DECISION

2018 NSUARB 113
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NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF APPLICATIONS by **NORTHBRIDGE GENERAL INSURANCE CORPORATION, NORTHBRIDGE PERSONAL INSURANCE CORPORATION** and **TOKIO MARINE & NICHIDO FIRE INSURANCE COMPANY** for approval to modify their respective rates and risk-classification systems for private passenger vehicles

BEFORE: Roberta J. Clarke, Q.C., Member

APPLICANTS: **NORTHBRIDGE GENERAL INSURANCE CORPORATION**
NORTHBRIDGE PERSONAL INSURANCE CORPORATION
TOKIO MARINE & NICHIDO FIRE INSURANCE COMPANY

FINAL SUBMISSIONS: May 16, 2018

DECISION DATE: **May 28, 2018**

DECISION: **Applications are approved.**

I INTRODUCTION

[1] Northbridge General Insurance Corporation (NGIC or Company) and Northbridge Personal Insurance Corporation (NPIC) filed supporting documents and materials (Applications) with the Nova Scotia Utility and Review Board (Board) for approval to modify their respective risk-classification systems for private passenger vehicles (PPV). The Applications, dated April 20, 2018, were filed electronically on that date. On the same date, a sister company, Tokio Marine & Nichido Fire Insurance Company, wrote to the Board seeking approval to use the same rates and risk-classification system.

[2] As all three companies (collectively referred to as the Companies) proposed the same changes, Board staff sent one set of Information Requests (IRs) to NGIC on April 27, 2018, and responses were received on May 11, 2018. Additional IRs were issued on May 11, 2018, to which the Company responded on the same day.

[3] As a result of a review by Board staff, a staff report dated May 14, 2018 (Staff Report), was prepared. The Staff Report was provided to NGIC on that date for review. The Company responded on May 16, 2018, 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 Applications.

II ISSUE

[5] The issue in these Applications is whether the proposed rates and changes to the risk-classification systems are just and reasonable and in compliance with the *Insurance Act* (*Act*) and its *Regulations*.

III ANALYSIS

[6] The Companies did not propose changes to their respective base rates; rather, they sought approval to change their respective rates and risk-classification systems for PPV. The Applications were made in accordance with the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval* (*Rate Filing Requirements*). The Companies each have a mandatory filing date of July 1, 2018, which remains unchanged by these Applications.

[7] The proposed effective dates are July 1, 2018, for new business and August 1, 2018, for renewal business.

Proposed Changes

[8] The Companies proposed to change their rates and risk-classification systems. The proposed changes include:

- New liability limits and associated differentials for Bodily Injury coverage and the associated premiums for SEF#44 (Family Protection Endorsement) coverage;
- New deductible ranges and assigned differentials;
- Changes to some existing endorsements;
- Addition of some standard endorsements and removal of other standard endorsements;
- Introduction of a non-standard One Deductible Endorsement; and
- Changes to the Automobile Insurance Manuals.

Liability Limits for Third Party Liability and SEF #44

[9] NGIC said there had been requests for liability limits beyond those currently offered. Although it does not expect them to be used frequently, it proposed new limits. As the limits are new, there is no impact resulting from this change. The premiums for the new SEF#44 coverage and the differentials for the Bodily Injury and Property Damage-Tort coverage were based on the values for the current limits.

[10] Board staff recommend approval of the new proposed limits, the associated premiums, and the associated differentials. The Board accepts the recommendation, and approves them as filed.

Deductible Offerings

[11] Currently, the Companies have a set of specific values of deductibles, each of which has an associated differential. A client can select from that set. The Companies propose to replace the specific values with a range of values for which the differential will be the same. Each of the new ranges starts with the current specific value deductible, so the differential that applies to each current client will still apply, resulting in no impact. However, the range approach will allow easier determination of differentials when the relevant Company requires a minimum deductible of 5% of the vehicle value.

[12] Board staff recommend approval of the range of deductibles and the assigned differentials as filed, and the Board accepts the staff recommendation.

