

DECISION

2017 NSUARB 167
M08306

NOVA SCOTIA UTILITY AND REVIEW BOARD



IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by **CO-OPERATORS GENERAL INSURANCE COMPANY** for approval to modify its endorsement offerings for its private passenger vehicles

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

APPLICANT: **CO-OPERATORS GENERAL INSURANCE COMPANY**

FINAL SUBMISSIONS: **October 2, 2017**

DECISION DATE: **October 16, 2017**

DECISION: **Application is approved.**

I INTRODUCTION

[1] Co-operators General Insurance Company (Co-operators or Company) filed supporting documents and materials (Application) with the Nova Scotia Utility and Review Board (Board) for approval to modify its endorsements for private passenger vehicles. The Application, dated September 21, 2017, was filed electronically on the same date.

[2] An Information Request was sent to the Company on September 22, 2017, and a response was received on September 27, 2017.

[3] As a result of a review by Board staff, a staff report dated September 27, 2017, (Staff Report) was prepared, and provided to the Company for review on that date. The Company responded on October 2, 2017, 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 change to the Company's endorsement will result in rates which are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*.

III ANALYSIS

[6] Co-operators proposed an increase to the premium charged for endorsement NSEF 43R/43R(L) – Limited Waiver of Depreciation. The new premium would be \$50 (or \$25 for a six-month policy).

[7] The proposed effective dates are February 14, 2018, for new business and March 16, 2018, for renewal business.

Endorsement Changes

[8] The standard automobile insurance policy limits the liability for loss or damage to the actual cash value “with proper deduction for depreciation”. The endorsements waive the deduction for depreciation if these conditions are met:

- the vehicle was new when purchased/leased (includes demos and vehicles carried over from a prior year with less than 5000 km);
- the insured is the first owner/lessee of the vehicle; and
- the loss occurs in the first 24 months since the original purchase/lease date.

[9] Co-operators currently charges \$24 for this endorsement (or \$12 for a six-month policy).

[10] Co-operators conducted an analysis of the loss costs for the endorsement. To do so, Co-operators determined the “extra cost” paid under the endorsement by examining the estimated total loss costs for vehicles that do not carry the endorsement to those that do. By comparing this “extra cost” estimate with the average value of the total loss covered, the Company determined an average percentage increase for the loss exposure to the Company. Using that percentage, which was developed using information from all jurisdictions where Co-operators underwrites the risk, the Company developed an average loss cost provided by the endorsement in Nova Scotia. This value was then converted to a required premium using the applicable permissible loss ratio.

[11] Co-operators determined that the premium should be higher than the present level and submitted this Application for an increase. But rather than going to the indicated

amount, the Company opted to move part way towards the indication by increasing the premium to \$50 (\$25 for six-month policy). Co-operators explained that:

The proposed premium of \$50 is a step towards profitability and is already a significant increase for clients who carry this endorsement. Moreover, this endorsement is currently charged as a flat premium so it doesn't differentiate between any characteristics. We plan to review the algorithm of this endorsement in the future but in the meantime, we need to increase to the premium to improve profitability.

[IR-11(b)]

[12] Board staff sees this approach to establish the selected premium as prudent in the circumstances and considers that Co-operators has provided sufficient support for the proposed \$50 premium (or \$25 for six-month policy) for NSEF# 43R/43R(L).

[13] The Board approves the proposed change, as filed.

Rate Manual Review

[14] 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

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

[16] The Board finds the proposed change to the premium to the endorsement will result in rates that are just and reasonable and approves it.

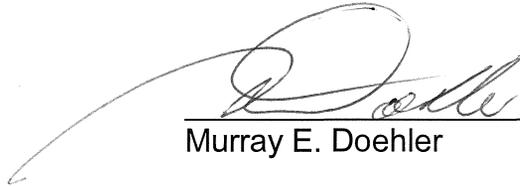
[17] The mandatory filing date for public passenger vehicles for the Company remains at March 1, 2018, as set in Decision, 2016 NSUARB 96, its most recent private passenger vehicle rate application.

[18] The Board approves the effective dates of February 14, 2018, for new business and March 16, 2018, for renewal business.

[19] 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.

[20] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 16th day of October, 2017.



Murray E. Doehler