

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 rates and risk-classification system for miscellaneous vehicles

BEFORE: Stephen T. McGrath, LL.B., Member

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

FINAL SUBMISSIONS: June 27, 2018

DECISION DATE: July 25, 2018

DECISION: **Application is approved.**

I INTRODUCTION

[1] Co-operators General Insurance Company (Co-operators or Company) applied to the Nova Scotia Utility and Review Board (Board) for approval to modify its rates and risk-classification system for miscellaneous vehicles (Application). The Application, including supporting information, was dated and filed electronically on June 1, 2018. Information Requests (IRs) were sent to the Company on June 15, 2018, and responses were received on June 22, 2018.

[2] As a result of a review by Board staff, a staff report dated June 22, 2018 (Staff Report) was prepared and provided to the Company for review on the same date. The Company responded on June 27, 2018, indicating that it had reviewed the Staff Report and had identified an error. A revised version of the Staff Report was prepared and provided to Co-operators that same day, and the Company responded later in the day that it had no further comments.

[3] The Board did not find 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 for miscellaneous vehicles, other than motorcycles, was June 1, 2018. The mandatory filing date for motorcycles is October 1, 2020.

[6] The proposed effective dates are October 17, 2018, for new business and November 16, 2018, for renewal business.

Rate Level Changes

[7] The Application proposed rates for the following types of miscellaneous vehicles:

All-Terrain/Off Road Vehicles	Antique Vehicles
Motorcycles	Snow Vehicles
Mopeds	Private Buses
Motorhomes	School Buses
Camper Coaches	Funeral Vehicles
Private Trailers	

[8] The Company is not proposing any changes to its rates for most miscellaneous vehicles. The Company is proposing changes to rates for motorcycles, mopeds and snow vehicles. Co-operators is also proposing to adopt the 2018 Canadian Loss Experience Automobile Rating (CLEAR) rating system for motorcycles.

Comparative Basis of the Application

[9] Co-operators has not provided any actuarial analysis in the Application. The Company justified its requested rates on a comparison of the premiums that would be produced under its proposed rates to the premiums that would be produced using rates approved by the Board in 2017 for IAO Actuarial Consulting Services Inc. (IAO) [2017 NSUARB 45].

[10] IAO provides consulting services to the insurance industry, including recommendations on rates to be used by insurers who subscribe to its services. In June 2010, the Board advised IAO that it would treat IAO's applications as if they were made by an insurer or rating bureau, and issue an order approving, rejecting or altering the recommended rates proposed by IAO to levels that the Board determines to be just and reasonable.

[11] The Company submitted that the size of its business in miscellaneous vehicles in Nova Scotia was insufficient to warrant a full actuarial analysis. It also noted that its loss experience has been limited and inconsistent. As such, the Company submitted that a comparison to premiums under approved IAO rates was appropriate.

[12] The Company was unable to do a comparative analysis for antique vehicles, funeral vehicles and school buses. In the case of antique vehicles and funeral vehicles, this was because there were no IAO rates for these vehicles to be used for the comparison. For school buses, Co-operators was not able to provide a comparison of overall average premiums using its rates and IAO rates because it does not currently insure any school buses in Nova Scotia.

[13] Co-operators also made certain assumptions and adjustments because it provides independent rates for private trailers and camper coaches, whereas IAO considers the rates for these vehicles to be dependent on the rate set for private passenger vehicles.

[14] The *Rate Filing Requirements* contemplate that an insurer may support an application for approval of its rates by comparing them to industry or rating bureau rates when its business in Nova Scotia is insufficient to warrant an actuarial analysis. The Board has allowed other insurers to use comparisons in such circumstances in past cases, and has also previously approved the use of comparisons by Co-operators [2015 NSUARB 176]. Board staff supported the use of a comparative approach in this case and, in the circumstances, the Board agrees.

[15] For those types of miscellaneous vehicles for which the Company proposed no change in rates, Board staff found that the provided comparison supported this position. The Board agrees. The Board also finds that it is reasonable to maintain existing rates for antique vehicles, funeral vehicles and school buses under the circumstances, particularly given the very limited amount of business the Company does with these vehicles in Nova Scotia.

Motorcycles

[16] The Company proposed an average premium reduction of approximately 5% for motorcycles, consisting of reductions to rates for coverages for Bodily Injury, Specified Perils and a very slight increase to the rate for Direct Compensation Property Damage. The proposed changes were not intended to equalize Co-operators' rates with

the premiums that would be achieved using IAO rates, but amounted to a partial move in that direction. Co-operators submitted that this approach will result in a less drastic change and is appropriate based upon the Company's perception of volatility in IAO rates.