Endorsements

Changes to Existing Endorsements

[13] The Companies proposed changes to several of their current endorsements:

- Premium increase to move toward pricing based on main coverage premiums for NSEF#20 – Loss of Use Endorsement which provides for reimbursement of reasonable costs incurred for rental of a vehicle when the insured vehicle is inoperable due to an insured loss under a physical damage coverage;
- For NSEF#27 – Legal Liability for Physical Damage to a Non-Owned Automobile Endorsement, which provide coverage for physical damage claims against a rental or other non-owned vehicle, the Companies propose:
    - Removing the 90-day limit on the use of the rental vehicle;
    - Increasing the maximum payable from $50,000 to $100,000 due to increased prices of newer model vehicles, and concerns about unfavourable exchange rates if driving rental vehicles in the USA;
    - Clarifying that the coverage provided is All Perils coverage with a $500 deductible, where a client has more than one vehicle, that may carry different coverages and deductibles; and
    - Reducing the premium in anticipation of a move toward pricing based on the main coverage premiums.
- Extension of the period for which coverage applies for NSEF#43R/43R(L) Limited Waiver of Depreciation Endorsement/Specified Lessee which waives depreciation when total loss of the vehicle occurs from within 24 months of the original delivery date to 48 months, with a flat premium instead of one that varies by rate group;
- A change in timing of when a refund is paid under NSEF#16 Suspension of Coverage and NSEF#17 Reinstatement of Coverage Endorsements from the time of reinstatement to the time of suspension.

Endorsement Additions and Deletions

[14] The Company proposed to add several standard endorsements and remove some as well.

[15] Board staff recommend approval of the proposed endorsement changes as well as the addition and deletion of certain standard endorsements as filed; the Board accepts this recommendation.

One Deductible Endorsement

[16] The Companies proposed to introduce a new non-standard endorsement, which was approved by the Superintendent of Insurance in June 2016. It will allow a single deductible to apply to a loss that involves two or more insured automobiles and/or two or more coverages. The goal is to simplify the processing of claims and reduces the amount the client must pay – a single deductible, rather than multiple deductibles. The endorsement is proposed to be offered at no charge.

[17] The Board accepts the recommendation of Board staff and approves the introduction of the One Deductible Endorsement.

Rating Rule/Underwriting Rule Changes

[18] The Companies proposed several changes to its rating rules/underwriting rules and changes to its Automobile Insurance Manual (Manual). Most of the changes are intended to clarify current practices, particularly for brokers; other changes reflect the willingness of the Companies to insure certain risks. The Companies proposed some changes to their risk-classification systems:

- A change in the treatment of a conviction for 'Failure to Yield to Pedestrian' from a Major Conviction to a Minor Conviction, which will result in a premium reduction as the surcharge is less;
- The addition of some examples of Minor, Major and Serious Convictions in the Manual for clarification purposes;

- A reduction in the length of the period defined in the definition of Material Misrepresentation, which is used to decide whether to underwrite or terminate a risk, from five years to three years;
- A change in the determination of the territory used to rate a vehicle from where the vehicle is used and garaged (or where these locations are different, the higher rated of the two territories) to where the vehicle is primarily used and garaged to reflect more accurately the real risk exposure;
- A change to allow a vehicle used up to 20% for business to be rated as Class 03 rather than as the higher premium Class 07 - Business;
- A change in the eligibility criteria for accident forgiveness from licensed for at least six years and accident free for six years, to five years for each requirement, and the addition of a requirement that the driver have had no Major or Serious Convictions and no more than two Minor Convictions in the past three years; and
- A decision to no longer underwrite Right Hand Drive Vehicles since the Companies have insufficient data to price such a risk properly.

[19] The Board understands that most of these changes are being made to harmonize the offerings of the Companies in other jurisdictions. Board staff recommend approval of all the proposed changes to their risk-classification systems. Accordingly, the Board approves them.

Automobile Insurance Manual

[20] Board staff have reviewed the Automobile Insurance Manuals on file as well as the proposed changes and found no instances where the Companies are in violation of the Regulations.

IV FINDINGS

[21] The Board finds that the Applications comply with the *Act* and *Regulations*, as well as the *Rate Filing Requirements*.

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

[23] The Board finds the proposed rates and changes to the respective risk-classification systems are just and reasonable.

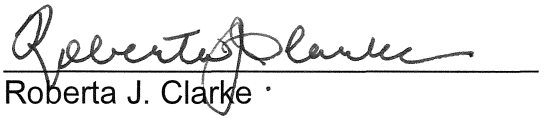
[24] The Applications do not qualify to re-set the mandatory filing date which remains as July 1, 2018 for each of the Companies.

[25] The Board approves the effective dates of July 1, 2018, for new business and August 1, 2018, for renewal business.

[26] The Companies are required to file an electronic version of their respective updated Automobile Insurance Manuals within 30 days of the issuance of the Order in this matter.

[27] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 28th day of May, 2018.



Roberta J. Clarke