

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

**IN THE MATTER OF AN APPLICATION** by **THE WAWANESA MUTUAL INSURANCE COMPANY** to maintain its rates and risk-classification system for miscellaneous vehicles

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

**APPLICANT:** **THE WAWANESA MUTUAL INSURANCE COMPANY**

**FINAL SUBMISSIONS:** September 27, 2017

**DECISION DATE:** **October 11, 2017**

**DECISION:** **Application is approved.**

## **I INTRODUCTION**

[1] The Wawanesa Mutual Insurance Company (Wawanesa or Company) filed supporting documents and materials (Application) with the Nova Scotia Utility and Review Board (Board) for approval to maintain its rates and risk-classification system for miscellaneous vehicles. The Application, dated September 1, 2017, was filed electronically on the same date, and the original documents were received on September 7, 2017.

[2] As a result of a review by Board staff, a staff report dated September 27, 2017 (Staff Report) was prepared. The Staff Report was provided to the Company for review on the same date and the Company responded, 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 maintenance of the rates and risk-classification system is just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*.

## **III ANALYSIS**

[5] The Company sought approval to maintain 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 September 1, 2017.

[6] The proposed effective date is February 1, 2018 (which is moot, as no changes are being proposed).

### **Rate Level Changes**

[7] Wawanesa proposed no changes to the rates and risk-classification systems for all-terrain vehicles, snow vehicles, motorcycles/mopeds, and trailers.

[8] The annual premium for miscellaneous vehicles represents a small amount of the total premiums written by Wawanesa in Nova Scotia.

[9] Wawanesa, therefore, did not conduct an actuarial analysis. Wawanesa 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 2016 (2015 data for snow vehicles as 2016 information was not available at the time of the application).

[10] Wawanesa used exhibits provided by the General Insurance Statistical Agency (GISA) to obtain the average premiums for the industry.

### **All-Terrain Vehicles**

[11] The GISA comparison of 2016 average premiums showed that for mandatory coverages, Wawanesa had a lower average premium. The opposite was true for physical damage coverages (i.e., All Perils and Specified Perils). When combined, for

all coverages, the Wawanesa average premium is lower than that for the industry. It is noteworthy that almost three quarters of all-terrain vehicles carry optional coverages.

[12] Given the small number of exposures, the current rates appear to be reasonable. There is nothing to suggest the rates are unduly high or low relative to the industry. The Wawanesa proposal to make no changes to its rates is supported by the Board staff.

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

### Snow Vehicles

[14] The GISA comparison of 2015 average premiums for snow vehicles showed that for mandatory coverages and Collision, Wawanesa had lower average premiums. The opposite was true for the remaining physical damage coverages (i.e., Comprehensive, All Perils, and Specified Perils).

[15] The biggest discrepancy is for All Perils, where the Wawanesa average premium is 41% larger than the industry average premium. Wawanesa points out that it only insures less than ten risks that carry the All Perils coverage. The industry exhibits include only 190 risks with All Perils coverage. Given this small sample size, it is difficult to draw any inferences around the premiums being too high or too low for this coverage.

[16] For all coverages combined, the Wawanesa average premium is lower than that for the industry. About 60% of the exposures carry both mandatory and optional coverages.

[17] Given the small number of exposures, the current rates appear reasonable to Board staff. There is nothing to suggest the rates are unduly high or low relative to the industry. Wawanesa proposed no changes to its rates.

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

### Trailers

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

[20] 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 remain unchanged for other companies' filings. Given the nature of these vehicles and the lack of data, the Board approves the proposal to leave these vehicle rates unchanged.

### Motorcycle/Mopeds

[21] The GISA comparison for motorcycles, using 2016 data, shows that mandatory coverages are close to (but lower than) the industry average premiums. For optional coverages, the Wawanesa premiums are well below the industry average premiums. As such, on a combined basis, the average premiums are below the industry average.

[22] Wawanesa speculates that it may have a different mix of drivers for these vehicles than for the industry as a whole. For example, most of its drivers are at least 40 years old. The industry average contract may involve a larger share of younger, less experienced drivers who attract higher premiums.

[23] Wawanesa proposed no changes to its motorcycle rates and Board staff support the decision to leave these rates unchanged.

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

#### **Rate Manual Review**

[25] 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.

#### **IV FINDINGS**

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

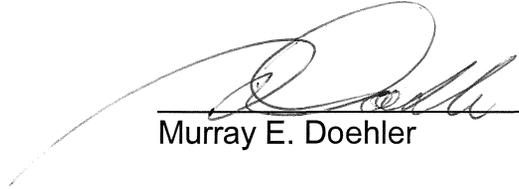
[27] The financial information submitted by the Company satisfies the Board, pursuant to Section 155l(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of the Company.

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

[29] The Application had sufficient information to qualify to set the new mandatory filing date for miscellaneous vehicles for the Company to September 1, 2020.

[30] An Order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 11<sup>th</sup> day of October, 2017.



Murray E. Doehler