

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -



IN THE MATTER OF AN APPLICATION by **AVIVA INSURANCE COMPANY OF CANADA** for approval to modify its endorsements for commercial vehicles

BEFORE: Jennifer L. Nicholson, CPA, CA, Member

APPLICANT: AVIVA INSURANCE COMPANY OF CANADA

FINAL SUBMISSIONS: December 3, 2018

DECISION DATE: December 21, 2018

DECISION: Application is approved.

I INTRODUCTION

[1] Aviva Insurance Company of Canada (Aviva or Company) filed supporting documents and materials (Application) with the Nova Scotia Utility and Review Board (Board) for approval to modify its endorsements for commercial vehicles. The Application was dated and received by the Board on November 26, 2018.

[2] Information Requests (IRs) were sent to the Company on November 27, 2018, and responses were received on November 28, 2018.

[3] As a result of a review by Board staff, a staff report dated November 29, 2018 (Staff Report) was prepared and provided to the Company for review on that date. The Company responded December 3, 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 Application.

II ISSUE

[5] The issue in this Application is whether the proposed change to the Company's endorsements will result in rates which are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*.

III ANALYSIS

[6] The Company sought approval to change its endorsements for commercial vehicles.

[7] The proposed effective date is February 1, 2019, for new and renewal business.

Endorsement Changes

[8] Aviva proposed the introduction of a non-standard endorsement, which it has identified as ANSODF – One Deductible for Multiple Policies and Coverages Combined in a Single Occurrence, for its individually rated commercial vehicles.

[9] This endorsement would result in only one deductible in the event of an occurrence that results in claims on multiple vehicles that are potentially under various coverages and more than one policy. Currently these would require the payment of a separate deductible for each vehicle and coverage. An example of such an incident would be a hail storm that damages several vehicles.

[10] Aviva explained the level of the deductible would be set following discussions between the insured and the broker.

[11] This endorsement has resulted from requests by Aviva's transportation accounts, which have individually rated risks and many insured vehicles.

[12] The client would be able to select the vehicles on which the endorsement would apply. Only commercial vehicles and private passenger vehicles would be allowed. Recreational or miscellaneous vehicles are not eligible.

[13] Aviva explains that the current fleet endorsement uses this premium structure. The Company currently offers the endorsement in Alberta and New Brunswick using this premium structure. Aviva wants the Nova Scotia offering to be consistent.

[14] This endorsement reduces the deductible for multiple vehicle incidents but requires a higher premium. The premium for the endorsement would be 5% of the premiums on all vehicles for the following coverages: Collision, Comprehensive, All Perils and/or Specified Perils, plus 5% of the endorsement 27B – *Legal Liability for Damage to Non-Owned Automobile Business; Operations for Non-Owned Automobiles in Your Care, Custody or Control*, if included.

[15] The expectation is there would be net savings for clients when offsetting the increased premium with the lower deductible. Aviva provided two examples of a tractor and trailer combination with and without the ANSODF endorsement. One example used a \$500 deductible, while the second example used a \$1,000 deductible.

[16] The first part of the example illustrated that the single deductible plus the cost of the endorsement, assuming a 15% chance of the event occurring, resulted in the client overall paying less with the new endorsement. The second part of the example demonstrated that the proposed premium is lower than the theoretical premium for one vehicle with the selected deductible and the second having a \$0 deductible. The latter combination replicates the coverage the ANSODF provides. These examples considered a client with two insured vehicles. Clients with additional insured vehicles would potentially save more.

[17] The Board requires companies to receive approval of the wording of any non-standard endorsement from the Superintendent of Insurance, before the Board will approve the rates. Aviva included an August 29, 2018, email from the office of the Superintendent with the required approval.

[18] Board staff recommend the Board approve the proposed introduction of the non-standard endorsement and the proposed premium structure, as filed, and the Board agrees.

Automobile Insurance Manual

[19] Board staff have 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

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

[21] The Board approves the introduction of the endorsement.

[22] 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.

[23] The Board finds the proposed endorsement will result in rates that are just and reasonable.

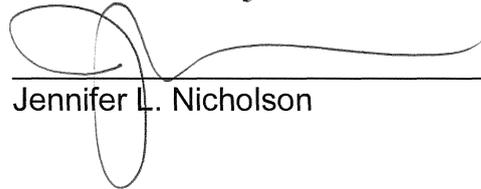
[24] The mandatory filing date for commercial vehicles for the Company remains as October 1, 2019, as set in its most recent commercial vehicle rate application.

[25] The Board approves the effective date of February 1, 2019, for new and renewal business.

[26] 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.

[27] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 21st day of December, 2018.



Jennifer L. Nicholson