[17] The Company also proposed to adopt the 2018 CLEAR rating system for motorcycles, to replace the 2017 version it currently uses. Co-operators made balancing adjustments to address the impacts of adopting the 2018 CLEAR table and ensure that the overall level of required premiums remained unchanged.

[18] Board staff supported the Company's proposed changes to base rates for motorcycles, and its proposed adoption of the 2018 CLEAR table. The Board finds that Co-operators' justification for its proposed adjustments compared to IAO rates is reasonable and approves the Company's proposed rates and the adoption of the 2018 CLEAR rating system for motorcycles.

Mopeds

[19] The Company proposed an average premium reduction of approximately 14% for mopeds, consisting of reductions to rates for coverages for Specified Perils, Comprehensive and Collision. The proposed changes were not intended to equalize Co-operators' rates with the premiums that would be achieved using IAO rates, but amounted to a partial move in that direction. Co-operators submitted that this approach will result in a less drastic change and is appropriate based upon the Company's perception of volatility in IAO rates.

[20] Board staff supported the Company's proposed changes to base rates for mopeds. The Board finds that Co-operators' justification for its proposed adjustments compared to IAO rates is reasonable and approves the proposed rates for mopeds.

Snow Vehicles

[21] Although Co-operators proposed an overall average premium for snow vehicles that is virtually unchanged, it included adjustments to its rates for various coverages. The proposed changes result in an average reduction in rates for compulsory coverages of nearly 7% and an overall increase in rates for optional coverages of more than 6%. In response to an information request relating to this, the Company explained:

For snow vehicles we compared [Co-operators'] rates to both IAO and [Facility Association] rates in our analysis. While the IAO rates were all higher than ours, for some mandatory coverages [Facility Association] rates were lower than ours. We wanted to redirect our rates to be fair to good drivers with only mandatory coverages by reducing mandatory premium while have negligible impact on the overall book.

[Response to Question (b) of IR-1]

[22] Board staff supported the Company's proposed changes. The Board agrees and approves the proposed rates for snow vehicles.

Capping of Changes to Premiums

[23] When its rates and risk-classification system for motorcycles was last approved [2017 NSUARB 188], the Company introduced a cap to hold premium increases to 15% at each renewal. This Application proposed a continuation of this cap. In response to IRs, the Company noted that the overall reduction in proposed premiums for motorcycles in this Application would reduce the number of instances where the cap would apply.

[24] Board staff supported the approval of the continuation of the existing cap. The Board finds this to be reasonable in the circumstances, and approves the continuation of the existing cap of 15% on premium increases.

Mandatory Filing Requirements

[25] The *Mandatory Filing of Automobile Insurance Rates Regulations*, N.S. Reg. 387/2008 (*Regulations*), require an insurer offering automobile insurance in Nova Scotia to periodically apply to the Board for approval of the insurers risk-classification system and rates. For miscellaneous vehicles, an application must be filed by an insurer within 36 months of the date that it filed its most recent successful application.

[26] Although actuarial support for the proposed rates has not been provided by the Company, the comparative approach Co-operators has taken in this Application is sufficient to permit a new mandatory filing date to be set for the Company for miscellaneous vehicles, except motorcycles. Co-operators' rates for motorcycles are differentiated by territory. In such cases, the *Rate Filing Requirements* direct insurers to either include an analysis of the current territorial differentials or provide territorial indications. In this Application, the Company has not provided this information and the comparative approach that it has taken does not provide any information about territorial differences.

[27] Co-operators was asked whether it would be filing additional information to permit the mandatory filing deadline for motorcycles to be reset. In its response, the Company indicated that it was aware that the filing deadline would not be reset, but did

not plan on filing territorial indications in this filing. As such, the Company's mandatory filing date for motorcycles will continue to be October 1, 2020.

Automobile Insurance Manual

[28] Board staff reviewed the Automobile Insurance Manual on file and found no instances where the Company is in violation of the *Regulations*. The Company proposed no changes to its Automobile Insurance Manual other than those necessary to effect the changes noted in this Decision.

IV FINDINGS

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

[30] 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.

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

[32] The Application qualifies to set the new mandatory filing date for miscellaneous vehicles, other than motorcycles, to June 1, 2021. The mandatory filing date for motorcycles will continue to be October 1, 2020.

[33] The Board approves the effective date of October 17, 2018, for new business and November 16, 2018, for renewal business.

[34] The Company is required to file an electronic version of its updated Automobile Insurance Manual within 30 days of the issuance of the Order in this matter.

[35] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 25th day of July, 2018.



Stephen T. McGrath