20%. The discount compares to the 5% for motorhomes and private passenger vehicles. The higher level recognizes that, in this case, Unifund has the property insurance, the underlying private passenger vehicle insurance and the associated miscellaneous vehicle(s) insurance. This level is also currently approved for use in New Brunswick.

[18] Board staff advises that the impact for the vehicles affected will be a reduction of 10% for the coverages for which the discount applies (i.e., Bodily Injury and

Property Damage-Tort, Direct Compensation Property Damage, Accident Benefits, Collision and Comprehensive, and Specified Perils).

Experienced-Rider Discount

[19] Unifund proposes to implement a 30% Experienced Rider Discount for motorcycles. The specific requirements are:

- All drivers of the motorcycle have been licensed for 15 or more years (either for private passenger vehicle or motorcycle) and must have held a permanent motorcycle license for the past three years;
- All drivers must be motorcycle at-fault accident free for six years, criminal code conviction free for past three years, serious & major conviction free for past three years and have had no more than two minor convictions in past three years; and
- The motorcycle cannot be a restricted brand/type as defined by Unifund, and must have a value between \$15,000 and \$50,000.

[20] The implementation of this discount is justified on the basis that a discount with the same definition for motorcycles has been approved and is being used by Unifund for motorcycle rating in New Brunswick.

[21] Board staff believes that Unifund has provided sufficient support for its proposed extension of its Multi-Line Discount for motorcycles, all-terrain vehicles and snow vehicles and the proposed Experienced Rider Discount for motorcycles.

[22] The Board approves both discounts, as filed, with the amendments through the IR process to include the impact on Specified Perils and to correct the impact shown for motorhomes.

Rate Manual Review

[23] 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

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

[25] The financial information submitted by the Company satisfies the Board, pursuant to Section 155I(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of the Company.

[26] The Board finds the proposed rates and risk-classification systems are just and reasonable.

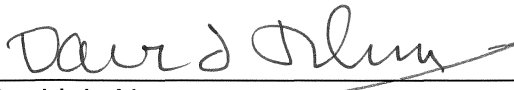
[27] The Application includes industry comparisons which are acceptable for this filing and hence qualifies to set the new mandatory filing date for miscellaneous vehicles for the Company to March 1, 2019.

[28] The Board approves the effective date of June 1, 2016, for new business and September 1, 2016, for renewal business.

[29] 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.

[30] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 13th day of May, 2016.



David J. Almon