

DECISION

**2017 NSUARB 147
M08158**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT



- and -

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

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

APPLICANT: **ALLSTATE INSURANCE COMPANY OF CANADA**

FINAL SUBMISSIONS: July 24, 2017

DECISION DATE: **August 30, 2017**

DECISION: **Application is approved.**

I INTRODUCTION

[1] Allstate Insurance Company of Canada (“Allstate” 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 4, 2017, was filed electronically on the same date, and the original documents were received on July 7, 2017.

[2] As a result of a review by Board staff, a staff report dated July 21, 2017 (Staff Report) was prepared. The Staff Report was provided to the Company for review on the same date. The Company responded on July 24, 2017, indicating that it had reviewed the Staff Report and had no comments.

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

II ISSUE

[4] 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

[5] 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 July 1,

2017, however, due to the Canada Day holiday, this date automatically moved to July 4, 2017.

[6] The proposed effective dates are September 1, 2017, for new business and November 1, 2017, for renewal business.

Rate Level Changes

[7] The Company proposed no changes to its rates and risk-classification system except for some underwriting, rate manual, or risk classification change for all-terrain vehicles, snowmobiles and motorcycles.

[8] In considering the Company's Application, Board staff reviewed to ensure that:

- (i) the comparative analysis supports the Allstate decision to maintain its current rates for miscellaneous vehicles; and
- (ii) the other proposed changes to underwriting rules, risk-classification system, and rate manual conform to the *Regulations* and are just and reasonable.

[9] The total premiums for miscellaneous vehicles for Allstate is a small percentage of the total amount of its business in Nova Scotia. The total number of insurance contracts for miscellaneous vehicles is too small to perform a meaningful actuarial analysis, therefore, Allstate did not conduct an actuarial analysis. Allstate instead compared its own average premiums to the average premiums for the industry. For each type of vehicle, excluding trailers, the Company compared these average premiums by coverage for each year from 2011 through 2015. Allstate used the reports

provided by the General Insurance Statistical Agency (GISA) to obtain the average premiums for the industry.

Territorial Differentials

All-Terrain Vehicles

[10] The GISA comparison shows the Allstate average premiums for the past five years have been close to or below the industry average premiums for most coverages. This, to Board staff, provides confidence that the Allstate current rates are reasonable.

[11] Allstate proposes no changes to its rates.

[12] Allstate also proposes to add "Sport" all-terrain vehicles to the list of eligible types that Allstate will insure.

[13] The Board approves the continuation of the existing rates and the change to the rating rules.

Snowmobiles

[14] The GISA comparison shows some interesting results. For Third Party Liability, the average premiums were about \$6 lower for Allstate. The opposite was true for Accident Benefits, where the Allstate average premiums were about \$7 higher for each year. Since both are mandatory coverages, the combined average premium for Allstate is close to that of the industry.

[15] For the remaining coverages, the Allstate premiums are well below those observed for the industry. The current rates, according to Board staff, appear reasonable in the circumstances.

[16] Allstate proposes no changes to its rates.

[17] Allstate proposes some rate manual changes for Snowmobiles to align the wording with that used in New Brunswick. The changes do not alter how the vehicles will be rated.

[18] The Board approves the continuation of the existing rates and the proposed changes to the Rate Manual.

Motorhomes

[19] The comparison for motorhomes is like the snowmobile comparison. The average premiums for Third Party Liability, generally, are below the industry average, while the opposite is true for Accident Benefits. When the two mandatory coverages are combined, the difference is small. The Collision and Comprehensive average premiums vary through the years, from being lower to being higher. Given the few vehicles insured, it is unclear if the different mix of motorhomes is causing the difference or if the premiums are different by themselves. There is no evidence, however, to suggest that the current rates are unreasonable.

[20] Allstate proposed no changes in its rates.

[21] No other changes are proposed for motorhomes.

[22] The Board approves the continued use of the existing rates, as filed.

Trailers

[23] Allstate proposed to keep its trailer rates unchanged. Only physical damage coverages (including Direct Compensation Property Damage) reflect the trailer characteristics. The towing/hauling vehicle carries the Bodily Injury and Property Damage-Tort coverages.

[24] GISA does not provide average premium information for trailers. While this leaves a lack of information to assess the reasonableness of the trailer premiums, this problem exists for all companies insuring these vehicles. The Board has allowed trailer rates to be unchanged for other company filings. Given the nature of these vehicles and the lack of data, Board staff support the proposal to leave these vehicle rates unchanged.

[25] No other changes are proposed for trailers.

[26] The Board approves the continuation of the existing rates.

Motorcycles

[27] The GISA comparison for motorcycles follows the pattern observed for snowmobiles and motorhomes for mandatory coverages. The lower than industry Third Party Liability average premiums are offset by higher than industry average premiums for Accident Benefits and for SEF#44. When these mandatory coverages are combined, the difference is negligible.

[28] The Collision average premiums have been around 30% lower than the industry average premiums. This relationship has persisted over the past five years. For Comprehensive, in the early years, the Allstate average premium was about 20% lower than industry, but the difference has now narrowed to where the average premiums are

comparable with those of the industry. While it is difficult to assess why the relationship changed, it still appears, to Board staff, that current rates are reasonable, in the circumstances.

[29] Allstate proposed no changes to its motorcycle rates.

[30] Allstate proposed to increase its maximum value of motorcycle written to \$75,000 from the current \$50,000. The increase represents a change in Allstate's willingness to write higher value vehicles. To accommodate this increase, the Company expanded the list price new table to allow for the assignment of rate group factors up to \$75,000. Allstate extrapolated the new values and differentials from the current table. The new values appear reasonable to Board staff.

[31] The Board approves the continuation of the existing rates and the proposed expansion of the rate group table and the associated differentials to accommodate motorcycle values up to \$75,000.

Rate Manual Review

[32] 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

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

[34] 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.

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

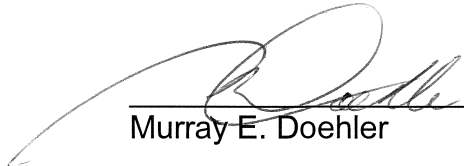
[36] The Application included an appropriate substitution for a full actuarial and required territorial analysis; therefore, it qualifies to set the new mandatory filing date for miscellaneous vehicles for the Company to July 1, 2020.

[37] The Board approves the effective dates of September 1, 2017, for new business and November 1, 2017, for renewal business.

[38] 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.

[39] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 30th day of August, 2017.


Murray E. Doehler