

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -



IN THE MATTER OF AN APPLICATION by **THE DOMINION OF CANADA GENERAL INSURANCE COMPANY** for approval to modify its rates and risk-classification system for commercial vehicles

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

APPLICANT: **THE DOMINION OF CANADA GENERAL INSURANCE COMPANY**

FINAL SUBMISSIONS: July 4, 2017

DECISION DATE: August 4, 2017

DECISION: Application is approved.

I INTRODUCTION

[1] The Dominion of Canada General Insurance Company (“Dominion” 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 commercial vehicles. The Application was filed on June 8, 2017, as an Expedited Approval application, and was refiled on June 23, 2017, as a Prior Approval application.

[2] Information Requests were sent to the Company on June 23 and 26, 2017, and responses were received on June 26 and 29, 2017, respectively.

[3] As a result of a review by Board staff, a staff report dated July 4, 2017 “Staff Report” was prepared and provided to the Company for review to which it responded on the same date, 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 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 commercial 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 is June 1, 2019.

[7] The proposed effective date is September 15, 2017, for new and renewal business.

Rate Level Changes

[8] Dominion proposed to replace the use of private passenger vehicle rates with commercial vehicle rates in its rating algorithm for:

- Taxis;
- Funeral Carriages; and
- Ambulances.

[9] For School Buses, the Company will remove references to private passenger vehicle rates for optional coverages.

[10] Dominion had a private passenger vehicle application approved by the Board that fundamentally changed how these vehicles are rated. Dominion will rate the household characteristics instead of using the vehicle characteristics. This change required the move of Dominion's private passenger vehicle rating to a new platform, separate from the commercial vehicle rating platform. Because commercial line miscellaneous vehicles are on the commercial vehicle platform, Dominion proposed to replace the use of private passenger vehicle rates with commercial vehicle rates in the rating algorithm.

[11] Dominion writes these vehicles on an accommodation basis only with relatively few exposures.

[12] The changes are described below and are all supported by Board Staff.

Taxis

[13] Dominion currently charges 250% of the applicable Class 07 private passenger vehicle premiums for Collision and Comprehensive and 100% of the Uninsured Automobile premium for private passenger vehicles. Dominion proposes to charge 200% of the Commercial Automobile Class 36 premium for the associated driving record for Collision. Vehicles classified as Commercial Class 36 are like private passenger vehicles classified Class 07 (i.e. business use).

[14] The new Comprehensive premium will be 200% of the applicable Commercial Automobile premium. The Uninsured Automobile premium will be 100% of the applicable Commercial Automobile premium.

[15] The impact of the changes, which are small overall, have large variation by coverage.

[16] The total Taxi premium will be \$16 lower under the Dominion proposal.

Funeral Carriages

[17] Dominion currently uses private passenger vehicle rates, in some form, to determine the premium for these vehicles. The relationship depends on the type of funeral vehicle and its purpose (e.g., Hearse or Family Cars).

[18] Dominion proposed the replacement of the private passenger vehicle rates dependencies with either the Commercial Class 36 premium (Third Party Liability Components, Collision, and All Perils coverages) or the Commercial Automobile premium

(Accident Benefits, Comprehensive, Specified Perils, Uninsured Automobiles and SEF#44). The relationship to the commercial vehicle rates will also vary by the type of vehicle and its use.

[19] The impact of the changes by coverage vary widely, but the overall change is small.

[20] The impact of the proposed change on total Funeral Carriages premium is a decrease of \$178.

Ambulances

[21] Like funeral vehicles, all elements of the premiums for Ambulances rely on private passenger vehicle rates. The proposal will use a percentage of the Commercial Class 36 rates for the components of Third Party Liability and Collision. For remaining coverages, the premiums will be a percentage of the applicable Commercial Automobile premium.

[22] The change has no impact because Dominion currently does not insure any Ambulances.

School Buses

[23] Dominion uses Class 07 private passenger vehicle rates for optional coverages for school buses with a private passenger vehicle body type. For all other body types (i.e. bus and commercial), Dominion uses commercial vehicle rates.

[24] Dominion proposed the use of Commercial Class 36 rates to determine premiums for optional coverages, regardless of body type of the School Bus. While this

clearly is a change for private passenger vehicle body type school buses, it also represents a change for heavy (4,500 kg or more) commercial vehicle body type school buses. These vehicles are currently rated using Commercial Class 44 rates. Because this class attracts higher premiums, the change is a small reduction in premiums for these vehicles.

[25] The change has no impact because Dominion currently does not insure any School Buses.

Rate Manual Review

[26] 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

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

[28] 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.

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

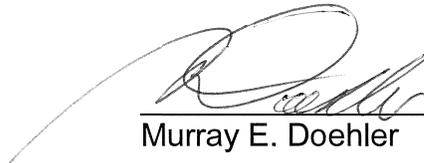
[30] The Application does not include full actuarial indications and the required territorial analysis; therefore, the mandatory filing date for commercial vehicles remains at June 1, 2019.

[31] The Board approves the effective date of September 15, 2017, for new and renewal business.

[32] 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.

[33] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 4th day of August, 2017.


Murray E. Doehler