

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by SECURITY NATIONAL INSURANCE COMPANY, PRIMMUM INSURANCE COMPANY and TD HOME & AUTO INSURANCE COMPANY for approval to modify its rates and risk-classification system for miscellaneous vehicles

**BEFORE:** Murray E. Doehler, CPA, CA, P.Eng., Member

**APPLICANT:** SECURITY NATIONAL INSURANCE COMPANY,  
PRIMMUM INSURANCE COMPANY and TD HOME &  
AUTO INSURANCE COMPANY

**FINAL SUBMISSIONS:** September 28, 2016

**DECISION DATE:** October 20, 2016

**DECISION:** Application is approved.

## I INTRODUCTION

[1] Security National Insurance Company, Primmum Insurance Company, and TD Home and Auto Insurance Company, collectively the TD Insurance Group (“TD” or “Company”) filed supporting documents and materials (“Application”) with the Nova Scotia Utility and Review Board (“Board”) for approval to modify its rates and risk-classification system for miscellaneous vehicles. The Application, dated July 22, 2016, was filed electronically on the same day, and the original documents were received on July 25, 2016.

[2] Information Requests (“IRs”) were sent to the Company on July 28, 2016, and responses were received on August 25, 2016.

[3] As a result of a review by Board staff, a staff report dated September 19, 2016 (“Staff Report”), was prepared. The Staff Report was provided to the Company for review on September 19, 2016. The Company responded on September 28, 2016, indicating that it had reviewed the Staff Report and had noted some typographical errors and expressed a concern about confidentiality. In writing this Decision the Board has been sensitive to the concerns about confidentiality, while balancing the need to be transparent in the reasoning.

[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 proposed rates and changes to the 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 change its rates and 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 August 1, 2016.

[7] The proposed effective date is February 1, 2017, for new and renewal business.

### **Rate Level Changes**

[8] The Company proposed to change its rates and risk-classification system. The proposed change represents an overall rate level increase of 9.1% for All Terrain Vehicles (“ATV”), 2.5% for snowmobiles, 7.1% for motorcycles and 29.6% for trailers.

[9] TD used the most recently approved IAO Actuarial Consulting Services Inc. (“IAO”) rates and risk-classification system for indications to compare the proposed changes. In all cases, the proposed changes are less than the indications.

[10] TD argues that it does not have sufficient contract volume, or more relevant, significant, claim numbers, to allow it to produce meaningful actuarial indications. For that reason, it relies on the IAO comparisons.

[11] The Company indicates that the IAO analysis of the entire industry provides a more credible review than any single company's data. However, because the IAO risk-classification system involves only a few variables, it does not allow the Company to differentiate the risks as finely as in the TD risk-classification system. Therefore, TD used the IAO rates to produce a target of a reasonable level of premium that it is striving to eventually achieve. However, TD proposed to allocate that level of premium via the Company's own risk-classification system.

[12] The rate comparisons show that in many instances, the premium produced by the TD rates and risk-classification system are well below that produced by the IAO rates and risk-classification system. TD is moving to partially address this difference in order to mitigate the significant premium dislocation that a complete change would produce.

[13] In response to questioning, TD provided a comparison of its average premiums to that of the industry (as published using General Insurance Statistical Agency ("GISA") 2015 industry average premiums). Except for snow vehicles, they are lower; however, a table of closing ratios for miscellaneous vehicles showed stability over five years. In the view of TD this combination indicates that the rates are competitive.

[14] GISA does not provide similar information for trailers. TD compared its trailer premiums to those that would be produced if its contracts were rerated using IAO

rates. The comparison showed that the TD rates were well below those of IAO. TD is moving, consistent with its approach in prior years, towards the IAO rates.

[15] In Board staff's view the current rates are fairly competitive for ATV and motorcycles and the proposed changes will not unduly change that result. TD has provided its rationale for the proposed snow vehicle changes. The IAO comparison provides support for the trailer changes.

[16] The Board finds that the rates, except for snow vehicles, are reasonably competitive and the proposed changes will not adversely affect this position. The Board accepts TD's rationale for the proposed changes to the snowmobile and trailer rates.

#### **Rate Manual Review**

[17] 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**

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

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

[20] The Board finds the proposed rates are just and reasonable.

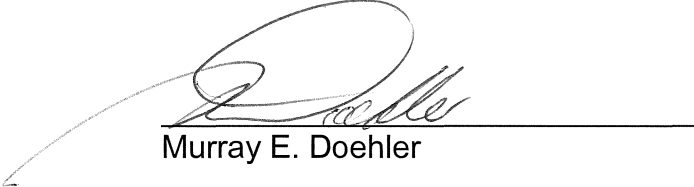
[21] The Application included full actuarial indications and the required territorial analysis; therefore, it qualifies to set the new mandatory filing date for MV for the Company to July 1, 2019.

[22] The Board approves the effective date of February 1, 2017, for new and renewal business.

[23] 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.

[24] An Order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 20<sup>th</sup> day of October, 2016.



Murray E. Doehler