

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 of changes to its rates and risk-classification systems for private passenger vehicles and miscellaneous vehicles

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

APPLICANT: CO-OPERATORS GENERAL INSURANCE COMPANY

FINAL SUBMISSIONS: March 8, 2019

DECISION DATE: April 12, 2019

DECISION: Application is approved

I INTRODUCTION

[1] Co-operators General Insurance Company applied to the Nova Scotia Utility and Review Board for approval to:

- add a group discount;
- change its rating rules to allow a certain type of right-hand drive vehicle;
- adopt a new premium dislocation cap for certain specified policies.

[2] Co-operators proposed that these changes would apply to private passenger and miscellaneous vehicles, effective July 10, 2019, for new business, and October 7, 2019, for renewals.

[3] Co-operators made the application under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Discounts and Surcharges (Rate Filing Requirements)*. Board staff determined that those requirements would not allow this application but agreed to treat it as a simplified *Section 155G Prior Approval* application.

[4] Co-operators responded to Information Requests (IRs) from Board staff. After reviewing the application and the IR responses, Board staff prepared a report (Staff Report). Co-operators had no comments after reviewing the Staff Report.

[5] In this decision, the Board approves the application. The mandatory filing dates for both classes of vehicle remain unchanged.

II ISSUE

[6] The issue in this application is whether the proposed group discount, change to rating rules and new premium dislocation cap are just and reasonable and comply with the *Insurance Act and Regulations*.

III ANALYSIS

Group Discount

[7] COSECO Insurance Company is a sister company of Co-operators. COSECO offers a group discount at levels up to 20%. The discount is based upon the four-year loss ratio for the group, and other criteria, including the group size, geographical area, and demographics. All groups insured by COSECO meet the eligible group definition in the *Regulations*.

[8] Co-operators does not offer a group discount currently, but proposes to do so. The proposed discount will use the same criteria, eligible group definition, and discount levels as COSECO, but will also include a new 25% discount level for the most profitable groups.

[9] The Board accepts the recommendation of Board staff to approve the proposed introduction of the group discount.

Rating Rule Change

[10] Co-operators does not insure right-hand drive vehicles. COSECO currently insures these vehicles for members of the Canada Post Rural Route Mail Carriers group if they are used for mail delivery purposes only. For consistency, Co-operators also wants to underwrite these specific vehicles. To do so, Co-operators requires the proposed change to its rating rules.

[11] The Board approves the recommendation of Board staff to allow this change.

Premium Dislocation Cap

[12] Co-operators currently applies a premium dislocation cap which limits increases to 20% and decreases to 10% at policy renewal. Co-operators wants to impose a different cap only for private passenger vehicle policies. The new cap would apply only to any vehicles that may transfer to Co-operators from COSECO. The cap would address any large premium increases, or dislocation that may result from such a transfer. The proposed cap for such transfers would be 10% for increases, with no decreases permitted. This cap would apply only for the first two policy terms, after which the standard Co-operators cap would apply. Like the standard cap, the proposed cap applies at the vehicle premium level, excluding endorsements.

[13] Co-operators said its administration system will allow it to track which of the two caps to apply to a policy. Due to a systems limitation that allows only one cap per policy, however, any new vehicles added to a transferring COSECO policy will be subject to the new cap during the first two policy terms.

[14] Should a miscellaneous vehicle transfer from COSECO, the current Co-operators cap for that type of vehicle, if any, would apply. Currently, Co-operators only has a cap of 15% on increases at renewal for motorcycles; no cap applies to any other miscellaneous vehicle.

[15] Board staff confirm that the proposal meets the Board's requirements for premium dislocation capping. Board staff have recommended approval of the proposed cap for private passenger vehicles transferring from COSECO. The Board is satisfied that the cap is reasonable and complies with the Board's requirements. The Board approves the cap.

Automobile Insurance Manual

[16] Board staff reviewed the Automobile Insurance Manual on file, and found no instances where Co-operators appears to be in violation of the *Regulations*. The only changes proposed to the Co-operators Manual are to reflect the group discount and right-hand drive vehicle changes approved in this application.

IV FINDINGS

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

[18] The financial information provided satisfies the Board, under Section 155I(1)(c) of the *Act*, that the proposed changes are unlikely to impair Co-operators' solvency.

[19] The Board finds the introduction of the group discount, the change in the rating rules for right-hand drive vehicles, and the proposed additional premium dislocation cap are just and reasonable.

[20] The Application does not qualify to re-set the mandatory filing dates for private passenger vehicles or miscellaneous vehicles.

[21] The Board approves the effective dates of July 10, 2019, for new business and October 7, 2019, for renewal business.

[22] The Board requires Co-operators to file an electronic version of its updated Automobile Insurance Manual within 30 days of the date when the Board issues its Order in this matter.

[23] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 12th day of April, 2019.



Roberta J. Clarke, Q.C.