

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 for Private Passenger Vehicles

BEFORE: Peter W. Gurnham, Q.C., Chair

APPLICANT: ALLSTATE INSURANCE COMPANY OF CANADA

FINAL SUBMISSIONS: December 7, 2018

DECISION DATE: December 17, 2018

DECISION: Application is approved.

I INTRODUCTION

[1] Allstate Insurance Company of Canada (Allstate) filed supporting documents and materials (Application) with the Nova Scotia Utility and Review Board (Board) for approval to modify its rates for Private Passenger Vehicles. The Application was dated and filed November 9, 2018.

[2] Information Requests (IRs) were sent to Allstate on November 16, 2018, and responses were received on December 5, 2018.

[3] As a result of a review by Board staff, a staff report dated December 7, 2018 (Staff Report) was prepared and provided to Allstate for review on December 7, 2018 and Allstate responded on the same date indicating that it had reviewed the Staff Report and had no comments. However, Allstate did request to move its effective dates to March 18, 2019 for new business and May 18, 2019 for renewal business.

[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 rates are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*.

III ANALYSIS

[6] Allstate sought approval to change its rates for Private Passenger Vehicles. The Application was made in accordance with the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Discounts and Surcharges (Rate Filing Requirements)*.

[7] Allstate's Application did not qualify to reset the mandatory filing date deadline, which remains as March 1, 2020.

[8] Allstate proposed the introduction of the Vehicle Safety Discount. The discount provides for a reduction in premium, if the vehicle is equipped with a number of driver warning/driver assist safety features or if the client agrees to use the cellular phones "Do Not Disturb" feature when driving. The discount, which applies to Bodily Injury and Accident Benefits only, will be the sum of the component discounts for all safety features that apply, to a maximum discount of 15%.

[9] Based upon expected uptake of the component discounts, Allstate proposed a small increase to base rates that, when combined with the expected discount levels, results in the introduction being revenue-neutral.

[10] The Vehicle Safety Discount is comprised of seven component discounts, as follows:

Safety Feature	Component Discount Level
Forward Collision Mitigation	5.0%
Lane Departure Mitigation	5.0%
Selected (Restricted) Driver Mode	2.5%
Driver Monitor	1.0%
Warning Systems	0.5%
Parking Assist Sensor & Camera	0.5%
"Do Not Disturb" Feature on Cellphone used While Driving	0.5%

[11] Allstate's analysis suggests that the safety features significantly impact the loss cost for Bodily Injury and Accident Benefit coverages but not for physical damage coverages. The Company speculated that any decrease in frequency for these coverages would be offset by the increased cost to repair/replace these features. Allstate

also noted a competitor recently removed its discount from coverages other than Bodily Injury and Accident Benefits.

[12] To develop most of the component discount levels, Allstate examined loss ratio data from 2016- 2018 for its own countrywide data. Where available (or where sufficient volumes of vehicles with the safety features existed), Allstate compared the loss ratios for vehicles with the feature versus those without the feature. Based upon this one-way analysis, Allstate selected its discount levels.

[13] This approach was used for the Mitigation features (i.e., Forward Collision Mitigation, Lane Departure Mitigation), the Safe Driver Mode feature, and Parking Assist Sensor & Camera feature.

[14] For the remaining features, Allstate either did not have sufficient data or data was not available. For the Driver Monitor (few vehicles have this) and “Do Not Disturb” Cellphone Feature (data not readily available), Allstate selected initial modest discount levels. The Company will track actual experience as it emerges and will adjust the discount, if and when the experience warrants.

[15] For the Warning systems (Forward Collision, Rear Collision, and Lane Departure), Allstate proposed the small discount regardless of how many of these warnings apply.

[16] Having established the discount levels, Allstate sought to determine the off-balance factors that would make the impact revenue-neutral, if the expected uptake is realized. To accomplish this, Allstate developed adoption rates for each of the features. Allstate developed projections of the distribution of safety features by model year using country wide data from the Insurance Bureau of Canada. This larger data set was used

to allow for a projection of the general population of vehicles by model year. It also is consistent with other vehicle information used by Allstate for rate groups.

[17] Applying a projected distribution of vehicles by model year, to the projected proportion of vehicles equipped with each of the safety features (excluding “Do Not Disturb”), allowed Allstate to determine adoption rates expected for these features.

[18] For the “Do Not Disturb” Cellphone component discount, Allstate judgmentally selected an adoption rate, based upon the proportion of iPhones and Android devices with this feature. Allstate observed that since it is very easy to get this discount (no forms or proof are required), the actual adoption rate could be much higher. In this light, the selected adoption rate seems prudent.

[19] Once these adoption rates are applied to the proposed discount, the impact of the discounts for the expected number of policies is known. This impact would then be off-balanced through the Bodily Injury and Accident Benefits base rates to make the expected use of the features revenue-neutral. The result was a small increase to the base rates for both these coverages.

[20] Allstate explained that for each of the safety features that apply, the proposed component discounts would be added together to determine the Vehicle Safety Discount that would apply. If all the features apply, the client would receive the 15% maximum discount.

[21] Allstate noted that the proposed discount has already been approved for use in Ontario.

[22] Board staff recommended the Board approve the proposed Vehicle Safety Discount and the proposed component discount levels as filed.

Automobile Insurance Manual Review

[23] Board staff reviewed the Automobile Insurance Manual included in the Application and found no areas where Allstate appeared to be in violation of the *Regulations*. Allstate proposed no changes to its Automobile Insurance Manual other than those necessary to effect the changes noted in this Decision.

IV FINDINGS

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

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

[26] The Board finds the proposed rates are just and reasonable. The Board approves the new Vehicle Safety Discount.

[27] The Board approves the effective dates of March 18, 2019, for new business and May 18, 2019, for renewal business.

[28] Allstate 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.

[29] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 17th day of December, 2018.



Peter W. Gurnham